

# Entertainment, Arts and Sports Law Journal

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

## Letter from the Chairman



Alan D. Barson

The feedback from my first appearance on this page in the Spring 2006 edition was truly gratifying, and I want to thank the many of you who responded so positively and warmly.

Since becoming Chair, I have learned a number of things about our Section. We have a large and active membership, with lawyers occupying every corner of the entertainment, art

and sports law fields, at every level, from law students and first-year attorneys to senior partners at leading national and international firms and senior legal and business affairs executives at multinational media cor-

porations. While the majority of our members are located in New York City and around the state, we also have members in twenty-eight other states and twenty countries, with significant representation in Canada, China, most European countries and the UK, Japan, Korea and throughout the Pacific Rim. We plan to include more specific information about who we are and where we are as part of an EASL Section annual report and directory in a future issue of the *Journal*.

The job of keeping Section membership relevant and useful to most, if not all of you belongs to the Section's leadership, which comprises its elected Officers and District Representatives, and seventeen appointed Committee Chairs. Based on the comments I have been receiving, we seem to be moving in the right direction. However, there are a number of areas where we can

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improve and one of them is keeping you up-to-date with enhancements to your membership. For example, you already know how great a resource the *EASL Journal* is, but did you know that every issue going back six years is posted on the EASL Section's web site ([www.nyeasl.org](http://www.nyeasl.org))? More than that, did you know that the entire archive is searchable? What good is a great resource if you can't find what you are looking for? Well, now you can. Take a look, and while you're there, take a look at some of the other offerings on our (your) web site. And please tell us what you like, don't like or think we can do better. Even though we are constantly tweaking it, your input will make a real difference.

You probably received the e-mail message and snail-mail letter regarding complimentary access to Loislaw. But did you sign up? If not, it only takes a second, and you will immediately begin receiving abstracts (with links to the full text) of court decisions that are relevant to your practice area. We have developed a search string that is continually being refined, so while the service is already very good, it will improve. You can sign up by clicking on: [www.nysba.org/casealerts](http://www.nysba.org/casealerts). Since this is an exclusive member benefit, you will need to log in using your NYSBA member user name and password. The next screen will give you the opportunity to opt in to this new service, confirm the e-mail address to which you want the e-alerts sent, and select the practice area of your choice. Shortly thereafter you will begin receiving case alerts at the e-mail address you designate.

Many of you responded positively to the electronic version of my first letter, some by saying you liked hearing about Section activities. This is fine, but a far better way for you to stay informed and involved, which is both easy to do and won't cost you a dime, is to join a few committees. It's becoming my mantra, but it really is the best way to get the most out of your EASL Section membership. With the convergence our industries have undergone over the last decade, it makes sense to sign up with several of the committees. Go to: [www.nyeasl.org](http://www.nyeasl.org) and click on the **Section and Committee Membership** button link on the left. You will find comprehensive information about the Section's committees, as well as a description of all of the programs offered going back to the beginning of 2005, which will give you an idea of what to expect in the future. (You may also find a few programs you'll kick yourself for having missed.) By signing up with multiple committees, you will receive timely notification of committee offerings, most of which include CLE credits and pretty decent lunches.

But wait—there's more! Our CLE meetings and programs are priced at a *fraction* of what other profes-

sional organizations charge for comparable (and sometimes not comparable) programs. Yes, the EASL Section is highly competitive on price. We can be because our Section and its committees are not required to make a profit from hosting meetings ("revenue neutral" is the term we use). Thus, what you pay to attend a program or meeting is essentially what it costs to organize it. How can you go wrong?

Some of the initiatives I would like to give priority to during my chairmanship were discussed in the Spring '06 issue. Now I am asking for your support in implementing them. For example, we need to grow the Section's membership. The greater our numbers, the greater our strength. And the stronger we are, the more we can achieve, not just for ourselves and our clients, but for the profession and public as well. So please, ask yourself, if EASL Section membership is valuable to you, might it not also be valuable to several of your colleagues? There is nothing more persuasive than hearing about the benefits of membership from a trusted friend or colleague. Please help us grow stronger by spreading the word.

Hopefully, Bar Association dues will not be a barrier to joining or remaining an EASL Section member. However, for those facing uncertain economic conditions, the NYSBA sponsors a Dues Waiver Program, details of which can be found at [www.nysba.org/dueswaiver](http://www.nysba.org/dueswaiver). For Section-wide programs, scholarships are usually available too, and details are provided in the program announcements. Being part of a strong professional organization can play an important role in career development, particularly during periods of transition or other challenging times. If this speaks to you, please don't hesitate to take advantage of these benefits. Complete confidentiality is assured.

Another initiative where your support is essential is helping our Section become more diverse. And I am talking about ethnic diversity. The Section is relatively diverse by gender, age and, it seems, geography, but we fall well short when it comes to ethnic diversity. This is becoming another mantra of mine. The EASL Section's membership and leadership should reflect, at least, the diversity in our respective industries. Right now, it doesn't, and this is wrong. Please support this important initiative by spreading the word and getting involved.

Finally, at a recent Section Leader's Conference organized by the NYSBA, I learned that fully twenty percent (!) of EASL Section members have not supplied the NYSBA with their e-mail addresses. Since many of our announcements are now sent only by e-mail, *please* consider furnishing your e-mail address so we can

*(continued on page 3)*

# Editor's Note re: Plagiarism

It seems that far too often a news piece appears, stating how an author (whether he or she is a novice or veteran) has lifted passages and/or the expression of ideas from another's work. In addition, from what has been reported recently, it appears that the act of plagiarizing term papers and reports is quite commonplace among high school and college students, with emergency faculty committees forming at various schools in attempts to quell such behavior.



I am interested in receiving articles from and/or opening a discussion with you, the *EASL Journal's* readership, as to these and other issues.

**THE NEXT EASL JOURNAL DEADLINE IS  
FRIDAY, SEPTEMBER 15, 2006**

Elissa

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What does this do to the quality of literature, academia and professional journals? What are some possible solutions to the problem? Why do authors (prominent, student or otherwise) plagiarize, even if the chance is high that they will be discovered? What has the legal community done to combat plagiarism? Is there a differentiation between how plagiarists and copyright infringers are treated by the courts?

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## Message from the Chair

*(continued from page 2)*

reach you electronically. This saves trees and other valuable resources, and allows us to better serve you. Be assured—the NYSBA has an iron-clad privacy policy to protect your identity, which you can read at [www.nysba.org/privacy](http://www.nysba.org/privacy).

It would be remiss of me not to mention the passing of the torch in Bar Association leadership. We warmly and enthusiastically congratulate Mark Alcott upon his ascendancy to President of the NYSBA, and graciously thank outgoing President Vince Buzard for his selfless dedication and support during his term at the helm. Please take a moment to read about the initiatives Mark has announced for his tenure. In particular, please join me in pledging support for the "Empire State Counsel" program, which you can, and I hope will, read about here: [www.nysba.org/empirestatecounsel](http://www.nysba.org/empirestatecounsel).

Lastly, how many of you knew that the *EASL Journal* makes great beach reading?

Have a great summer!

Alan Barson  
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Alan D. Barson, Esq. practices entertainment, copyright and trademark law. He is based in New York City, and represents creative and executive talent in the motion picture, television, home video, book, recording, music publishing, licensing, touring, theatre and new media industries. In addition to serving as Chairman of the Entertainment, Arts and Sports Law Section of the New York State Bar Association, Alan co-chairs the Section's Music and Recording Committee and is a section delegate to the Association's House of Delegates.

# NYSBA Guidelines for Obtaining MCLE Credit for Writing

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

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

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

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

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

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

**Catch Us on the Web at  
[WWW.NYSBA.ORG/EASL](http://WWW.NYSBA.ORG/EASL)**



# Congratulations to the Summer 2006 Law Student Initiative Winning Authors:

David J. Kozlowski of St. John's University School of Law, for  
"Knocking Out Inequity: Problems and Prospects of Unions in Boxing"

And

Justin Pats of Marquette University Law School, for  
"Originality Standard as Applied to Photographs and Other Derivative Works: A Need For Change"

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

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

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

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

## Requirements

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

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

- **Deadline:** Submissions must be received by **Friday, September 15, 2006.**
- **Submissions:** Articles must be submitted via a Word email attachment to [echeckeresq@yahoo.com](mailto:echeckeresq@yahoo.com) or via mail to:

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

## Topics

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

## Judging

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

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

# Pro Bono Update

By Elisabeth K. Wolfe

## EASL SPONSORED VLA CLINIC

EASL held its most recent clinic in May at Volunteer Lawyers for the Arts (“VLA”) in Manhattan. Seventeen EASL attorneys volunteered to staff the clinic and meet with VLA members in half-hour appointments. The attorneys covered a range of issues for over twenty clients, including a contract review for a marketing and promotions company, exploring copyright issues, determining the best way to structure a not-for-profit organization, how to register a copyright, copyright infringement questions, review of a management and songwriters contracts, LLC structuring, and a trademark litigation question.

Afterwards, many volunteers commented that it felt great to give back to the community in an easy and fun way. Many expressed interest in returning to volunteer at future clinics. Jim Doherty of Eisenberg Tanchum & Levy felt that the experience was a positive one overall and was happy to be able to donate his time in a constructive and time-effective way. As always, the VLA staff was extremely helpful in answering questions and providing our attorneys with additional reference materials. Thank you to all the attorneys who volunteered:



Adam Pittsburg and Mary Ann Zimmer



Stephen Rodner, Jennifer Romano Bayles, Barry Reiss

Alan Barson  
Michele Cerullo  
Camrin Crisci  
James Doherty  
Ami-Cietta Duce  
Rob Elder  
Ira Kaufman  
Diane Krausz  
Adam Pittsburg  
Judith Prowda  
Barry Reiss  
Sarah Ritch  
Stephen Rodner  
Jennifer Romano Bayles  
Ken Sweezy  
Mary Ann Zimmer

Elisabeth Wolfe is Co-Chair of the Entertainment, Arts and Sports Law Section Pro Bono Committee



Sarah Ritch and Ami-Cietta Duche



Elena Paul and Allison Mattera Charles of VLA



Rob Elder, Diane Krausz, Judith Prowda, Jennifer Romano Bayles, Michele Cerullo



Elisabeth Wolfe, Alan Barson, Michele Cerullo



James Doherty



Allison Mattera Charles and Jeffrey Klein of VLA

# The Phil Cowan/BMI Scholarship

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

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

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

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

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

## Law School Scholarships

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

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

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

Cowan chaired the EASL Section from 1992 to 1994. He earned his law degree from Cornell Law School, and was a frequent lecturer on copyright and entertainment law issues.

## About BMI

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

## About the EASL Section

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

## About the NYSBA

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

**Upcoming *EASL Journal* Deadline: Friday, September 15, 2006**

# Copyright Infringement—When Does It Accrue?

By Joel L. Hecker

The United States Copyright Act states that a claim for copyright infringement must be brought within the statute of limitations. That time period, as set forth in the Act, is “within three years after the claim accrued.”<sup>1</sup> The courts have had difficulty in determining how to define when a claim “accrues.”

## The Competing Rules to Consider

We have not as yet had any clear answer to this basic question. The various federal circuit courts are split on the issue and even the district courts within circuits do not always show uniformity. The difficulty arises in determining whether the actions accrue at the time of the infringement regardless of whether or not the copyright owner is aware of the infringement, which is known as the “Injury Rule,” or the time when the plaintiff or copyright owner knew or should have known about the infringement, which is called the “Discovery Rule.”

## A Southern District of New York Analysis

This issue was recently revisited by the United States District Court for the Southern District of New York in *Roberts v. Keith*.<sup>2</sup> The District Court, in this case, stated that except for certain kinds of tolling or extension of the statute of limitations, the standard for determining accrual of infringement actions under the Copyright Act should be governed by the Injury Rule.

The District Court came to this conclusion after an analysis of the legislative history and court decisions, including the 2004 Southern District of New York decision in *Auscape International v. National Geographic Society*.<sup>3</sup> The District Court relied upon this prior analysis, which seems to have tipped the balance away from the Discovery Rule that had theretofore been the more prevalent one, to the Injury Rule, at least in parts of the Southern District of New York.

## Continuing Infringement Claim Rejected

The District Court also rejected the plaintiff’s claim of a “continuing infringement.” This is the argument that an infringement of a given work, which commenced before the three-year period, ought to still be actionable if it is continuing and ongoing, as long as infringing activity occurred during the three year look-back period as well. In other words, if the continuing acts occurred prior to and during the three-year period, then the infringement should be actionable but only limited to damages during the current three years. The District Court in *Roberts* rejected this concept as not being the law (at least as viewed by that Court).

However, in an interesting twist of fate, the District Court then ruled that the common law doctrine of tolling by fraudulent concealment applied to the particular facts in *Roberts*. The court therefore tolled the statute of limitations because it found that the complaint stated a cause of action that 1) the defendant willfully and wrongfully concealed the infringement, which prevented the plaintiff’s discovery of the claim within the three years, and 2) the plaintiff used due diligence to pursue the claim after discovery. In effect, the District Court found sufficient pleadings to presume that the defendant deliberately lied to the plaintiff in order to conceal his infringement and that there was no reason the plaintiff should have discovered these actions prior to the time he did. The claim was therefore permitted to proceed.

Thus this case, if its reasoning is followed, would certainly limit infringement actions to those actually brought within three years of the infringement, even if the plaintiff does not discover it in time. The court left open a loophole, however, to permit such actions to be brought if there was deliberate fraud involved.

Since the District Court decision is not a final determination of the matter, it is not appealable and will not, at least at this stage, become the vehicle for the Second Circuit Court of Appeals to consider the issue, which it has heretofore not squarely considered.

## Ninth Circuit Decides for Discovery Rule

This decision is to be compared with another recent, albeit slightly older decision out of the Ninth Circuit Court of Appeals, which held the exact opposite. In *Kourtis v. Cameron*<sup>4</sup> the Ninth Circuit continued a long line of decisions validating the Discovery Rule. It reaffirmed *Roley v. New World Pictures, Ltd.*,<sup>5</sup> a 1994 decision which held that “a cause of action for copyright infringement accrues when one has knowledge of a violation or is chargeable with such knowledge.”<sup>6</sup> *Kourtis* was decided eight months earlier than the *Roberts* decision, and therefore could not have been influenced by it. However, *Kourtis* was decided a year after *Auscape* and presumably the *Kourtis* Court was aware of the rationale underlining *Roberts* which relied so heavily on *Auscape*.

## Ninth Circuit Also Upholds Continuing Infringement Claim

The Ninth Circuit Court, in *Kourtis*, also reaffirmed its acceptance of the continuing infringement theory. “In a case of continuing infringement, however, an

action may be brought for all acts that accrued within the three years preceding the filing of the suit.”<sup>7</sup> As the *Kourtis* complaint did not identify the date on which the plaintiff discovered the acts of continuing infringement complained of, the Ninth Circuit was unable to conclude that the Kourtises’ claim was time-barred in its entirety. Since the issue was a factual one, it left open to the defendant the right to pursue the statute of limitations issue on summary judgment once there was a more complete record.

## Conclusion

There would appear to be open issues yet unresolved, and other courts within the Second and other Circuits will probably weigh in on the matter. Ultimately, the issue may have to be finally determined by the Supreme Court. In the meantime, the moral is to make sure clients are aware of uses of their copyrighted material and make sure they, or counsel, act expeditiously whenever an infringement or potential infringement is revealed.

## Endnotes

1. 17 U.S.C. Section 507(b).
2. 2006 WL 547252 S.D.N.Y. (March 7, 2006).

3. 409 F. Supp. 2d 235 (S.D.N.Y. 2004).
4. 419 F.3d 989 (9th Cir. 2005) (Opinion filed August 15, 2005).
5. 19 F.3d 479 (9th Cir. 1994).
6. *Id.* at 481.
7. *Id.*

**Joel L. Hecker, Of Counsel to Russo & Burke, 600 Third Avenue, New York, NY 10016, practices in every aspect of photography law. He acts as general counsel to the hundreds of professional photographers, stock photo agencies, graphic artists and other photography and content-related businesses he represents nationwide and abroad. He also lectures and writes extensively on issues of concern to these industries, including his monthly column “You And The Law” in PhotoStockNotes. He is a longtime member and past Trustee of the Copyright Society of the U.S.A., a member of the Entertainment, Arts and Sports Law Section of the New York State Bar Association and member of the Copyright and Literary Property Committee of the Association of the Bar of the City of New York. He can be reached at (212) 557-9600, fax (212) 557-9610, website <http://www.russoandburke.com>, or via email: [HeckerEsq@aol.com](mailto:HeckerEsq@aol.com). Specific references to his articles and lectures may be located through Internet search engines under the keywords: “Joel L. Hecker.”**

# ENTERTAINMENT LAW REPORTER

## The Entertainment Law Reporter has gone online at [www.EntertainmentLawReporter.com](http://www.EntertainmentLawReporter.com)

Technology is revolutionizing the entertainment industry. Its impact on the music business is the most dramatic so far, though the movie business is close behind. Book and periodical publishers are feeling technology's effects too. Even the *Entertainment Law Reporter* has not been immune. So, after more than 27½ years of traditional publishing in print, the *Entertainment Law Reporter* is available online, free-to-the-reader, at [www.EntertainmentLawReporter.com](http://www.EntertainmentLawReporter.com).

Simply navigate your browser to the *Reporter's* website, and that month's articles will be there, waiting for you to read. In fact, new articles will be posted many times each month, just as soon as they are written, to get the information to you more quickly than was possible with a monthly print publication.

# Knocking Out Inequity: Problems and Prospects of Unions in Boxing

By David J. Kozlowski

Boxing is the oldest major professional sport in the country.<sup>1</sup> Despite this long history, boxers have never formed an effective union to represent their needs. This is largely because “[b]oxing is currently the only major professional sport in the United States that is not governed by a central body, league, or association.”<sup>2</sup> Major League Baseball, the National Football League, the National Basketball Association, and the National Hockey League have player unions that negotiate with their respective leagues on behalf of players. Even thoroughbred horse owners and professional poker players have organized to ensure that their rights are not violated.<sup>3</sup> Boxers, however, have traditionally been left to individually fend for themselves.

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*“There is no umbrella organization under which boxing and boxers are governed.”*

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Boxers have no health or pension benefits. The brutal nature of the sport claims the lives of some and leaves many others crippled with brain damage. Boxers often have little training for jobs outside the ring. Few earn top dollar in the sport. Many retire, then return to the ring, older, more destitute, and in serious danger of sustaining injury.<sup>4</sup> A functioning, well-established union could pave the way to safer and more secure lives for pugilists in the sweet science.

## Problems Within the Sport and for the Athletes

Boxing is dissimilar from other major sports in the United States and thus encounters different problems. These differences also create problems for the boxers themselves.

### What Makes Boxing Different

The nature of boxing is wholly different from other sports. Rather than compete in a league over the course of a season, or compete in a tournament, boxers compete on a fight-to-fight basis.<sup>5</sup> There is no umbrella organization under which boxing and boxers are governed. Instead, there are various organizations, all of which have some input in determining the path a boxer’s career follows.<sup>6</sup>

Boxers are usually represented by managers who deal with the business side of the boxers’ careers.<sup>7</sup> In exchange, the manager takes a percentage of his client’s earnings from each fight.<sup>8</sup> A manager negotiates a contract for the boxer with a boxing promoter. In exchange for exclusivity in promoting the boxer, the promoter pays all expenses involved with promotion of the boxer’s bouts, and guarantees a set number of bouts for a set payment, or “purse.”<sup>9</sup> The promoter receives payment in the form of total revenues generated by the fight, less expenses.<sup>10</sup> Well-known promoters such as Don King and Bob Arum promote some of the best fighters in the world,<sup>11</sup> giving them influence over two other entities: television networks and sanctioning organizations.<sup>12</sup>

The television networks, led by Home Box Office (“HBO”), closely followed by Showtime, then distantly followed by Telemundo, Telefutura and ESPN, publicize boxing and bring notoriety to fighters.<sup>13</sup> These networks contract to have the rights to showcase the best fighters and best fight match-ups.<sup>14</sup> These contracts mean a fighter’s purse will be higher if he is involved in a televised bout. A boxer wanting to earn “television” money needs to become marketable. This often means signing with a well-known promoter and earning a title belt.

In boxing, fighters are separated by weight into seventeen weight classes.<sup>15</sup> Sanctioning organizations determine who the champions are in the respective weight classes, and award a title belt to each. There are more than a dozen sanctioning bodies, each of which names a champion.<sup>16</sup> Boxers wanting to compete for a title belt must belong to a sanctioning organization, which often means paying that organization to sanction fights.<sup>17</sup>

In sum, a boxer must pay and negotiate a deal with a manager, hope to be of interest to a promoter who can set up large bouts with high payouts, and (often) pay a sanctioning body. The variables involved—including the quality of the manager and promoter, the inequitable dealings of the myriad of sanctioning bodies, the possibility of injury to the fighter, and the possibility that a poor performance could mean the end of the public’s interest in a fighter’s career—present unique problems for boxers.<sup>18</sup>

## Problems Faced by Boxers

Most professional boxers will not be world champions or make millions of dollars from the sport.<sup>19</sup> These men and women have practical concerns. One concern is that contracts are often an opportunity for unscrupulous managers and promoters to take advantage of fighters. Such entities sometimes have fighters “sign multi-fight contracts with extension clauses that effectively bind them . . . indefinitely.”<sup>20</sup> Boxers would benefit from a uniform contract or a contract reviewing service.

Another concern is that boxing is a notoriously brutal sport. Since 1900, 1,326 fighters on record have died in the ring or from injuries sustained in the ring.<sup>21</sup> Boxers are literally risking their lives every time they fight. The constant pounding to the head that many boxers receive can cause chronic encephalopathy, or death.<sup>22</sup> Chronic encephalopathy develops over time and is generally untreatable.<sup>23</sup> It can result in personality and behavioral changes, intellectual impairment, and motor skill deficits—symptoms generally akin to Alzheimer’s and Parkinson’s diseases.<sup>24</sup> Stringent safety regulations need to be created and regulations that exist need to be enforced in order to address this concern.

Most boxers have no medical coverage or pension plans. The lack of an umbrella organization or league to pay the costs incurred with such benefits makes the provision of these benefits difficult. Yet, it is undeniable that boxers need medical coverage because of the nature of the sport. Additionally, the lack of a pension causes many fighters to come out of retirement and return to the ring to earn money. This is a problem, because as a boxer’s physical skills deteriorate, his ability to defend himself or take a punch decreases, increasing the risk of injury. Also, the cumulative damage incurred in these fights may increase the odds that the fighter will suffer from a long-term disability.

In addition to a pension plan, career training is needed in the profession. Few fighters earn enough from boxing to support themselves for the rest of their lives.<sup>25</sup> Many boxers work day jobs while in their fighting prime; the money from fighting simply is not sufficient. After a career in the ring, a boxer needs skills for a post-ring working world. A career development program providing practical training or job placement would benefit these boxers.

Finally, boxing has a reputation of being a corrupt sport.<sup>26</sup> The sanctioning bodies invent clever ways of ensuring the boxers they choose are in the highest ranking positions. The promoters are often accused of unethical dealings with, if not outright theft from, boxers. Managers may be taking up to one-third of a boxer’s purse and performing very little work. Fight decisions are sometimes accused of being “fixed.” Cor-

ruption abounds in the boxing world. A union could help provide a voice for boxers and level the playing field.

## The Current Status of Unions in Boxing

In 1937 in a letter to the *New York Times*, former heavyweight champion Jack Dempsey called for the establishment of a union in boxing.<sup>27</sup> That was a time when unions were expanding and boxing was second in popularity among sports only to baseball.<sup>28</sup> Nothing came of Dempsey’s letter, however. Decades passed before there was a serious attempt at founding a union of boxers.<sup>29</sup> Currently, three major organizations exist that in some way play the role of a union.

### The Boxer’s Organizing Committee

Paul Johnson founded The Boxer’s Organizing Committee (“BOC”). Johnson, a former Marine and prizefighter, had previously served as president of the local chapter (and one term as president of the national chapter) of the Brotherhood of Railway and Airline Clerks.<sup>30</sup> An experience in his past motivated him to attempt to resolve problems facing boxers. Years ago, he had a fight for which he was not paid. He ended up collecting only half of the money, and received that by going directly to the promoter’s home.<sup>31</sup> To ensure that other boxers did not have to go through similar situations, he put his union experience and contacts to work and founded the BOC to be a union for boxers.

The BOC has received endorsements from boxers Roy Jones, Jr.; Oscar De La Hoya; Shane Mosley; Muhammad Ali and George Foreman.<sup>32</sup> Gaining media coverage, the BOC drew the attention of the International Brotherhood of Teamsters. In 2002, the BOC met with Danny Kane, President of the Teamster’s Local Union No. 202, and his attorney.<sup>33</sup> Mr. Kane faxed a proposal to the BOC,<sup>34</sup> which included a structure for creating a boxer’s union called the United Boxer’s Association (“UBA”). The proposal included a basic dues structure,<sup>35</sup> a minimum number of members needed,<sup>36</sup> and a basic organizational structure.<sup>37</sup> Part of the organizational structure was to have an Executive Director appointed by the Teamsters.<sup>38</sup> The BOC rejected this point of the proposal.

The Teamsters met with the BOC again, but still could not come to terms concerning how to appropriately appoint the Executive Director position.<sup>39</sup> At its May 2002 meeting, the Teamsters proposed to change the name of the union from the UBA to the Joint Association of Boxers (“JAB”).<sup>40</sup> Ultimately, the BOC leadership turned down offers of leadership roles with JAB and continued to pursue the goals of the BOC.<sup>41</sup> As of 2006, the BOC is still in existence and attempting to enlist support from prominent boxers “while remaining a union wholly of and for fighters.”<sup>42</sup>

## The Joint Association of Boxers

Eddie Mustafa Muhammad announced the formation of JAB in 2003,<sup>43</sup> and by May of that year, boxers met in Las Vegas to sign union cards at JAB's first meeting.<sup>44</sup> It was at this meeting that the boxers voted to seek affiliation with the Teamsters.<sup>45</sup> The same day, the Teamsters issued a press release noting they had begun the process of affiliating JAB.<sup>46</sup> The Teamsters' role in JAB is to provide financial support and organizing expertise.<sup>47</sup>

JAB has received support from former heavyweight champions Joe Frazier and Buster Douglas. Muhammad Ali, who sent a letter of support to be read at the press conference announcing the affiliation with the Teamsters, also supports JAB.<sup>48</sup> Additionally, Emanuel Steward, Teddy Atlas,<sup>49</sup> David Tua, Joel Casamayor,<sup>50</sup> and Larry Holmes<sup>51</sup> back JAB. Perhaps more importantly, JAB is convincing promoters to lend their support.

Cedric Kushner, then of Cedric Kushner Promotions ("CKP"),<sup>52</sup> also met with JAB in 2003 to discuss the possibility of CKP supporting the union.<sup>53</sup> In April 2004, the first all-union-member fight card was promoted by Cedric Kushner.<sup>54</sup> In addition to Kushner, Lou DiBella of DiBella Entertainment, Inc.<sup>55</sup> has agreed to work with JAB.<sup>56</sup> As of 2004, all DiBella shows were to feature only JAB members.<sup>57</sup> JAB also entered into talks with Don King, as well as Dan Goossen of Goossen Tutor Promotions.<sup>58</sup> As of 2006, JAB's progression has been slow.

## Fighters' Initiative for Support and Training

In 1998, Gerry Cooney, a former boxer, founded a non-profit organization to provide services and counseling to fighters.<sup>59</sup> "Aimed at helping boxers transition from the ring to new careers,"<sup>60</sup> Fighters' Initiative for Support and Training ("F.I.S.T.") has connected participants with more than 250 apprenticeship programs in various fields.<sup>61</sup>

F.I.S.T. is not a union for boxers.<sup>62</sup> Instead of helping boxers as a group, F.I.S.T. focuses primarily on training and educating individual retired boxers to help them become productive members of society.<sup>63</sup> Services provided by F.I.S.T. include medical and psychological examinations, counseling, work-search and job-readiness training, and mentoring programs.<sup>64</sup>

A few years back, F.I.S.T. announced its affiliation with the Office of Professional Employees International Union ("OPEIU") as a boxer's guild.<sup>65</sup> Through this alliance, F.I.S.T. continues with the traditional programs it offers, while planning to extend the programs to active fighters as well.<sup>66</sup>

## Problems with Forming a Labor Union under the National Labor Relations Act

Congress passed the National Labor Relations Act ("NLRA" or "the Act") in part to advance the settlement of issues between employers and their employees through collective bargaining concerning pay rates, hours, and working conditions.<sup>67</sup> The NLRA gives employees the right to self-organize, form, join, or refrain from joining labor unions.<sup>68</sup> Typically, in order to become a recognized labor union, a minimum of thirty percent of the employees of a bargaining unit petition the employer to have an election to determine if the employees want to be represented by a union.<sup>69</sup> Upon favorably receiving more than half of the votes cast, the labor union is empowered to collectively bargain on behalf of the employees with the employer.<sup>70</sup> Occasionally, when there is an overwhelming majority of employees who express desire in forming or joining a union, an employer will choose to voluntarily recognize a union.<sup>71</sup> The union in this circumstance is treated the same as it would have been had it won an election and is presumed to have support of a continuing majority of employees.<sup>72</sup>

In boxing, there are two major impediments to forming a union under the NLRA. First is the issue of defining who is the employer and who are the employees. Second is the practical problem of dealing with boxers as a vast and disperse group.

## Defining Employment

The NLRA definitions of "employer" and "employee" are facially vague.<sup>73</sup> Looking to existing case law, the fact that promoters are the people who pay the boxers makes them the most likely group to be considered an employer.<sup>74</sup> The difficulty arises in determining whether the individual boxer is an employee under the Act, or is excluded as being an "individual having the status of an independent contractor."<sup>75</sup>

In *National Van Line, Inc. v. NLRB*,<sup>76</sup> the court noted that it "is the total situation, including the risk undertaken, the control exercised, [and] the opportunity for profit from sound management, that marks these [respondents] as independent contractors."<sup>77</sup> In boxing, the financial risk is undertaken by the promoter.<sup>78</sup> The physical risk is obviously assumed by the boxer. Thus, the risk is arguably equal between the two. The opportunity to profit from sound management is weighted toward the promoter. The fighter, whether he works out on a daily basis and whether he wins or loses, is guaranteed a purse from the fight. The promoter, however, is relying on the amount in excess of what he has paid to make the fight occur—thus if there is unsound management, it is the promoter who will suffer.<sup>79</sup>

The issue of control is best dealt with by considering the “right to control” test:

Where the one for whom the services are performed retains the right to control the manner and means by which the result is to be accomplished the relationship is one of employment, while, on the other hand, where control is reserved only as to the result sought, the result is that of an independent contractor. The resolution of this question depends on the facts of each case, and no one factor is determinative.<sup>80</sup>

Determining whether boxers are employees or independent contractors using the “right to control” test is dependant upon the scope used to interpret the test. One interpretation, using a narrow scope, would be to view boxers as independent contractors because the promoter is only reserving control in the result sought—staging a fight. This leaves the boxer free to train as he sees fit, fight as he chooses, and win or lose.

Viewing the situation broadly favors viewing the fighter as an employee of the promoter. The fighter signs up with a promoter and agrees to fight a certain number of fights for a certain amount of money. The control of when the fights occur and the venues at which they occur is left to the promoter.<sup>81</sup>

It is possible that, under the NLRA, a boxer could conceivably be viewed as an employee of a promoter.<sup>82</sup> However, the practical problems involved with this construction might prove prohibitive of union formation.

### **Practical Problems**

If boxers are employees of promoters, questions remain as to who makes up the bargaining unit of “boxers.” Moreover, meeting the thirty percent requirement of the NLRA is impractical.

There are several ways that a union could attempt to indicate how the bargaining unit is devised. One way would be to include any person who fought at least one professional fight in the previous year. For example, from May 30, 2005 to May 29, 2006, 15,381 boxers fought at least one bout.<sup>83</sup> This method raises some problems. First, boxers do not have a common locus; boxers have bouts in a variety of countries. For example, Muhammad Ali over the course of three years fought in the United States, the Congo, Malaysia, the Philippines, Puerto Rico, and Germany.<sup>84</sup> Second, many boxers who are not U.S. citizens fight in the U.S., and many boxers who are U.S. citizens fight outside the U.S., and might not fight within the U.S. for a period of

a year or more. The problems with this method make it an unlikely alternative.

Another way to define the bargaining unit would be to limit it to boxers who are signed with a promoter. However, there are problems associated with this method as well. Although dozens of promotional companies exist, there are many boxers who are not signed with any. These are likely to be the less able fighters. This means that the fighters most likely to be injured<sup>85</sup> and those most in need of financial protection will be left without union benefits.

Finally, both methods would exclude sparring partners. These are people who are paid to help a boxer prepare for an upcoming fight by fighting practice rounds against him. Sometimes, sparring partners will be other professional boxers, in which case they may be signed to a promoter. Other times, they are not professional boxers and are thus excluded from the union even though they have the same safety concerns.<sup>86</sup>

As a model, organizations such as JAB and the BOC may choose to follow the example of the World Poker Player’s Association (“WPPA”). The WPPA attempted to represent some players in negotiations with television networks for licensing fees and with sponsors to create value in players wearing certain logos.<sup>87</sup> The WPPA recruited via e-mail and membership drives.<sup>88</sup> The Commissioner Pro Tem acknowledged that because there is no “boss” [employer], the WPPA could not be a true labor union.<sup>89</sup> Members did pay dues, but the organization was a not-for-profit association.<sup>90</sup> This type of organizational structure might be well suited for boxing.

Alternatively, boxers can organize a group, get signatures, and approach promoters with the intention of having the promoters recognize the group as a union without having an election.<sup>91</sup> Although this relationship will be in a state of dubious legality because the bargaining unit will not be defined, the boxers will benefit from collective bargaining and the promoters will benefit from drawing better fighters wanting to fight for a “union” promoter, and from the appearance of restored integrity to boxing. It is therefore unlikely that either group would raise a legal challenge.

### **Problems and Possible Solutions for the BOC, JAB, and F.I.S.T.**

The BOC and JAB (and to a lesser extent, F.I.S.T.) face other impediments to reaching their goals, yet all are coping with and finding solutions to the issues confronting them. The first practical problem deals with the method of membership recruitment and parameters of membership. The second problem deals with the lack of an umbrella organization or league. The third problem

is determining how to meet the goals of the boxers themselves.

### Recruitment Issues

With thousands of boxers fighting in hundreds of venues across the globe without a set schedule, coordinating a recruitment drive is a daunting task. In the initial offer to the BOC by the Teamsters (which laid the foundation for the deal between the Teamsters and JAB), the Teamsters estimated they would require twenty to thirty boxers to sign up for the union, including established champions and contenders.<sup>92</sup> Before that time, the BOC had relied upon direct recruitment of big name fighters.<sup>93</sup> The problem they encountered was that word of the union drive was spreading slowly.<sup>94</sup> One up-and-coming fighter speculated that most boxers would vote to certify a union if they had ballots.<sup>95</sup> Unfortunately, no current information about the recruitment methods of the BOC is available.<sup>96</sup>

Accurate information about recruitment techniques of JAB is likewise hard to find. In an October 2004 interview, JAB President Muhammad indicated that he gets telephone calls from promoters wanting to join and has several boxers signing up.<sup>97</sup> The number of JAB members is estimated to be between 250 and 300.<sup>98</sup> Regarding dues, in the Teamster proposal which paved the road for Teamster affiliation of JAB, fighters would pay at least \$22 per month or one percent of their purse.<sup>99</sup> By the first all-union fight card, that figure had changed. All fourteen of the boxers on that card had paid three percent of their purses.<sup>100</sup> Heavyweight contender Jeremy Williams “gave over the money because he knows he won’t always be a winner. He knows that in his line of work, a serious knockdown can end a career, and that there are no pension plans in boxing to see fighters through their retirement years.”<sup>101</sup>

Alternatively, F.I.S.T. does not recruit fighters, as there is no intention to make F.I.S.T. a union. Rather, F.I.S.T. attempts to help individual boxers, not boxers as a group.<sup>102</sup> F.I.S.T. has set up a toll-free telephone number that current and retired fighters, amateurs, sparring partners, and professional boxers can call to obtain services free of charge.<sup>103</sup>

Convincing fighters to join a union is an uphill battle. It is not the top fighters who will benefit from a union—they earn enough to sustain themselves—it is the average fighters who do not win championships or make millions of dollars.<sup>104</sup> The average fighters are going to be hesitant to give up any portion of their small purses for union dues, and the elite fighters will not want to pay for union benefits for others.<sup>105</sup> In other words, “nobody wants to part with the money to help the fighters, including the fighters.”<sup>106</sup>

### The Lack of an Umbrella Organization

In most major team sports, unions represent players by engaging in collective bargaining with the team owners. In boxing, the promoters are the parties most likely to be viewed as employers. Yet, because there is no league and as every promoter is a separate entity, the union concept suffers.

Since there is no league in boxing, there is no group to establish or enforce uniform rules, standards and practices, or medical insurance and pensions.<sup>107</sup> A union would essentially have to bargain with each promoter before each fight,<sup>108</sup> because “[e]very boxing match is essentially an ad hoc affair.”<sup>109</sup> When confronted with this problem, the BOC and JAB both contend they look to the Screen Actors Guild (“SAG”) and the American Federation of Television and Radio artists (“AFTRA”) as examples.<sup>110</sup> These organizations have given actors a voice in dealing with major production studios. Walter Kane, an attorney for JAB, said in an interview that an actor can be in a SAG or AFTRA union production and be entitled to receive benefits of the union membership, while across the street an actor can be working on a non-union production and not receive the benefits.<sup>111</sup> He continued that if a good enough structure was created where fighters would be sure of certain minimums as guaranteed by law, they would want to participate in union fights as opposed to non-union fights.<sup>112</sup> Neither the BOC nor JAB has given detailed comparisons of their efforts and the efforts of SAG or AFTRA.

There is also some talk of forming a boxing league.<sup>113</sup> Under a league, there would be only one champion in each weight class, as opposed to the many under the current sanctioning bodies.<sup>114</sup> A league would provide a boxing union with an entity with which it can collectively bargain on behalf of the fighters. One “league” proposal comes from promoter Lou DiBella, who said “[i]f a union is to work in boxing, then there needs to be some type of league or association of promoters that stand together and negotiate in a collective way with the union in collective bargaining.”<sup>115</sup> However beneficial for boxers the concept of a league might be, it seems unlikely to occur as evidenced by the fact that DiBella called for a summit of promoters in 2003, and is still awaiting an answer.<sup>116</sup>

There is room for hope. The unions intend to raise the perception of the integrity of boxing.<sup>117</sup> Doing so would mean drawing more corporate sponsors to union fight cards, which will in turn attract promoters.<sup>118</sup> The agreements of DiBella and Kushner to align with union entities may be an indication that this thinking is already having an effect. Promoters may be sensing that it is in their best interests to have all-union fight cards.<sup>119</sup>

## Goals of Individual Boxers

In the past decade there have been federal attempts to regulate boxing in order to address the core concerns of fighters. These laws have focused on improving safety and bringing fairness to contractual dealings of boxers. In addition, boxers share concerns that have not been addressed by Congress. The BOC, JAB and F.I.S.T. are all focusing their efforts on what they see as important.

In 1996, in an attempt “to improve and expand the system of safety precautions that protects the welfare of professional boxers; and . . . to assist State boxing commissions to provide proper oversight for the professional boxing industry in the United States,”<sup>120</sup> Congress enacted the Professional Boxing Safety Act.<sup>121</sup> In 2000, as an amendment to the Act, Congress passed the Muhammad Ali Boxing Reform Act (hereinafter, the “Ali Act” will refer to both).<sup>122</sup>

These statutes require each state wanting to host a boxing match to set up a state boxing commission or be supervised by another state’s boxing commission.<sup>123</sup> Only boxers registered with a state commission may fight.<sup>124</sup> Minimum safety standards for boxers are required, including physical examinations, an ambulance or medical personnel on site during fights, a physician present at ringside, and health insurance for each boxer to cover injuries received in the bout.<sup>125</sup> To protect fighters outside the ring, the Association of Boxing Commissions (comprised of the state boxing commissions) is required to develop guidelines for minimum contractual provisions.<sup>126</sup> The Ali Act also requires disclosures from sanctioning organizations, promoters, judges and referees before fights to protect the sport from corruption and protect fighters from unscrupulous entities.<sup>127</sup> The Ali Act forbids conflicts of interest for sanctioning organizations, between promoters and managers, and between managers and boxers.<sup>128</sup> Violation of this statute is punishable by a year in prison or fines ranging from \$20,000 to \$100,000 or more (depending upon the revenue generated by the fight).<sup>129</sup>

One major problem with the Ali Act has been on the enforcement side.<sup>130</sup> A specific goal of JAB is to bring about enforcement of the Ali Act.<sup>131</sup> JAB also wants to ensure fair and corruption free matches and ensure the highest safety standards—both of which are addressed by the statute.<sup>132</sup>

JAB goes further, wanting to create a minimum salary scale.<sup>133</sup> There is some indication that it may be successful on this front—Lou DiBella has recently said that “[n]o fighter should make a hundred dollars a round . . . a fighter has a right to expect a minimum of a thousand dollars for a four-round fight.”<sup>134</sup> He commit-

ted that his promotional company would pay four-round fighters \$1,000, six-round fighters \$1,500, eight-round fighters \$2,500, and ten-round fighters \$5,000.<sup>135</sup> Along the same lines, JAB hopes to ensure fair distribution of money from fights between promoters and boxers.<sup>136</sup>

Two other goals of JAB are to create health and pension benefit plans for boxers and to assist boxers in finding other jobs after their careers end.<sup>137</sup> The latter goal is shared by F.I.S.T., which lists its mission as “provid[ing] training and education so that fighters can become healthy, productive members of society.”<sup>138</sup> Through the programs it offers, F.I.S.T.’s method is to interview individual boxers who request help, creating a personal step-by-step plan by which the boxer receives assistance—be it medical, psychological, substance-abuse treatment, job training, or food and housing needs.<sup>139</sup> Since affiliating with the OPEIU, F.I.S.T. has enacted a service by which it will make health insurance plans available within the five boroughs of New York City.<sup>140</sup> F.I.S.T. hopes to expand this service to all members.<sup>141</sup>

The other goal—creating pension and health benefits—is also shared by F.I.S.T. It hopes to offer these, along with workers’ compensation and other employment-related benefits in the future.<sup>142</sup> The BOC shares this goal as well. Boxers fight without pensions or much hope of adequate compensation in cases of severe injury.<sup>143</sup> Both Johnson (of the BOC) and Muhammad (of JAB) have expressed their regard for health care programs as a priority.<sup>144</sup>

One way to have a pension system would be for the fighters, promoters, networks and venues to contribute two percent of the revenue from major bouts to establish an endowment.<sup>145</sup> The benefits would be available to any boxer who has been active for four years or who has fought in twenty professional bouts.<sup>146</sup> Two problems are apparent in this proposal. First, convincing the networks and venues to contribute is a difficult venture. Even convincing the fighters to join has been a struggle.<sup>147</sup> Second, requiring twenty fights or four years may put boxers in danger. If a boxer needs twenty fights to be eligible for benefits and thus far has sixteen but is showing signs of brain damage, he might enter another four fights to receive his benefits, while irreparably injuring himself.<sup>148</sup>

Even though they share some goals, the unwillingness of the BOC and JAB to work together can only be a detriment to realization of these goals.<sup>149</sup> Luckily for boxing, F.I.S.T. and the BOC view each other’s efforts as complementary.<sup>150</sup> The BOC’s Chairman, Paul Johnson, agreed with F.I.S.T.’s Gerry Cooney and Joe Sano, saying “the synergies between the two organizations are definitely in the best interests of all boxers.”<sup>151</sup>

## Conclusion

Boxers face many problems that could be alleviated through collective bargaining. Solving issues with contracts, enforcing medical regulations, creating pension and health plans, creating a level playing field, and providing post-retirement career support are all reachable goals for a union. Three organizations appear to be working separately to solve these problems. The BOC and JAB have similar goals. Both organizations enjoy the support of many boxers. Although the BOC is older, JAB is emerging as the dominant union, with several promoters agreeing to use JAB fighters on their cards. The affiliation of JAB with the Teamsters also contributes political clout that is absent in the BOC. A merger of the two groups would be beneficial, combining strength, leadership, and support. A JAB-BOC merged group could then merge with, or follow the example of, F.I.S.T. to provide benefits to retired boxers.

After merging, the organization should seek NLRA recognition as a labor union. Promoters would likely be viewed as employers. Boxers could be considered employees, though it is also possible they will be seen as independent contractors. If they are construed as independent contractors, they cannot unionize. If they are construed as employees, their bargaining unit would need to be defined. The most logical definition would be a separate bargaining unit made up of all the boxers signed with each promoter, since other obvious units would be so large they would be impractical to organize.

An ideal solution would be the formation of a league or association of promoters. Then the bargaining unit could consist of every boxer signed with a promoter, limiting the unit to a manageable number. After receiving a favorable vote or being directly recognized by the league of promoters, the union would represent the bargaining unit to the league of promoters in collective bargaining. This suggestion is not without problems. Unaffiliated boxers and sparring partners would not be recognized. However, as the sport grows stronger, conditions for those involved with it, even if outside the union, will improve.

It is feasible that a boxer's union can form, though doing so would require cooperation of the BOC and JAB, all promoters, and trust from the general masses of boxers. Once formed, the union would be in a position to enforce the provisions of the Ali Act and improve wages and working conditions for all of its members through collective bargaining. Ultimately, a union is needed to protect these men and women who risk life, limb, and financial security for the enjoyment of the masses.

## Endnotes

1. See F.I.S.T. homepage [hereinafter *F.I.S.T.*] at <http://www.helpboxers.org> (last visited May 30, 2006).
2. Patrick B. Fife, *The National Boxing Commission Act of 2001: It's Time for Congress to Step Into the Ring and Save the Sport of Boxing*, 30 *HOFSTRA L. REV.* 1299, 1300 (2002).
3. See The National Horsemen's Benevolent & Protective Association homepage at <http://www.hbpa.org> (last visited May 30, 2006). The World Poker Players Association was founded in 2004 by Louis Asmo. As of this writing, the WPPA is defunct. One poker manager noted "the WPPA is no longer in existence[;] it's founder . . . is continuously working on similar ideas . . ." Earl Burton, *The WPPA—What Happened?*, *POKER NEWS: THE INDEPENDENT ONLINE POKER AUTHORITY*, Aug. 26, 2005, at <http://www.pokernews.com/news/2005/08/wppa-world-poker-players-association.htm> (last visited May 30, 2006).
4. See, e.g. Mike Fish, *Quitting Time: Against Advice, Ex-champ Meldrick Taylor Fights On*, *SPORTS ILLUSTRATED*, June 3, 2002, at 22 (noting that boxer Meldrick Taylor may be suffering from brain damage but still continues to seek fights).
5. John G. Rodwan, Jr., *BOC and JAB: A Tale of Two Boxers' Unionizing Efforts!*, *FIGHTNEWS.COM*, Apr. 1, 2004 ("boxing lacks a centralized league or association to establish and enforce uniform rules and standard practices. . .") at <http://www.fightnews.com/rodwan021.htm> (last visited May 30, 2006).
6. For a full discussion of how these differences make boxing differ from other sports, see Scott Baglio, *The Muhammad Ali Boxing Reform Act: The First Jab at Establishing Credibility in Professional Boxing*, 68 *FORDHAM L. REV.* 2257, 2264 (2000).
7. See Fife, *supra* note 2, at 1302.
8. See *id.*; Rodwan, *supra* note 5 (noting that some managers take up to one-third of the fighter's purse).
9. See Baglio, *supra* note 6 at 2260; Fife, *supra* note 2, at 1302; see generally *Don King Prods., Inc. v. Douglas*, 742 F. Supp. 741, 748 (S.D.N.Y. 1990).
10. See Baglio, *supra* note 6 at 2261.
11. Don King Productions, Inc. ([www.donking.com](http://www.donking.com)) boasted notable champs Evander Holyfield; Felix Trinidad, Jr.; Julio Cesar Chavez; Chris Byrd; Mike Tyson and Bernard Hopkins, among others, as boxers that DKP promotes. Bob Arum's boxing promotion company, Top Rank, Inc.'s website ([www.toprank.com](http://www.toprank.com)) lists Floyd Mayweather, Erik Morales and Jose Luis Castillo among others as boxers Top Rank promotes.
12. Joelle Farrell, *A Union for Boxers? Some Say it'll Never Happen.*, *COLUMBIA NEWS SERVICE*, Apr. 19, 2004, at <http://www.jrn.columbia.edu/studentwork/cns/2004-04-19/657.asp> ("Boxers need more exposure . . . so they are usually willing to settle for a lower price in order to have a good promoter.") (last visited May 30, 2006).
13. See generally Farrell, *supra* note 12 (discussing the importance television networks play in boxing).
14. See <http://encyclopedia.thefreedictionary.com/Roy%20Jones%20Jr> (noting that boxer Roy Jones, Jr. signed a contract with HBO in which his fights would be broadcast exclusively by HBO) (last visited May 30, 2006).
15. ESPN lists Strawweight as the lightest weight class at 105–107 pounds, increasing incrementally to Heavyweight, which includes anyone weighing more than 190 pounds, at <http://sports.espn.go.com/sports/boxing/news/story?page=boxing/champions/index> (last visited May 30, 2006).
16. See Fife, *supra* note 2, at 1303; see also <http://www.boxinggym.com/sanctioningbodies.htm> (listing 15 sanctioning organizations) (last visited May 30, 2006).

17. Sanctioning organizations are structured in different ways. A full discussion of sanctioning organizations and their impact on the sport of boxing is beyond the scope of this article. A brief but valuable discussion of the same can be found in Fife, *supra* note 2, at 1303–4.
18. Mike Mosedale, *In This Corner: Ex-middleweight Paul Johnson's Fight to Unionize Pro Boxers*, CITY BEAT, Vol. 21, Issue 997, Jan. 12, 2000, at <http://citypages.com/databank/21/997/article8360.asp> (noting that boxers' careers are governed by television networks, promoters, and sanctioning entities which results with fighters earning less money than promoters and not having a say in where they fight, when they fight, or how much they are paid) (last visited May 30, 2006).
19. Dominick Bratti and Gerry Cooney, *Helping Troubled Teens*, THE METROPOLITAN CORPORATE COUNSEL, Aug. 2003, Northeast Edition, at 57 [hereinafter *Bratti*] ("Most boxers seldom make more than \$100 per round. They share this money with managers, who typically take 30 percent, and trainers, who typically take 10 percent, of the fighters' earnings.").
20. See Rodwan, *supra* note 5.
21. Joseph R. Svinth, *Death Under the Spotlight: The Manuel Velazquez Boxing Fatality Collection*, J. COMBATIVE SPORT, Vol. 3, Dec. 2000 (last updated Apr. 2006), at [http://ejmas.com/jcs/jcsart\\_svinth\\_a\\_0700.htm](http://ejmas.com/jcs/jcsart_svinth_a_0700.htm) (last visited May 30, 2006).
22. Ira Casson, *Boxing and Parkinson Disease*, NATIONAL PARKINSON FOUNDATION, at <http://www.parkinson.org/site/pp.asp?c=9dJFJLPwB&b=164717> ("The term 'chronic encephalopathy' or 'chronic brain injury' of boxers encompasses a wide spectrum of disorders. At one end are boxers with minimal involvement and at the other end are severely affected boxers requiring institutional care. Along the spectrum are some boxers with varying degrees of speech difficulty, stiffness, unsteadiness, memory loss, and inappropriate behavior. The more severely affected boxers gave rise to labels such as 'punch drunk'.") The end of the Casson article provides suggested reading for those interested in learning more about neurological injuries to boxers. See also NATIONAL HEALTH AND MEDICAL RESEARCH COUNCIL, BOXING INJURIES, 7–8 (Australian Government Publishing Service, Commonwealth of Australia 1994), available at [http://www7.health.gov.au/nhmrc/publications/\\_files/withdrawn/si1.pdf](http://www7.health.gov.au/nhmrc/publications/_files/withdrawn/si1.pdf) (last visited May 30, 2006).
23. *Id.* at 7.
24. *Id.*
25. See Bratti, *supra* note 19 (noting boxers seldom earn more than \$100 per round, which they share with managers and trainers).
26. See generally Eddie Goldman, *Lou DiBella Blasts Boxing's "Barbaric System," Aligns with Eddie Mustafa Muhammad & Boxers' Union*, Sept. 11, 2004, [hereinafter *Goldman on DiBella*] at <http://www.boxingranks.com/articles/article410.htm> (quoting Lou DiBella mentioning that lying, cheating and stealing are present in the business of boxing) (last visited May 30, 2006); Farrell, *supra* note 12 (questioning whether a union could "survive in a sport as disorganized and full of corruption as boxing").
27. See Mosedale, *supra* note 18.
28. *Id.*
29. *Id.* ("In 1990 Johnson convinced the United Auto Workers local in Bloomington to donate an office, telephones, and a part-time secretary to what he has dubbed the Boxing Organizing Committee."); See Rodwan, *supra* note 5 ("For more than a decade, the Boxers Organizing Committee (BOC) has been working to unionize professional fighters."). The BOC literature does not list a specific founding date.
30. See Mosedale, *supra* note 18.
31. *Id.*
32. *Id.*
33. See Boxer's Organizing Committee homepage [hereinafter *BOC*] at <http://www.boxers.org/index.htm> (last visited May 30, 2006).
34. Facsimile from Daniel J. Kane, Jr., President, Local Union No. 202, to Paul Johnson, Chairman, Boxers Organizing Committee (Apr. 9, 2002, 12:09 p.m.) [hereinafter *Kane*] on file with Boxers Organizing Committee, 4042 88th Lane NE, Blaine, MN 55014.
35. *Id.* (proposing dues as being one percent of a fighter's purse, with a minimum of \$22 per month).
36. *Id.* (determining that membership would initially need to include 20 to 30 boxers, including champions and contenders, with the eventual goal of counting every licensed professional boxer as a member).
37. *Id.* (indicating that the basic structure included an Executive Board comprised of seven elected members, and an Executive Director for two or three years, appointed and funded by the Teamsters, with approval from the Executive Board).
38. *Id.*; see BOC, *supra* note 33 ("In other words, the Teamsters would appoint the leadership of the boxer's union.").
39. See BOC, *supra* note 33.
40. *Id.*; see Rodwan, *supra* note 5.
41. See Rodwan, *supra* note 5.
42. *Id.*
43. *Professional Fighters Form Union Joint Association of Boxers (JAB) to Seek Affiliation with Teamsters Union*, EASTSIDEBOXING.COM, May 7, 2003, [hereinafter *Professional Fighters*] at <http://www.eastsideboxing.com/boxing-news/jab0805.php> (last visited May 30, 2006).
44. See Joint Association of Boxers homepage [hereinafter *JAB*] at <http://www.boxersunion.org/about.htm> (last visited May 30, 2006).
45. *Id.*
46. *Teamsters to Affiliate Boxers Union*, TEAMSTERS ONLINE, May 12, 2003, [hereinafter *Teamsters*] at [http://www.teamsters.org/03news/nr\\_030512\\_2.htm](http://www.teamsters.org/03news/nr_030512_2.htm) (last visited May 30, 2006).
47. Letter from Eddie Mustafa Muhammad, Founder, Joint Association of Boxers, to David Robertson, Representative, Michigan State Senate (Dec. 15, 2003) [hereinafter *Muhammad*] available at <http://www.boxersunion.org/pdfs/lettertorobertson.pdf> (last visited May 30, 2006).
48. See Teamsters, *supra* note 46.
49. See Muhammad, *supra* note 47.
50. See JAB, *supra* note 44.
51. See Professional Fighters, *supra* note 43.
52. Cedric Kushner has promoted heavyweight contenders David Tua and Jameel McCline, among others, under Cedric Kushner Promotions, Inc. His new promotional company, Cedric Kushner's Gotham Boxing, can be found online at: <http://www.gothamboxing.com/index.html> (last visited May 30, 2006).
53. *Boxers Union to Begin Talks with CKP Productions*, EASTSIDEBOXING.COM, May 15, 2003, [hereinafter *Boxers Union*] at [http://www.boxersunion.org/news/bn\\_030515\\_1.htm](http://www.boxersunion.org/news/bn_030515_1.htm) (last visited Nov. 18, 2004). Note that Cedric Kushner ran Cedric Kushner Promotions, Inc. at that time.
54. See Farrell, *supra* note 12.
55. DiBella Entertainment promotes a variety of current and former title holders. See DiBella Entertainment homepage at <http://www.dbe1.com/index1.htm> (last visited May 30, 2006).

56. Eddie Goldman, *The State of the Union—The Boxers’ Union, A Talk with Eddie Mustafa Muhammad, President of IAB*, Oct. 1, 2004, [hereinafter *Goldman on Muhammad*] at <http://www.boxingranks.com/articles/article430.htm> (last visited May 30, 2006).
57. *Id.*
58. *Id.* Goossen Tutor Promotions promotes heavyweight champion James Toney, among others. See Goossen Tutor Promotions homepage at <http://www.goosentutor.com> (last visited May 30, 2006).
59. See F.I.S.T., *supra* note 1.
60. *Id.*
61. *Id.*
62. See Rodwan, *supra* note 5.
63. *Id.*; See F.I.S.T., *supra* note 1; Bratti, *supra* note 19.
64. See F.I.S.T., *supra* note 1.
65. Eddie Goldman, *The Birth of a Boxers’ Guild*, Mar. 12, 2003, at <http://www.maxboxing.com/goldman/eddieg031203.asp> (last visited May 30, 2006).
66. *Id.*
67. 29 U.S.C.S. § 171(b) (2004).
68. 29 U.S.C.S. § 157 (2004).
69. 29 U.S.C.S. § 159(e)(1) (2004). See *Retired Persons Pharmacy v. NLRB*, 519 F.2d 486 (2d Cir. 1975).
70. Because the union needs more than half the votes cast to be elected, union organizers do not normally approach the employer with the statutory minimum 30 percent, but rather wait until they have a much higher percentage.
71. See, e.g., *Exxel/Atmos, Inc. v. NLRB*, 28 F.3d 1243 (DC Cir. 1994) (realizing that a majority of the employees in a bargaining unit desired a union, the company voluntarily recognized the union as the exclusive bargaining agent of the unit).
72. See generally *Id.*; *NLRB v. Creative Food Design*, 852 F.2d 1295 (DC Cir. 1988).
73. 29 U.S.C.S. § 152(2) (2004) states:  
 The term “employer” includes any person acting as an agent of an employer, directly or indirectly, but shall not include the United States or any wholly owned Government corporation, or any Federal Reserve Bank, or any State or political subdivision thereof, or any person subject to the Railway Labor Act, as amended from time to time, or any labor organization (other than when acting as an employer), or anyone acting in the capacity of officer or agent of such labor organization.
- Id.*; 29 U.S.C.S. § 152(3) (2004) states:  
 The term “employee” shall include any employee, and shall not be limited to the employees of a particular employer, unless the Act explicitly states otherwise, and shall include any individual whose work has ceased as a consequence of, or in connection with, any current labor dispute or because of any unfair labor practice, and who has not obtained any other regular and substantially equivalent employment, but shall not include any individual employed as an agricultural laborer, or in the domestic service of any family or person at his home, or any individual employed by his parent or spouse, or any individual having the status of an independent contractor, or any individual employed as a supervisor, or any individual employed by an employer subject to the Railway Labor Act, as amended from time to time, or by any other person who is not an employer as herein defined.
- Id.*
74. See *Teamsters, supra* note 46; Rodwan, *supra* note 5; Letter from Alex Ramos, Founder and President, Retired Boxers Foundation, to James Hoffa Jr., General President, International Brotherhood of Teamsters, available at <http://www.rossboxing.com/articles/article206.htm> (last visited May 30, 2006). But see Goldman on DiBella, *supra* note 26 (quoting Lou DiBella saying “I’m not viewing myself as an employer and I’m not signing any piece of paper that makes my company an employer.”).
75. 29 U.S.C.S. § 152(3) (2004).
76. 273 F.2d 402 (7th Cir. 1960).
77. *National Van Line Inc v. NLRB*, 273 F.2d at 404 (citing *United States v. Silk*, 331 U.S. 704, 719 (1947)).
78. See Fife, *supra* note 2, at 1302 (“The promoter pays all the expenses associated with promoting the bout, thus he or she assumes the financial risk for each fight.”); Baglio, *supra* note 6 at 2261 (“The promoter is the party who assumes the financial risk for the promotion of each match by guaranteeing each fighter a certain purse, and by paying all of the expenses of the promotion.”). See also Goldman on DiBella, *supra* note 26 (noting promoters have to pay for hotel rooms, airfare, purses, and rent for the venue).
79. See Baglio, *supra* note 6 at 2261.
80. *Herald Co. v. NLRB*, 444 F.2d 430, 432–33 (2d Cir. 1971), quoting *News Syndicate Co. Inc.*, 164 N.L.R.B. 422, 423 (1967).
81. See Mosedale, *supra* note 18 (noting that boxers do not have a say in when or where they fight).
82. It is interesting to note that in the case of multi-fight contracts, the status of a person as an employee would likely survive the time between the completion of one bout and the beginning of another—therefore, time off between bouts is not at issue. See *NLRB v. Labor Ready Inc.*, 253 F.3d 195 (4th Cir. 2001).
83. Available at <http://www.boxrec.com> (Method: search by name, limit to last 365 days, leave all other fields blank, scroll through results to end). Note that to have 30 percent of the number of total boxers, a union would need a whopping 4,614 signatures.
84. Muhammad Ali’s complete fight history is available at [http://www.boxrec.com/boxer\\_display.php?boxer\\_id=000180](http://www.boxrec.com/boxer_display.php?boxer_id=000180).
85. Less able fighters have a greater chance at sustaining injury since they are not as capable at defending themselves.
86. T. R. Zazryn, C. F. Finch and P. McCrory, *A 16 Year Study of Injuries to Professional Boxers in the State of Victoria, Australia*, BR. J. SPORTS MED., 37, 321–24 (2003) available at <http://bjsm.bmjournals.com/cgi/content/full/37/4/321> (noting although sparring is generally less intense than fighting in a bout, sparring occurs much more frequently and the potential for injury is significant) (last visited May 30, 2006).
87. E-mail from Louis J. Asmo, Commissioner Pro Tem, World Poker Players Association, to David J. Kozlowski (Nov. 13, 2004, 10:15 p.m. EST) (on file with author).
88. *Id.*
89. *Id.*
90. *Id.*
91. See *supra* note 70.
92. See Kane, *supra* note 34.
93. See Mosedale, *supra* note 18.
94. *Id.*, (noting as of 2000, the BOC had received modest press). In 2000, the BOC had plans to mail 4,500 to 6,000 ballots to boxers,

- but no update on the results of the mailing has been made available.
95. *Id.*
  96. The official BOC website did not contain the information, nor did any articles written about the BOC. The BOC did not respond to questions by the author.
  97. See Goldman on Muhammad, *supra* note 56.
  98. *Id.* (noting that over 250 boxers are members); see Farrell, *supra* note 12 (noting that over 300 boxers have been gathered).
  99. See Kane, *supra* note 34.
  100. See Farrell, *supra* note 12.
  101. *Id.*
  102. See Rodwan, *supra* note 5.
  103. See F.I.S.T., *supra* note 1.
  104. See Goldman on Muhammad, *supra* note 56 (continuing that the champions and fighters who can sustain themselves only make up one percent of the fighters, but not mentioning that the one percent makes the majority of the money).
  105. See Rodwan, *supra* note 5.
  106. See Farrell, *supra* note 12.
  107. See Rodwan, *supra* note 5.
  108. See Farrell, *supra* note 12.
  109. See Rodwan, *supra* note 5.
  110. See *id.*; Interview of James P. Hoffa Jr., General President, International Brotherhood of Teamsters, by Marc Lichtenfeld, Writer, (May 13, 2003) [hereinafter *Lichtenfeld*] available at [http://www.boxersunion.org/news/bn\\_030513\\_1.htm](http://www.boxersunion.org/news/bn_030513_1.htm) (last visited May 30, 2006).
  111. Interview of Walter Kane, Attorney, Joint Association of Boxers, by Keith Terceira, Writer (Jan. 30, 2004) available at <http://www.eastsideboxing.com/news.php?p=547&more=1> (last visited May 30, 2006).
  112. *Id.*
  113. Howard Sirota, *How to Reform Boxing*, BOXINGRANKS.COM, at [http://www.boxingranks.com/departments/archive\\_editorials/reform\\_boxing.htm](http://www.boxingranks.com/departments/archive_editorials/reform_boxing.htm) (last visited May 30, 2006).
  114. See Lichtenfeld, *supra* note 110.
  115. See Goldman on DiBella, *supra* note 26.
  116. *Id.*
  117. See Boxers Union, *supra* note 53.
  118. See Farrell, *supra* note 12 (“Corporate America is starting to see that someone is willing to take the reigns and make the sport cleaner, safer and better.”).
  119. See generally Goldman on DiBella, *supra* note 26, (Lou DiBella noting that ESPN has cut the payments for promoters from \$50,000–\$60,000 to \$15,000, resulting in lower payments to fighters. He believes that a boxer’s union could combat such actions.).
  120. 15 U.S.C.S. § 6302 (1996).
  121. 15 U.S.C.S. §§ 6301–6313 (1996).
  122. See Baglio, *supra* note 6 at 2280–81. A full look at the problems and prospects of the Professional Boxing Safety Act can be found in Fife, *supra* note 2; the same for the Muhammad Ali Boxing Reform Act can be found in Baglio, *supra* note 6.
  123. 15 U.S.C.S. § 6303 (1996).
  124. 15 U.S.C.S. § 6305 (1996).
  125. 15 U.S.C.S. § 6304 (1996).
  126. 15 U.S.C.S. § 6307(a) (2000).
  127. 15 U.S.C.S. § 6307(d)–(f) (2000).
  128. 15 U.S.C.S. § 6308 (1996).
  129. 15 U.S.C.S. § 6309 (1996).
  130. Thomas Hauser, *The State of Boxing*, SECONDSOUT.COM, at <http://secondsout.com/usa/colhauser.cfm?ccs=208&cs=3933> (noting that while the Ali Act was well intentioned, it accepts the corrupt state system of regulation, has loopholes, and is not being enforced) (last visited May 30, 2006).
  131. See Teamsters, *supra* note 46; Muhammad, *supra* note 47.
  132. See Muhammad, *supra* note 47.
  133. *Id.*
  134. See Goldman on DiBella, *supra* note 26.
  135. *Id.*
  136. See Muhammad, *supra* note 47; JAB, *supra* note 44.
  137. See *id.*
  138. See F.I.S.T., *supra* note 1.
  139. See *id.*
  140. See Bratti, *supra* note 19.
  141. *Id.*
  142. See F.I.S.T., *supra* note 1.
  143. See Mosedale, *supra* note 18.
  144. See Rodwan, *supra* note 5.
  145. See Fife, *supra* note 2, at 1326–27.
  146. *Id.* at 1326.
  147. See Rodwan, *supra* note 5; Farrell, *supra* note 12.
  148. See Rodwan, *supra* note 5 (outlining the near identical scenario “If a boxer has to have had, say, fifteen professional fights to become eligible for a pension, what do you do with a boxer who has had thirteen fights but is showing signs of brain damage yet wants two more fights in order to get his pension?”).
  149. See generally Rodwan, *supra* note 5.
  150. See *The Birth of a Boxers’ Guild*, *supra* note 65.
  151. *Id.*

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# Art as Wealth: Frequently Asked Questions about Estate Planning for Art Collectors

By Gerald Morlitz and Elizabeth E. Nam

*This two-part series explores the roles that art can play in estate planning. Part 1, published in the Spring 2006 issue, focused on the needs of the artist-client, whose wealth is concentrated in his or her own artwork. Part 2 focuses on the needs of high-net-worth individuals who are collectors of fine art.*

In Part 1 of this series entitled “Art as Wealth,” we examined some of the unique estate planning concerns confronting those who actually *create* art. On the “flip-side” are individuals with the financial wherewithal to *purchase, consume and collect* valuable artwork. These individuals are, in the majority of cases, so-called “high-net-worth” individuals for whom federal estate taxation is a certainty at death, provided the tax has not been repealed. For these clients, pro-active estate planning during their lifetimes will have the primary objective of reducing estate taxes while transferring wealth to loved ones and, perhaps, favored charities, in a tax-efficient manner.

In Part 2 of this series, we address “frequently asked questions” that arise in the course of advanced estate planning for individuals who *collect* art. The information is also pertinent to individuals who collect valuable antiques, rare books and other tangibles.

**Q: I have a significant collection of American paintings from the early 1800s which I inherited from my grandparents. What, if anything, should I do with it?**

A: No one can tell you what to do with your property—it depends on what your objectives are. Do you want to keep the collection in the family as a precious heirloom? Do you want to share the collection with the public? Are you wondering whether it makes sense to use the artwork as investment property in your overall asset portfolio?

No matter what you do, however, keep the “Receipt and Release” you received from the estate’s executor. This document shows a chain of ownership (establishing provenance) and important valuation information.

In addition, keep in mind some tax basics. As you inherited the paintings, your cost basis in each painting will be the estate tax value shown on the Federal Estate Tax Return (Form 706) of the grandparent from whom you received the bequest.<sup>1</sup> (This is most likely the value shown on the Receipt and Release.)

The paintings are now considered your “capital assets,” so any sale or exchange may have tax consequences. If you sell a painting, you will realize capital gain (or loss) equal to the difference between your cost basis and the sale price.<sup>2</sup> Your gain will be subject to a special twenty-eight percent capital gains rate applicable to “collectibles,” even if you held the painting long enough to qualify for long-term capital gain treatment.<sup>3</sup> (The low fifteen percent long-term capital gain rate is not available.) If you make a gift of a painting, on the other hand, your donee will generally take your cost basis.<sup>4</sup>

Under current federal tax law, if you hold on to the paintings until your death, your estate’s cost basis will be “stepped-up” to the date of death value, minimizing capital gain exposure for your estate and its beneficiaries. (This is how you received your cost-basis from your grandparent’s estate.)

**Q: My mother is a renowned contemporary watercolorist and her works are hanging in venerable institutions like the Metropolitan and the Whitney. She has been giving me pieces over the past few years and I now have quite a collection of my own. What are the tax implications if I were to sell the paintings or give them away?**

A: Your mother created these paintings, so they are subject to special tax rules, and unfortunately for you, they pose a disadvantage for purposes of tax-planning during your lifetime.

The Tax Code says that property created by an artist is not a “capital asset” in the artist’s hands during his or her lifetime.<sup>5</sup> Rather, art in the creator’s hands is considered property, which if sold, gives rise to “ordinary income” subject to potentially higher tax rates, and not “capital gain.”

When an artist gives his or her creation as a gift, the donee acquires “ordinary income” property. When the donee makes a subsequent gift of the artwork to another donee, it still retains its character as “ordinary income” property. *Only* when a piece is actually sold

(and purchased for consideration) is it transformed into “capital gain” property in the hands of the purchaser.

The paintings in your collection are therefore “ordinary income” property. If you sell them, the proceeds will be added to your other ordinary income and taxed at your marginal income tax rate, not at the rates applicable to capital gains. If you donate a painting to charity, you will be confronted with the reality that your contribution, no matter how valuable, will not generate an income tax charitable deduction.<sup>6</sup>

If you had purchased the pieces from your mother, your collection would be “capital gain” property that gives rise to better tax-planning opportunities. For one thing, a donation to an art museum’s permanent collection would generate a charitable deduction equal to the full fair market value of the painting, subject to the thirty-percent limitation and five-year carry forward of any excess.<sup>7</sup>

**Q: I have several German expressionist paintings and would like to keep the collection in the family. Experts have already told me that the paintings will appreciate over time and eventually be subject to estate taxation upon my death. What should I be worried about and what can I do to reduce my estate tax exposure?**

A: One issue that ought to be addressed in estates containing a significant inventory of collectibles and artwork is liquidity. A collection of rare paintings, though valuable, is not liquid. Fine art has a very particular market, and getting the best price depends greatly on timing. In most cases, artwork cannot be sold at a moment’s notice. In addition, with the continually changing estate tax law and a fickle art market, figuring out how much estate tax will be triggered because of the inclusion of the art collection is nothing short of fortune telling.

Nevertheless, since a sale is not the desired outcome here, you will need to make your best guess as to whether your estate has the liquidity needed to pay estate taxes without resorting to liquidation. If financial projections indicate that your estate will probably need cash, life insurance might be the best way to supplement the cash available at death to pay taxes.

Married taxpayers’ estates can be planned so that the bulk of estate taxes will be payable upon the death of the survivor of the two spouses. Consequently, “second-to-die” life insurance (also known as “joint and survivor” life insurance) might provide a good solution to illiquidity. Second-to-die policies are generally less expensive, because the mortality risk is spread between two lives. Of course, the death benefit is includable in the estate of the surviving insured for estate tax purposes; however, if the policy is owned by an irrevocable

trust, the proceeds can be excluded from both of your estates.

With the cash proceeds the trust receives, the trust can buy the art collection from the estate, in essence allowing the estate to swap an illiquid asset for a liquid one. Under proper stewardship by a qualified trustee, the trust can then keep the collection intact for the benefit of your descendants, or it can sell or lend pieces as circumstances may dictate from time to time.

Using a Life Insurance Trust will help you preserve the collection for future generations of your family and reduce the risk that it will be sold, but it does not reduce your exposure to estate taxes because the collection will remain includable in your estate one hundred percent. To reduce your exposure to estate tax, your estate plan will need to find ways to (a) shift all or a portion of the art collection out of your estate, (b) freeze the value of the collection and shift the future appreciation on the art collection out of your estate, or (c) qualify part or all of the collection for the estate tax charitable deduction, or some combination thereof.

**Q: Are there ways I can continue to enjoy pieces in my collection while incorporating them into my tax-minimizing estate plan?**

A: The Tax Code says that your gross estate for federal estate tax purposes includes:

the value of all property to the extent of any interest therein of which the decedent has at any time made a transfer (except in case of a bona fide sale for an adequate and full consideration in money or money’s worth), by trust or otherwise, under which he has retained for his life or for any period not ascertainable without reference to his death or for any period which does not in fact end before his death – (1) the possession or enjoyment of, or the right to the income from, the property, or (2) the right, either alone or in conjunction with any person, to designate the persons who shall possess or enjoy the property or the income therefrom.<sup>8</sup>

In simple terms, this means you have to give up a good deal of control over property to exclude it from your estate tax base.

This does not mean, however, that giving a valuable piece of art away is always the best method of reducing your estate. If the fair market value of the piece exceeds your available lifetime federal gift tax exemption (i.e., \$1,000,000 per donor, \$2,000,000 per married donors who agree to “split” gifts), the transfer might trigger the payment of federal gift tax, which, at

a time when it is uncertain whether estate taxes will be a permanent reality, is tantamount to thousands of dollars lost.

Rather, strategies that *reduce the valuation* of property includable in your estate might be a more appropriate way to minimize taxes. To achieve this, you can:

- (1) fractionalize your interest in the property by sharing ownership with someone else; or
- (2) freeze the valuation using specialized techniques involving irrevocable trusts.

You may continue to enjoy the artwork, at least on a limited basis, while employing any of these techniques. In each case, a portion of the property transferred is either includable in your estate, or is returned to you by way of some retained interest.

*Fractional Interest Planning.* The central premise of estate planning is one of valuation: that property is valued at its "fair market value." The Code defines "fair market value" as the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.<sup>9</sup>

Being the sole one-hundred-percent owner of property means that you alone can control the disposition of property. If someone were to buy your interest, they would be buying the right to control the property. Being a co-owner with another as tenants in common, you cannot exercise unilateral control. This limitation makes it significantly more difficult for you to sell your interest. The valuation of fractional, particularly minority, interests are therefore discounted to reflect this handicap.<sup>10</sup>

Transferring fractional interests in a given piece of artwork to one or more co-owners will reduce the value of the gift for gift tax purposes, as well as the value of the interest you retain at death for estate tax purposes. To illustrate, assume that you and your two sisters inherited a valuable painting from your grandparents and as a result, all three of you are tenants in common. At your death, your undivided one-third interest will be included in your gross estate, but its value will not be equal to thirty-three percent of the fair market value of the painting. It will be thirty-three percent less a determined amount representing the relative difficulty of liquidating your one-third interest for cash. This discount can only be determined by a professional appraiser.<sup>11</sup>

Fractionalization coupled with a charitable gift will produce an income tax deduction if structured properly. If you have high income in a given year, this might be a particularly effective strategy to use: Transfer an undi-

vided percentage interest in the painting to an art museum, and retain the remaining undivided interest. You retain the right to possess and enjoy the piece for a number of days every year proportionate to your percentage interest, and as a result of your gift, the museum has the right to possess the piece for the rest of the year. (This arrangement should be spelled out in the deed of gift you sign in making the charitable gift.)<sup>12</sup> Provided the museum accepts the gift, the IRS allows you to claim a charitable income tax deduction equal to the percentage of the fair market value transferred to the museum in the year of the gift.<sup>13</sup> The transfer also qualifies for the gift tax charitable deduction dollar-for-dollar.<sup>14</sup>

It is important to keep in mind that many institutions will not accept a fractional interest gift unless it also receives assurances that it will eventually acquire a one-hundred-percent ownership interest after the donor's death. Accordingly, the fractional interest you retain at death will most likely be bequeathed to the museum under your Will. In the meantime, of course, you could make additional fractional interest gifts of the painting to the museum during your lifetime and obtain more deductions. Whatever portion you retain at death will be included in your estate for estate tax purposes, but the bequest to the museum will qualify for the estate tax charitable deduction. Of course, any plan to transfer a fractional interest in art should be discussed in detail with the prospective donee charitable organization first.

One technique that has gotten a fair amount of press in the last few years is the "Family Limited Partnership" ("FLP"). The main benefit of estate planning using FLPs derives from valuation discounts that come from fractionalizing interests in property. Some practitioners have promoted the use of FLPs for transferring art collections to younger generations of the family.

This is a thumbnail sketch of how the FLP would work: You transfer your art collection to an FLP. You are the ninety-nine percent limited partner. Your children are collectively the one percent general partner, having contributed capital equal to one percent of the fair market value of the art to the partnership. Your children are therefore in charge of making decisions about distributions. You have no control over the partnership.

Over the next few years, you transfer limited partnership interests to your children and grandchildren. Each such transfer is eligible for valuation discounts for lack of marketability and minority interest. In this way, you are able to transfer more value out of your estate at reduced gift tax cost. Assume you own a forty-six percent limited partnership interest at your death. That forty-six percent partnership interest will be includable in your estate for estate tax purposes, but it, too, will be subject to discounts for lack of marketability and lack of

control. This sounds like a very effective strategy; however, it is not without IRS audit risk.

In recent years, the IRS has attacked the use of FLPs for the transfer of wealth. Its primary allegation has been that wealthy individuals use FLPs to retain control over valuable assets, while purporting to transfer them to an entity whose *sole purpose* is to generate valuation discounts for lack of marketability and minority interest. Indeed, the facts of litigated cases have revealed a good deal of abuse. Wealthy taxpayers were signing partnership agreements and registering the partnerships with Secretaries of States without following any of the formalities of running a business. In many cases, after transferring assets (such as bank accounts and residences) to a partnership, the taxpayers continued to use the partnership accounts as if they still owned them outright.

Consequently, the state of current jurisprudence requires taxpayers to show that partnership interests were received in exchange for adequate consideration in money or money's worth, that the FLP in fact has "legitimate business purposes," and that it is managed as formally and meticulously as a commercial enterprise. Failing those requirements, the IRS is likely to disregard the partnership entity in an estate tax audit and include the full, undiscounted fair market value of the underlying assets in the individual's estate.<sup>15</sup>

In the case of so-called "Art FLPs," the problem is apparent. If, for example, a collector transfers his valuable Rothko painting to an FLP, and received a ninety-nine percent limited partnership interest in exchange (his children having come up with a one percent capital contribution to buy a percent general partnership interest), but the painting remains hanging prominently on the wall of his living room, how will he prove that he had a legitimate business purpose in setting up the partnership, aside from using it to obtain valuation discounts for estate planning purposes? How will he show that he did not in fact retain the enjoyment, use and possession of the painting and argue that Section 2036 should not trigger estate inclusion at full fair market value? Clearly, if an Art FLP is to be used, many considerations will need to be taken into account in advance.

*Valuation Freezes.* In many cases, fine art appreciates in value over time. Consequently, what a piece is worth today may be quite a bit less than what it will be worth in twenty years. Given the limitation of the \$1,000,000 per donor lifetime federal gift tax exemption, it may not be tax-efficient to transfer a valuable work out of your estate; however, it may be possible to engage in a transaction that would freeze the value of the asset and shift future appreciation on it to someone else without triggering transfer tax (gift, estate or generation-skipping transfer tax).

If you wish to favor beneficiaries who are *not* considered "family members" under the Tax Code's definition, transferring the art to a "Grantor Retained Income Trust" ("GRIT") might work well. The Code says that anyone who is not the donor's spouse, an ancestor of the donor and his or her spouse, or a spouse of such an ancestor is not a "family member."<sup>16</sup> If your intended beneficiary is a sibling, niece, nephew, godchild or close friend, you can establish a GRIT to accomplish your valuation freeze objective.

A GRIT is a special kind of irrevocable trust that is statutorily prescribed by the Code. It works as follows: You transfer property to the trust and reserve the right to use and enjoy the property for a fixed term of years. At the end of that term, provided you are still living, the property will pass to the remainder beneficiaries of the trust (i.e., one or more of the non-family members described above.) For gift tax purposes, the Code says the value of the gift is limited to the actuarial value of the remainder that passes to the beneficiaries at the end of the fixed term. If you die during the trust term, however, the property is included in your estate at full fair market value as of the date of death.

The assumption is that the property in the GRIT will appreciate at a rate no greater than the applicable federal rate under Section 7520 during the trust term. Consequently, if the property in fact appreciates more than that, the additional appreciation passes to the trust beneficiaries gift and estate tax-free.

For example: You are sixty years old. Your art collection is worth \$1,100,000 according to a professional appraisal. In May 2006, you transfer the collection to a ten-year GRIT. The remainder beneficiaries of the GRIT are your nieces. On the date of the transfer, the federal Section 7520 rate is 5.8 percent. The value of your retained ten-year right to use and enjoy the art collection is \$577,819. The value of the property remaining at the end of the term that passes to your nieces is \$522,181. If the art collection appreciated \$500,000 over the ten-year period, then you will have transferred property worth \$1,600,000 for a gift tax cost of \$522,181, provided you survive the ten-year term.

Aside from the fact that a GRIT cannot be used to transfer property to children and grandchildren, a GRIT's major limitation is that it only works if the donor survives the trust term. It is important, therefore, to choose a term of years that the donor is almost certain to survive, bearing in mind the following: the shorter the term, the larger the taxable gift. One effective way to hedge the mortality risk is to divide the property up into several different GRITs that run for different terms. Additionally, the GRIT tax benefit only results if the property's rate of return "outperforms" the applicable federal rate under Section 7520 (a "hurdle rate"). Determining whether the artwork will appreciate

at a rate faster than the federal rate is a bit of a guessing game. That said, however, there is nothing to lose when setting up a GRIT. If it fails, the donor is no worse off than if he had not set one up at all (with the exception of start-up legal and accounting costs incurred).

**Q: My art collection is a valuable but illiquid asset. Are there creative ways to extract cash from it and yet achieve tax savings and estate planning goals?**

A: Yes, there are several techniques that might be appropriate, depending on the circumstances.

*Private Annuities.* As explained above, freezing values of appreciating assets is one of the best ways to minimize transfer taxes. One more technique in this regard is a “private annuity” transaction. A private annuity is a sale in exchange for an unsecured promise from the purchaser to pay the seller an annuity amount every year for a fixed term of years, or for the seller’s lifetime. Assumed mortality and rates of return are based on IRS charts and the applicable federal interest rate (again, the Section 7520 rate).

This technique removes the asset from the annuitant’s estate for estate tax purposes and transforms it into a stream of annual payments, based on the current (professionally appraised) value of the asset. Of course, the annual payments, to the extent they are received, are includable in the annuitant’s estate, but all future appreciation on the underlying asset is shifted to the payor of the annuity. From an income tax perspective, private annuities provide tax deferral benefits. Instead of selling an appreciated (low-cost basis) asset and immediately recognizing a substantial capital gain, an annuity spreads the gain recognition over the term of the annuity.<sup>17</sup>

A private annuity transaction is best used in low interest rate environments, especially (as in the case of the Charitable Lead Trust, discussed below) when the annuitant’s life expectancy is shorter than average.<sup>18</sup> It also works very well with fractional interests in assets whose valuation has been discounted (e.g., for lack of marketability or minority interest). The obvious downsides in the art collection context are: (1) it is almost impossible to know whether any piece of art will appreciate at a rate faster than the Section 7520 rate (if this technique is to be effective, it must be done when rates are very low); and (2) the purchaser must have the financial wherewithal to be able to make the annuity payments when due without having to sell the asset.

*Debt Financing.* There are financial institutions that cater specifically to high net worth families who seek to monetize their art and collectible holdings.<sup>19</sup> These specialized banks will accept art as collateral for a loan. Liquid loan proceeds can then be used as part of the collector’s estate plan to make annual exclusion gifts or to diversify assets. For those needing liquidity, this is an

alternative to selling the collection and recognizing immediate capital gains. It allows the collection to stay in the estate and obtain stepped-up cost basis at death. Of course, using debt financing also means that the collector should consider owning life insurance with death benefits sufficient to pay off the debt.

*Bargain Sale to Charity.* We discussed charitable donations of art as a useful planning technique for those interested in philanthropy. If liquidity is needed, the charitable transaction can be structured as a “part-gift, part-sale” (also known as a so-called “bargain sale”), which means that the art collection is sold to the museum for less than its fair market value. The amount equal to the difference between the sale price and fair market value would be a gift qualifying for the income tax and gift tax charitable deductions.

*Charitable Remainder Trust.* Another alternative, if you are charitably inclined, is to create either a Charitable Remainder Annuity Trust (“CRAT”) or a Charitable Remainder Unitrust (“CRUT”), and transfer the artwork to it. Charitable Remainder Trusts will effectively convert the non-income producing nature of your art collection so that you can extract cash flow from it. The differences between the trusts is that the former pays the Grantor a fixed annuity for a period of years or for life, and the latter pays an amount based upon the fair market value of the trust as determined annually.

The Code requires a CRAT to pay a *sum certain* no less than five percent of the initial fair market value of property placed in trust to a non-charitable beneficiary (usually the person setting up the trust, “the Grantor”), at least annually, for up to twenty years or for the life or lives of the non-charitable beneficiaries. During the term of the trust, there can be no other non-charitable beneficiaries, and the remainder must pass to charity upon termination. Once the CRAT is funded, it cannot receive subsequent additional contributions.<sup>20</sup>

A CRUT is similar to the CRAT, except the annual payment amount will vary depending on the fair market value of the trust, re-determined every year on a certain valuation day. Still, the payment cannot be less than five percent of the net fair market value on a given valuation day. In contrast to the CRAT, the CRUT *can* receive additional contributions.<sup>21</sup> As such, a CRUT can be a more flexible planning tool than a CRAT under certain circumstances. However, CRUTs and charitable lead unitrusts (discussed below), which own artwork, can be difficult to administer because of the necessity to value the trust annually.

One of the best benefits of using a CRAT or a CRUT is that, for income tax purposes, neither variety pays capital gains taxes when the contributed assets are sold. Ideal for highly appreciated property, this allows assets held in a CRAT or CRUT to be liquidated at no tax cost

so that the proceeds can be invested more effectively for the non-charitable beneficiary (who we will assume is the Grantor) during his or her lifetime. In addition, because the present value of the future annuity or unitrust payments to the Grantor are calculated up front (as discussed above), a charitable income tax deduction is allowed for the value of the remainder interest.

Ordinarily, a CRAT or CRUT can be “engineered” to produce a certain amount of income tax deduction, and to the extent the deduction is not fully utilized by the Grantor in the year the trust is created, the balance can be carried forward for up to five years. CRATs and CRUTs, however, are both subject to a requirement that the remainder interest ultimately passing to charity must be at least ten percent of the fair market value of the assets placed in trust.<sup>22</sup> With the ten percent remainder requirement in mind, the general rule is the greater the payments to the beneficiary, the smaller the charitable remainder, and consequently, the lower the charitable deduction.

While the CRAT or CRUT itself does not pay income taxes, the CRAT or CRUT beneficiary is taxed on his or her annual receipts from the trust under a “tiered” system, with trust distributions being taxed first as Ordinary Income (to the extent of the trust’s ordinary income), then as Capital Gains (Short Term first, to the extent of the Trust’s capital gains and carry forward capital gains), then as Other income (such as Tax Exempt income), and lastly as distributions from trust principal.<sup>23</sup> Similar to a private annuity (discussed above), this results in a deferral of tax on a large portion of the capital gain.

**Q: What is a Charitable Lead Trust and should I consider one for my art collection?**

A: A Charitable Lead Trust removes assets from your estate and transfers appreciation to the next generation after a certain term. It is the conceptual opposite of a Charitable Remainder Trust. A Charitable Lead Annuity Trust (“CLAT”) pays the annuity amount to the charity for a period and then distributes the remainder at the end to the grantor’s descendants (or other non-charitable beneficiaries). A Charitable Lead Unitrust (“CLUT”), on the other hand, pays a given percentage of the trust property to charity every year, based on values that are re-determined every year.

If funded during the grantor’s lifetime and structured as a “grantor trust” for income tax purposes, a CLAT will generate an upfront charitable income tax deduction to the grantor, representing the present value of the annuity or unitrust payments to charity during the term of the trust, but limited to the grantor’s cost basis unless the artwork is immediately distributed to the charitable beneficiary in-kind (due to the “related use” rule discussed previously).<sup>24</sup> Of course, a grantor

trust is, by definition, taxable to the grantor, so the economics need to be studied to see whether this would be tax-efficient.

If the trust is formed under the terms of the collector’s Will, the collector’s estate will benefit from an estate tax charitable deduction and estate beneficiaries will eventually receive all of the post-death upside appreciation in excess of the Section 7520 rate in effect at the date of death transfer tax-free. The terms of the trust (i.e., the length of the trust and the payout rate) can be manipulated so that the estate tax charitable deduction equals the full fair market value of the art collection at death. This is a so-called “zeroed out” charitable lead trust. (Due to the ten percent remainder rule, charitable remainder trusts cannot be zeroed out.)

Jacqueline Kennedy Onassis created a CLAT under her Will as part of her estate planning. It can be a very useful device, particularly when you believe that your investment manager (or the assets themselves) will provide a rate of return substantially in excess of the applicable federal interest rate.

**Q: Are there any unusual problems in using a Charitable Lead or Remainder Trust that I need to consider if I am planning to fund it with pieces of art?**

A: Frequently, the only asset in the Charitable Remainder Trust at creation is the artwork. This does, in fact, have special implications from both tax and non-tax standpoints.

First, the income tax charitable deduction allowable is *limited* to your cost basis because of the so-called “related use” rule.<sup>25</sup> Second, the trustee cannot be restricted from investing the trust assets.<sup>26</sup> After all, the trustee has an absolute annual payment obligation to satisfy. Consequently, if a Charitable Remainder Trust is funded with a combination of assets, say artwork and marketable securities, for example, the trustee cannot be prohibited from selling the artwork. In addition, the Code states that in the case of gifts of future interests in tangible personal property (which applies to gifts of artwork to charitable remainder trusts), the gift will be deemed made once the trustee sells the artwork. All “intervening interests” in the tangible personal property (which includes the beneficiary’s annuity or unitrust interest) must expire before a charitable deduction can be allowed.<sup>27</sup> A sale by the trustee terminates any such intervening interest.

On a more pragmatic level, certain assets and circumstances lend themselves better to particular types of Charitable Remainder Trusts. As explained previously, there are generally two kinds of Charitable Remainder Trusts: annuity trusts (CRATs) and unitrusts (CRUTs). With respect to unitrusts, there are several variations: net income (known as a “NICRUT”), net income with makeup (“NIMCRUT”), and the so-called “flip CRUT.”

These variations add some flexibility to the way the unitrust payment is determined from year to year. The specifics of these varieties are beyond the scope of this article, but the propriety of one versus another should be considered in any estate plan that incorporates a Charitable Remainder Trust.

Finally, the trust is required to make an annual payment to the beneficiary, so as a practical matter, the artwork will need to be liquidated so that payments can be made. If there is a significant delay in selling the artwork, the trust could fall behind on its anticipated investment return, thereby not having sufficient funds to make all of the expected payments. Of course, this may also occur as the result of investments that do not perform as well as anticipated, or if the artwork is sold for less than the appraised value. Before establishing a Charitable Remainder Trust with art, competent advice is needed about the market for the pieces being contributed and possible venues for expeditious sale. Consulting an expert is therefore imperative. That said, however, a sale should not be negotiated for the artwork prior to contributing it to the Charitable Remainder Trust. If the trustee is under a binding obligation to sell the trust property, any capital gain realized on the sale will be attributed to the Grantor.<sup>28</sup>

Another issue of concern when using a Charitable Remainder Trust is a diminution of assets for family members. Even if the artwork would eventually be subject to estate taxation at a fifty percent rate (assuming some state tax and deductibility), fifty percent of the value would still pass to the owner's descendants. Transferring the artwork to a CRAT or CRUT removes the entire value from the estate, with the actual artwork being sold to unknown third parties. The resulting diminution can be offset by purchasing life insurance (owned by an irrevocable Life Insurance Trust, as discussed previously) if the Grantor can be insured for reasonable premiums.

**Q: What if I have a less valuable piece of artwork or collection that I want to give to a charitable organization—is there anything I have to be concerned about?**

A: Many organizations would probably love to add the painting to their collection; however, they need to weigh their desires for your painting against the competing needs to raise funds and provide for sufficient viewing, security, and insurance, among other issues. Simply put, running a museum costs money and illiquid assets given to a museum for exhibit do not pay the bills.

Thus, it is not unusual for a charitable organization to request (or even require) additional funds from you in order to accept your charitable contribution. For example, you may have a valuable collection of antique toy trains which is of great historical significance and

which you spent considerable funds and a lifetime of effort acquiring, but no museum may want to accept the collection without a meaningful donation. The donation is an endowment of sorts for your train collection. It will pay for its storage, upkeep, insurance, and costs associated with exhibition. You then have to decide whether you want to also raise funds for the museum, sell the collection (or perhaps discuss the possibility of transacting a "bargain sale" with the museum), or simply retain it.

By the way, if you decide to retain your collection, it is vitally important to maintain a paper trail of your efforts to donate it or sell it, as these experiences will illustrate the marketability (or lack thereof) that can affect the value of the collection at your death for estate tax purposes.

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Estate planning for art collectors entails special considerations that are not present in "ordinary" asset portfolios comprised of marketable securities and real property. Aside from the complexities caused by the technical rules and exceptions sprinkled throughout the Tax Code and Regulations, often the family has highly emotional ties to the art, making it incumbent upon the planner to find out whether (and, if not, how) the estate can afford to retain and pass down the art as heirloom property.

Indeed, although this article discussed many ways to give the art away during one's lifetime, no one should underestimate the value of simply retaining the appreciated property, enjoying it, including it in the estate at death and obtaining a step-up in basis. In this way, descendants and beneficiaries of the estate can have a chance to enjoy the art during their lifetimes and will pay little to no tax on capital gain if they decide to sell. If the collector and his or her family need to give up the collection in favor of current liquidity, the planner is faced with the reality of substantial capital gains, which (given the opportunities to avoid or defer taxation) might lead to a discussion about charitable giving and family philanthropy.

Advisors who are inexperienced in sophisticated tax planning should be warned—when dealing with valuable art and collectibles, each planning opportunity carries with it particular disadvantages, tax traps and unforeseen difficulties. Experts need to be consulted at just about every turn.

*In compliance with Treasury Department Circular 230, unless stated to the contrary, any Federal tax advice in this article is not intended or written to be used and cannot be used for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.*

## Endnotes

1. Internal Revenue Code (hereinafter referred to as the "Code") § 1014(b)(1). Basis will be adjusted, however, if gift tax is paid on the transfer. Code § 1015(d).
2. Code §§ 1001, 1222.
3. Code § 1(h)(4).
4. Code § 1015(a).
5. Code § 1221(a)(3)(C).
6. Subject to the 50% and 30% limitations for contributions to public charities and private foundations respectively, when donating ordinary income property, a donor's charitable deduction can be no more than her basis in the property. If the donor received the property as a gift from its creator, the donor's cost basis is zero. Code § 170(e)(1). There have been bills presented in Congress to amend the Code so that creative property of artists can be donated to charity for an income tax deduction equal to its fair market value, but none have been passed. *See, e.g.,* the "Artists' Contribution to American Heritage Act of 2005," H.R. 1120 (109th Congress). The recent tax reconciliation bill approved by Congress includes a provision allowing composers to elect to treat the sale or exchange of self-created musical works as the sale or exchange of a capital asset through December 31, 2010. This favorable tax treatment was not extended to other types of self-created works. *See* H.R. 4297 (the "Tax Increase Prevention and Reconciliation Act").
7. A gift of capital gain property will be eligible for the income tax charitable deduction, up to 30% of the donor's adjusted gross income, provided it satisfies the "related use" rule. Code § 170(b)(1)(C)(i); Treas. Reg. § 1.170A-4(b)(3)(ii). Under this regulation the deduction will be available if the museum uses the painting for a purpose that is related to the museum's charitable purposes. If the painting is donated for the purpose of being sold in a museum fundraiser, the "related use" requirement applicable to donations of tangible personal property will not be satisfied and there will be no charitable deduction.
8. Code § 2036(a).
9. Treas. Reg. § 20.2031-1(b).
10. *See, e.g., Propstra v. U.S.*, 680 F.2d 1248 (9th Cir. 1982).
11. The Code requires a "qualified appraisal" when valuation discounts are applied to transferred property. The detailed requirements of a "qualified appraisal" are set forth under Treas. Reg. § 1.170A-13(c)(3).
12. To qualify for the charitable deduction, the ownership interest given to the museum must not be characterized as a "future interest." The museum ought to be allowed to exercise its possession right within the year, otherwise the gift might appear to be of a "future interest." *See, e.g., Winokur v. Commissioner*, 90 T.C. 733 (1988).
13. Rev. Rul. 57-293.
14. Code §§ 2522(a), 2524.
15. *See Estate of Strangi v. Commissioner*, 115 T.C. 478, *aff'd in part and remanded*, 293 F.3d 279, *on remand* T.C. Memo 2003-145; *Estate of Harper v. Commissioner*, T.C. Memo. 2002-121; *Estate of Bongard v. Commissioner*, 124 T.C. 95.
16. Code § 2701(e)(2).
17. The annuity payor is disadvantaged in a private annuity transaction because no part of the payments to the annuitant is tax-deductible.
18. The caveat, however, is that Reg. § 25.7520-3(b)(3) prohibits this transaction from being used when the annuitant is terminally ill. A "terminally ill" individual is defined as one who is known to have an incurable illness or other deteriorating physical condition that creates a 50% chance that the individual will die within a year.
19. *E.g.*, Fine Art Capital ().
20. Code § 664(d)(1).
21. Code § 664(d)(2).
22. Code §§ 664(d)(1)(D), 664(d)(2)(D).
23. Code § 664(b); Reg. § 1.664-1(d).
24. Reg. § 1.170A-4(b)(3).
25. Code § 170(e)(1)(B)(i); Reg. § 1.170A-4(b)(3)(i) (stating, "The use by a trust of tangible personal property contributed to it for the benefit of a charitable organization is an unrelated use if the use by the trust is one which would have been unrelated if made by the charitable organization.") As an illustration, if a painting is given to a museum, which then decides to sell the painting and not exhibit it, the painting is not being used for the charitable purpose of educating the public; rather, it is being sold to raise funds. The sale is an "unrelated use" and limits the donor's deduction to the *lesser* of his or her cost basis or fair market value. In the case of a CRUT whose remainder beneficiary is a museum, selling the property is similarly an unrelated use.
26. Reg. § 1.664-1(a)(3).
27. Code § 170(a)(3).
28. Rev. Rul. 60-370.

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**Upcoming *EASL Journal* Deadline: Friday, September 15, 2006**

# The Reporter's Privilege: Are Bloggers Protected?

By Ryan Malkin

From the Pentagon Papers and Watergate to Valerie Plame and Abu Ghraib—without confidential sources, the public would not have become aware of these and other scandals. The reporter's privilege, either afforded through the First Amendment or via state shield laws, is the protection journalists turn to when, after receiving information from a confidential source, they are asked to divulge that source's identity. The journalist invoking the reporter's privilege may work for a major newspaper or media outlet. Yet historically—and in today's media landscape with the proliferation of untraditional online news sources such as weblogs—determining just who is deserving of protection from divulging a source is no simple undertaking.

Naturally, not all webbloggers, or bloggers, claim to report on current events or go beyond merely spewing their thoughts and opinions on the latest fashion trends or celebrity gossip. However, the blog is quickly becoming the medium of choice for today's "lonely pamphleteer," and certainly a growing means of receiving news and information.<sup>1</sup> Just look to the "Rathergate" scandal of 2005: Bloggers outshined CBS when it came to accurate reporting.<sup>2</sup> Put simply, the blog can no longer be ignored.

There are roughly nine million blogs online, with 40,000 more hitting the Internet each day.<sup>3</sup> Traffic to Blogger.com, a website allowing users to create their own blogs, increased 528 percent between February 2005 and February 2006.<sup>4</sup> Blog readership increased fifty-eight percent in 2004,<sup>5</sup> and in January 2005, *Fortune* magazine listed eight bloggers that business people "can't afford to ignore."<sup>6</sup>

As the blog becomes more and more relevant, we must ask, as the Supreme Court did in *In re Grand Jury Subpoena, Judith Miller*: "Does the [reporter's] privilege also protect the proprietor of a web log: the stereotypical blogger sitting in his pajamas at his personal computer posting on the World Wide Web[?]"<sup>7</sup> The Supreme Court admitted many years earlier, in *Branzburg*, that it would be necessary "sooner or later" to define newsmen, those who qualified for the reporter's privilege.<sup>8</sup> Perhaps that day is today.

However, even prior to *Branzburg*, the first Supreme Court opinion to address the reporter's privilege directly, there has been a tradition in this country for reporters to protect confidential sources, and to write, as many bloggers do, anonymously. "Both Anti-Federalists and Federalists believed that the freedom of the

press included the right to publish without revealing the author's name."<sup>9</sup>

Perhaps the first bloggers were Federalists like John Peter Zenger, publisher of the *New York Weekly Journal*. In 1735, Zenger printed a series of anonymous columns in his newspaper and was jailed for not divulging the writer's name.<sup>10</sup> Then, in 1779, a columnist using the *nom de plume* "Leonidas" accused various Continental Congress delegates of embezzlement, among other claims.<sup>11</sup> Congress sought to discover the identity of the writer to no avail.<sup>12</sup>

Subsequently, in 1848, John Nugent, a Senate Correspondent for the *New York Herald*, was jailed for refusing to divulge the source of a leak regarding a treaty.<sup>13</sup> A few years later, in 1857, a *New York Times* correspondent was jailed after refusing to reveal the identity of a House of Representative's member who told him of other members taking bribes.<sup>14</sup> Some help for journalists arrived in 1896, when Maryland enacted the first state shield law.<sup>15</sup> This, after a *Baltimore Sun* reporter was jailed for two days after refusing to reveal his source for a story discussing bribery of elected officials.<sup>16</sup>

In the early 1930s and 1940s, New Jersey and nine other states followed Maryland's lead, adopting shield laws of their own.<sup>17</sup> While other states were shielding journalists, the New York Court of Appeals in *People ex rel. Mooney v. The Sheriff of New York County*, decided the issue of "whether a newspaper reporter may lawfully refuse to answer pertinent questions relating to communications made to him as a reporter on the ground that such communications were privileged."<sup>18</sup> In *Mooney*, a reporter refused to reveal his source for an article suggesting grand jury investigations into gambling and lotteries were ineffective.<sup>19</sup> The Court of Appeals held that no court had decided "that a journalist enjoyed a testimonial privilege against compelled disclosure of a source."<sup>20</sup>

Subsequently, claims of a First Amendment federal privilege arose, initially in *Garland v. Torre*, when actress Judy Garland sued CBS for defamation.<sup>21</sup> Judge Potter Stewart, who later concurred in *Branzburg v. Hayes*, stated that journalists do have a First Amendment interest in protecting sources.<sup>22</sup> "Compulsory disclosure" of confidential sources, the court said, would "entail an abridgment of press freedom by imposing some limitation upon the availability of news."<sup>23</sup> Surely, Torre's attorneys argued that compelled disclosure would

“impose an important practical restraint on the flow of news from news sources to the news media and would thus diminish [] the flow of news to the public.”<sup>24</sup> After all, as most journalists would agree, if Torre were to identify her source, “nobody in the business [would] talk to [her] again.”<sup>25</sup>

However, the court ultimately held that while “precious and vital . . . to a free society,” a free press “is not an absolute.”<sup>26</sup> Garland had unsuccessfully tried to determine the sources on her own, her claim was not “patently frivolous” and the testimony of the reporter “was of obvious relevance and materiality.”<sup>27</sup> The First Amendment interests were trumped in this case by the “paramount public interest in the fair administration of justice.”<sup>28</sup>

The tide shifted in the early 1960s and 1970s, during a time when subpoenas to journalists became an “epidemic.”<sup>29</sup> The government stepped in, imposing Department of Justice Guidelines for subpoenaing journalists. Formally promulgated in 1972, the Guidelines provided a balancing test and demanded that no subpoena “be issued to any member of the news media without the express authorization of the Attorney General.”<sup>30</sup> The balancing test provided the following:

(a) In determining whether to request issuance of a subpoena to a member of the news media, or for telephone toll records of any member of the news media, the approach in every case must be to strike the proper balance between the public’s interest in the free dissemination of ideas and information and the public’s interest in effective law enforcement and the fair administration of justice.

(b) All reasonable attempts should be made to obtain information from alternative sources before considering issuing a subpoena to a member of the news media, and similarly all reasonable alternative investigative steps should be taken before considering issuing a subpoena for telephone toll records of any member of the news media.<sup>31</sup>

Yet, the most significant moment in the history of the reporter’s privilege was the landmark decision of *Branzburg v. Hayes*, a decision issued twelve days before the Watergate break-in.<sup>32</sup> In his majority opinion, Justice White noted the “significance of free speech [and] press [] to the country’s welfare.”<sup>33</sup> Although at odds with the majority holding, White did not suggest that newsgathering was free from some First Amendment protection; “without some protection for seeking out the news,

freedom of the press could be eviscerated.”<sup>34</sup> In deciding whether requiring “newsmen to appear and testify before state or federal grand juries abridges the freedom of speech and press guaranteed by the First Amendment,” the majority concluded that because the public at large had no immunity from grand jury subpoenas, journalists were not excused either.<sup>35</sup>

Moreover, the court was troubled with how to define those journalists who would qualify for a privilege, especially “considering that press freedoms traditionally apply” to both “the lonely pamphleteer who uses carbon paper or a mimeograph just as much as the large metropolitan publisher who utilizes the latest photocomposition methods.”<sup>36</sup> Thanks to the recently imposed Department of Justice Guidelines, the majority believed that no additional protections under the First Amendment were needed.<sup>37</sup> Those guidelines would be “wholly sufficient to resolve the bulk of disagreements.”<sup>38</sup>

Meanwhile, “Justice Powell’s concurrence has formed the legal foundation for journalists to continually assert a qualified constitutional privilege and has given lower courts support for recognizing one.”<sup>39</sup> Powell went beyond the majority’s decision, suggesting that “courts should be responsive to journalists whose evidence appeared to be irrelevant to an investigation or for which the government had no legitimate end.”<sup>40</sup> Powell suggested that courts should be “available to newsmen under circumstances where legitimate First Amendment interests require protection.”<sup>41</sup> Hence the reason why “many journalists and their attorneys maintain[] that *Branzburg* actually created a reporter’s privilege.”<sup>42</sup>

Even though among the *Branzburg* Court there was agreement that the use of confidential sources ultimately serves the public good, the Court refused to recognize a federal reporter’s privilege.<sup>43</sup> To the dissent, however, protection was warranted. Justice Douglas noted that the First Amendment protected journalists, assuming the journalist was not accused of a crime. “And if he [was] involved in a crime, the Fifth Amendment stands as a barrier.”<sup>44</sup>

Finally, in the Justice Stewart dissent, joined by Justices Brennan and Marshall, it was argued that the Court “undermine[d] the historic independence of the press by attempting to annex the journalistic profession as an investigative arm of government.”<sup>45</sup> To Stewart, “societal interest in free and full flow of information to the public” is the “basic concern that underlies the Constitution’s protections of a free press.”<sup>46</sup> Stewart noted that under the majority holding, sources must “choose between risking exposure by giving information or avoiding the risk by remaining silent.”<sup>47</sup>

To balance the interests of the grand jury function and the First Amendment, Justice Stewart suggested a three part balancing test:

The government must 1) show that there is probable cause to believe that the newsman has information that is clearly relevant to a specific probable violation of law; 2) demonstrate that the information sought cannot be obtained by alternative means less destructive of First Amendment rights; and 3) demonstrate a compelling and overriding interest in the information.<sup>48</sup>

Currently, although the majority did not recognize an absolute or qualified privilege, many lower courts have followed some form of this test to determine whether a reporter is protected by the First Amendment.<sup>49</sup>

Yet, since *Branzburg*, “the privilege has been diluted because the lines are blurred as to who qualifies as a journalist.”<sup>50</sup> Additionally, within state courts, shield laws differ as to who may invoke the privilege and therefore receive protection. Just as many state shield laws were amended with the advent of television and radio, so too the definitions used in many state shield laws may be in need of amendment today due to the vast influence of the Internet. Many of the shield laws have not been amended since the 1950s, long before the Internet and bloggers.<sup>51</sup>

For instance, the original text of Maryland’s statute stated that:

No person engaged in, connected with or employed on a *newspaper* or journal shall be compelled to disclose in any legal proceeding or trial, or before any committee of the legislature or elsewhere, the source of any news or information procured or obtained by him for and published in the newspaper on and in which he is engaged, connected with or employed.<sup>52</sup>

In its current form, however, the statute applies to “any person who is, or has been, employed by the news media in any news gathering or news disseminating capacity.”<sup>53</sup> Maryland’s shield law is now broader in its protection, covering television and radio, by applying to the news media generally. Although affiliated bloggers have an argument for protection, the vast majority of bloggers are simply not employed by the news media. Therefore, under current Maryland law, whether the blogger is gathering or disseminating news is a question unlikely to be reached.

Meanwhile, with similar language, Alabama’s shield law, amended in the 1950s to include television

and radio, still may not even apply to magazines—and would likely not cover most bloggers.<sup>54</sup> Alabama’s shield law covers persons “engaged in, connected with or employed on any newspaper, radio broadcasting station or television station, while engaged in a newsgathering capacity.”<sup>55</sup> In *Price v. Time, Inc.*, the plaintiff in a defamation action argued that the privilege does not apply to the defendant, *Sports Illustrated*, because it is a magazine.<sup>56</sup> In response, naturally, the defendant argued that the statutory term “newspaper” includes magazines.<sup>57</sup> The lower court held that the Alabama shield law against compelled disclosure does not apply to those “engaged in, connected with or employed on” a magazine.<sup>58</sup> Said the district court, “if the legislature had intended for the scope of the statutory privilege to include magazines or other media, it could have done so clearly and unequivocally.”<sup>59</sup> This issue was not reached by the Court of Appeals, leaving the question unanswered.

In contrast, Delaware looks to the party’s professional status. To qualify as a reporter, at the time of obtaining the information sought, the reporter must be

earning his or her principal livelihood by, or in each of the preceding 3 weeks or 4 of the preceding 8 weeks had spent at least 20 hours engaged in the practice of, obtaining or preparing information for dissemination with the aid of facilities for the mass reproduction of words, sounds, or images in a form available to the general public.<sup>60</sup>

Certainly, the statute will protect those bloggers making a living from their blogs. However, most bloggers do not use their blogs as a steady stream of revenue, making the statute applicable only to those who do. In fact, even bloggers who do qualify are at a disadvantage. After all, “unlike traditional journalists, bloggers can be more vulnerable—for unlike real-world journalists, they probably will not have a deep-pocketed institution with powerful lawyers to pay for, and mount their defense.”<sup>61</sup>

Meanwhile, California’s shield law protects a “publisher, editor, reporter, or other person connected with or employed upon a newspaper, magazine, or other periodical publication or by a press association or wire service. . .” and “a radio or television news reporter or other person connected with or employed by a radio or television station, or any person who has been so connected or employed.”<sup>62</sup> As one might expect, California courts have been liberal in defining the terms in its statute. For example, in *People v. Von Villas*, the court did not require a writer to produce “materials gathered in preparation for articles published in *Hustler* and *Los Angeles* magazines.”<sup>63</sup> The court held that California’s

shield law protects freelance writers “connected with or employed upon” a magazine.<sup>64</sup>

More recently, the issue of bloggers revealing unnamed sources took center stage when Apple Computer filed suit in California seeking to unmask the source of an alleged product information leak to three websites.<sup>65</sup> If the bloggers were deemed journalists, the California shield law would have protected them from divulging their sources.<sup>66</sup> The lower court, however, sidestepped the issue by deciding that when trade secrets are involved, journalists lose constitutional protection.<sup>67</sup> Due to of the lack of precedent on the issue of bloggers receiving shield law protection, there was no shortage of commentary. One blogger suggested that the court should “look at what folks are doing . . . if they’re reporting, then they’re reporters.”<sup>68</sup> Others argued that “there is no principled distinction between a *New York Times* reporter and a blogger for these purposes. Both operate as news sources for wide swaths of the general public.”<sup>69</sup> Ultimately, the Sixth District Court of Appeals rejected Apple’s arguments. The court did not want to involve itself with “questions of what constitutes ‘legitimate journalism.’”<sup>70</sup> Rather, the court held that the “shield law is intended to protect the gathering and dissemination of *news*, and that is what [the bloggers were doing] here.”<sup>71</sup>

Nebraska is very blogger friendly, where “keeping with the spirit of the recent revolutionaries who gave us the First Amendment, [she] protects the pamphleteer at the rented printer, and the blogger at the PC, as well as the giant corporation with its New York publishing house.”<sup>72</sup> The statute protects any person “engaged in procuring, gathering, writing, editing, or disseminating news or other information to the public.”<sup>73</sup>

Meanwhile, in 1981, New York’s shield law was amended. As amended, the statute covers journalists working for traditional news media outlets.<sup>74</sup> It defines professional journalists as those who gather news “for gain or livelihood” that is “intended for dissemination to the public.”<sup>75</sup> The statute continues that such persons must perform reporting or newsgathering functions “as a regular employee or as one otherwise professionally affiliated for gain or livelihood with such medium of communication.”<sup>76</sup>

This statute does not allow much room for bloggers to make arguments in favor of protection. After all, even if they were gathering news for public consumption, most bloggers are unlikely to be “professionally affiliated” with media outlets, such as those noted in the statute, which includes newspapers, magazines, news agencies, press associations and wire services.<sup>77</sup>

Despite unfriendly state shield laws and the lack of a federal shield law, “the Internet has converted ‘the lonely pamphleteer’ from a romantic ideal to a power-

ful reality.”<sup>78</sup> “People saw that they too could be journalists, without the expense of printing plants or broadcast licenses—and without having to submit to the supervision of editors or the discipline of verification that conventional journalism imposes.”<sup>79</sup>

Currently, media organizations control numerous outlets including newspapers, magazines, websites, books, and television.<sup>80</sup> Since nearly every media outlet has an online presence, it is not format or medium that should decide who receives protection.<sup>81</sup> As the lines between different forms of media blur, it becomes “increasingly difficult to apply medium-specific definitions.”<sup>82</sup> Rather, what should distinguish bloggers, “at least for constitutional purposes, is the exercise of editorial judgment.”<sup>83</sup> Editorial judgment is essentially, “independent choice of information and opinion of current value, directed to public need, and born of non-self interested purposes.”<sup>84</sup> To be independent, the journalist must be “free of forces from government or from outside of government that compromise the free independent judgment of those assigned the task of writing and composing the publication.”<sup>85</sup>

Certainly, the independent pamphleteer, or common blogger, may be deemed to use editorial judgment, generally being the sole editor, writer and publisher. However, precisely because the blogger is often working alone, whether that blogger is disseminating information for non-self-interested purpose may become an issue. Nonetheless, the blogger has the ability to disseminate information almost instantaneously and in many situations with no allegiance to advertisers or parent companies, making them a potentially lethal outlet to those whom the bloggers oppose.

For instance, in 2002, U.S. Senate majority Leader Trent Lott said that if Senator Thurmond was elected president, the United States would be better off.<sup>86</sup> “Lott’s critics saw these comments as a tacit approval of racial segregation,” advocated by Thurmond’s presidential campaign back in 1948.<sup>87</sup> “Though Lott’s comments were made at a public event attended by the media, no major media organizations reported on his controversial comments until after blogs broke the story.”<sup>88</sup>

Blogs were also among the driving force behind the “Rathergate” scandal of 2005. On *60 Minutes*, Dan Rather aired documents that conflicted with accounts of President Bush’s military record. “Conservative bloggers declared the documents to be forgeries and presented arguments in support of that view, and CBS apologized for what it said were inadequate reporting techniques.”<sup>89</sup> It was bloggers at Powerline.com who were “primarily responsible” for discrediting CBS and its story on the President’s National Guard Service.<sup>90</sup> A further example is Matt Drudge’s reports of the Monica

Lewinsky scandal. “And what is the Drudge Report really, but a big blog full of carefully chosen links.”<sup>91</sup>

It is the ability to separate themselves from the chummy club of politics and newsrooms that makes the blogger such an effective tool for revealing scandal and information that the public has the right to know. “Outside journalists—including bloggers—may be willing to take aim more quickly, speak more harshly, and investigate more thoroughly than insider journalists.”<sup>92</sup> After all,

The most consistent and ultimately damaging failure of political journalism in America has its roots in the clubby/cocktail personal relationships that inevitably develop between politicians and journalists—in Washington or anywhere else where they meet on a day-to-day basis. When professional antagonists become after-hours drinking buddies, they are not likely to turn each other in . . . especially not for ‘minor infractions’ of rules that neither side takes seriously; and on the rare occasions when Minor infractions suddenly become Major, there is panic on both ends.<sup>93</sup>

Yet, “the relative anonymity afforded to bloggers, coupled with a certain lack of accountability, as they are not your traditional brick-and-mortar reporters who answer to an editor or publisher, also has the risk of creating a certain irresponsibility when it comes to accurately reporting information.”<sup>94</sup> This is one reason why the issue of whether to include bloggers in not only state shield laws, but the Federal Shield Law being bandied about Congress is “a tough issue.”<sup>95</sup> The issue being: “You don’t know where to draw lines between bloggers and everyone else.”<sup>96</sup> Although not passed in the last session of Congress, the Federal Shield Law, or Free Flow of Information Act of 2005, may some day provide protection for bloggers.

For the moment, however, several lower court decisions offer some insight into how to analyze whether bloggers may be covered by federal law. As a boon to bloggers, the Second Circuit made clear that experience as a journalist is not a prerequisite to protection.<sup>97</sup> Perhaps more importantly, especially to experienced bloggers, the Second Circuit held that the privilege was not limited solely to reporters employed in the traditional print or broadcast media.<sup>98</sup> The reporter’s privilege was not intended “solely to protect newspaper or television reporters, but to protect the activity of ‘investigative reporting’ more generally.”<sup>99</sup>

The two-part test laid down by the court stated that: First, the person must be engaged in a newsgath-

ering process. Next, at the beginning of that newsgathering process, the person must have had the intent to disseminate to the public the information found during that investigation.<sup>100</sup> “The intended manner of dissemination may be by newspaper, magazine, book, public or private broadcast medium, handbill or the like, for [t]he press in its historic connotation comprehends every sort of publication which affords a vehicle of information and opinion.”<sup>101</sup>

Meanwhile, in the Ninth Circuit, looking to *Von Bulow* as persuasive authority, the court in *Shoen v. Shoen* decided the issue of “whether an investigative author, at work on a forthcoming book, may be compelled to testify and produce notes and tape recordings of interviews he conducted with a source who happens to be a defendant in a defamation action.”<sup>102</sup> As suggested in *Von Bulow*, the court noted that the reporter’s privilege is designed to “protect investigative reporting, regardless of the medium.”<sup>103</sup> The court’s test, citing *Von Bulow*, asked whether the person seeking protection had “the intent to use material—sought, gathered or received—to disseminate information to the public and [whether] such intent existed at the inception of the newsgathering process.”<sup>104</sup> If these conditions were met, the privilege may be invoked.<sup>105</sup> The Court noted that it would be “unthinkable to have a rule that an investigative journalist, such as Bob Woodward, would be protected by the privilege in his capacity as a newspaper reporter writing about Watergate, but not as the author of a book on the same topic.”<sup>106</sup> Therefore, in the both the Second and Ninth Circuits, bloggers with the requisite intent will likely receive protection.

Then in 1998, the Third Circuit reached the question in the case of *In re Madden*.<sup>107</sup> Here, a commentator for Titan Sports, which controlled the World Wrestling Federation, was subpoenaed. The court stated that a “critical question” in deciding whether a reporter may invoke the privilege is “whether she is gathering news for dissemination to the public.”<sup>108</sup> In addition, the person seeking protection from the privilege “must be engaged in the process of ‘investigative reporting’ or ‘news gathering.’”<sup>109</sup> Ultimately, the court followed a similar test as suggested by *Von Bulow* and *Shoen*. The court held that “individuals are journalists when engaged in investigative reporting, gathering news, and have the intent at the beginning of the news-gathering process to disseminate this information to the public.”<sup>110</sup> Madden did not pass the test, as he was an entertainer and not a reporter, therefore lacking the requisite intent.<sup>111</sup> “He, like other creators of fictional works, intends at the beginning of the process to create a piece of art or entertainment.”<sup>112</sup> Therefore, an entertainment-based blog is not likely to be covered by the reporter’s privilege. An open question may be whether a blog such as Gawker.com, covering celebrity scandal,

would be covered if it obtained confidential information regarding an entertainer.

However, in the tests laid down by these cases, intent is the dominant factor. After all, with the proper intent at the beginning of the newsgathering process, one is likely to meet the other factors—or is likely to successfully argue as such. Court-imposed balancing tests aside, the critical question should be: What function is the person performing?<sup>113</sup> “If the bloggers’ involvement is to report information to the public and to gather information for that purpose . . . they should be treated like a journalist.”<sup>114</sup> Under this approach, it is not the “format, but the content” that makes a journalist a journalist.<sup>115</sup>

Yet not every court believes a constitutional privilege applies at all, especially when discussing the issue of grand jury subpoenas as opposed to civil suits. The Sixth Circuit, for instance, upheld the notion that *Branzburg* did not adopt a constitutional privilege<sup>116</sup> “Adopting the three-part test endorsed by other circuits would be ‘tantamount to our substituting, as the holding of *Branzburg*, the dissent written by Justice Stewart’” as the majority opinion.<sup>117</sup> “Although the Sixth Circuit, in dictum . . . rejected the view held by most circuits that *Branzburg* could be interpreted as creating a qualified privilege, the court did so in the grand jury context and has yet to consider the much different issue raised in civil proceedings.”<sup>118</sup>

More recently, in *McKevitt v. Pallasch*, Judge Posner, in the Seventh Circuit, said that cases recognizing First Amendment concerns such as using the press as “an investigative arm of the government, and so forth,” were rejected by *Branzburg* “even in the context of a confidential source.”<sup>119</sup> To Posner, these courts “may be skating on thin ice.”<sup>120</sup> He held that the question the courts should decide in determining whether a privilege applies is whether the subpoena is “reasonable in the circumstances . . . the general criterion for judicial review of subpoenas.”<sup>121</sup> Thus, the Seventh Circuit refused to recognize an absolute or a qualified reporter’s privilege.<sup>122</sup>

In agreement with the Seventh Circuit, the Court of Appeals for the District of Columbia held that “there is no common law privilege protecting reporters or any other news media personnel, no matter how defined, from the reach of grand jury subpoenas on claim of confidentiality.”<sup>123</sup> In another matter, the District Court for the District of Columbia held that *Branzburg* “expressly and resoundingly declined to recognize” a reporter’s privilege.<sup>124</sup> Upholding the lower court decision in *Win Ho Lee v. Department of Justice*, the Court of Appeals for the District of Columbia determined that there was no abuse of discretion in ordering the journalists to testify.<sup>125</sup> In the end, reporters—whether working at the *New York Times* or plugging away at a blog—are far less

likely to receive protection from federal grand jury subpoenas than in civil suits. However, to even answer the question of whether the reporter will succeed on a claim of privilege, one must first determine whether the blogger is indeed a journalist. As we have seen, the answer to that question varies from state to state and from circuit to circuit.

Ultimately, if bloggers are functioning just as journalists do for major media outlets, providing similar if not superior benefits to society, they should be protected by the same privilege. “There should be protection so long as information was obtained for the purpose of dissemination to the public at large in some sort of analogous way to what journalists do.”<sup>126</sup> In other words, “the rules should be the same for old media and new, professional and amateur.”<sup>127</sup>

After all, a “blogger who communicates with . . . thousands of people is not less deserving [of protection] than a journalist who may communicate with a smaller audience through a small-town newspaper.”<sup>128</sup> No matter what the medium, if sources cannot trust that the people reporting the news to the public will protect their confidentiality, they will be less likely to share information of the utmost importance to the public. Then we all suffer. Besides, “in 15 years, there may be no clear distinction between reporters on the one hand and bloggers on the other.”<sup>129</sup> Both the traditional reporter in his cubicle at Time Warner and the blogger sitting at home in his pajamas listening to protest songs of the 1960s can and will provide information the public has the right to know.

## Endnotes

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  63. 10 Cal. App. 4th 201 (Ct. App. 1992); Lystad at 97.
  64. *Von Villas* at 229, citing Cal. Evid. Code §1070
  65. *Apple Computer, Inc. v. Doe 1*, 2005 WL 578641 (Cal. Superior 2005).
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  67. *Id.*; K.C. Jones, *Apple to Face Online Writer's Appeal in California*, [www.informationweek.com/story/showArticle.jhtml?articleID=184419780](http://www.informationweek.com/story/showArticle.jhtml?articleID=184419780) (March 31, 2006).
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  72. See *In re Grand Jury Subpoena, Judith Miller*, *supra* note 7, at 981.
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  76. *Id.*
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  78. David Anderson, *Freedom of the Press*, 80 Tex L Rev 429, 434 (February 2002), citing *Branzburg v. Hayes*, 408 U.S. 665, 704.
  79. *Id.*
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96. *Id.*
97. *Von Bulow v. Von Bulow*, 811 F.2d 136, 144 (2d Cir. 1987), 481 U.S. 1015 *cert. denied* (where the privilege was not applicable because the witness was not actively involved in the newsgathering process or dissemination of news to the public).
98. *Id.*
99. *Shoen v. Shoen*, 5 F.3d 1289 (9th Cir. 1993), citing *Von Bulow*, 1293.
100. *Id.*
101. *Von Bulow* at 144, citing *Lovell v. Griffin*, 303 U.S. 444, 452 (1938).
102. 5 F.3d 1289 at 1290.
103. *Id.* at 1293.
104. *Id.*
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106. *Id.* at 1293.
107. *In re Madden*, 151 F.3d 125 (3d Cir. 1998).
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109. *Id.*
110. *Id.*
111. *Id.*
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113. *See* Hudson, *supra* note 90 (quoting Gregg Leslie, legal defense director for the Reporters Committee for Freedom of the Press).
114. *Id.*
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116. *See* Larsen, *supra* note 23, at 1252, 1253.
117. Larsen at 1253, citing *In re Grand Jury Proceedings*, 810 F.2d 580, 584 (6th Cir. 1987).
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126. Josh Gerstein, *Bloggers Blur the Definition of Reporter's Privilege*, *New York Sun* 6 (Dec. 6, 2004) (quoting Floyd Abrams).
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# Originality Standard as Applied to Photographs and Other Derivative Works: A Need for Change

By Justin Pats

Copyright Law is rooted in Article 1, Section 8 of the Constitution, which provides that “[t]he Congress shall have Power . . . to Promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”<sup>1</sup> Federal statute dictates that a copyright is afforded to “an original work fixed in a tangible medium of expression.”<sup>2</sup> A key component of the definition of copyright is originality, which in fact has been coined the “*sine qua non*” of copyright.<sup>3</sup> Although statutorily undefined, originality has been couched as an author’s independent creation—as opposed to copied from other works—possessing at least some minimal degree of creativity.<sup>4</sup>

Due to the lack of congressional clarification regarding originality, various standards have been established and applied by courts over the years, ranging in their requirements from minimal<sup>5</sup> to significant.<sup>6</sup> This resultant lack of uniformity in defining originality has induced a firmly entrenched inconsistency in federal court copyright decisions, especially with regard to second-generation works,<sup>7</sup> such as compilations and derivative works.

This article outlines the inconsistency exuding from federal courts with respect to originality issues, analyzes the numerous existing originality standards, and proposes a solution to the problem at hand.

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## Derivative Works

The struggle to define originality has reached an apex in cases involving derivative works. A derivative work is a work based upon one or more preexisting works that is recast, transformed, or adapted so as to represent an original work of authorship as a whole.<sup>8</sup> To attain a copyright on the original aspects of a derivative, a derivative author must (1) have attained authori-

zation for the use of the preexisting work from its owner, (2) have used the preexisting work lawfully as protected by the fair use defense or an applicable foreign doctrine,<sup>9</sup> or (3) have used a work that had fallen into the public domain.

One of the many forms of derivative works is photographs.<sup>10</sup> Although in producing a photograph, a camera copies its subject as exactly as science and technology permit, a photograph still has copyrightable value in parameters such as the lens, lighting, angle, timing, perspective, and film used by its author.<sup>11</sup> Upon first glance at a photograph, these copyrightable characteristics can be non-obvious to the casual observer, and “separating a photographer’s expressive contribution from a subject’s intrinsic worth might not always be so easy to do.”<sup>12</sup> In light of this, courts have spent long hours trying to sort out derivative work legal claims regarding photographs, often arriving at disparate conclusions with respect to originality.<sup>13</sup> As a result, a number of originality standards have surfaced.<sup>14</sup>

## Recent Case Law

### ***Gracen v. The Bradford Exchange and Metro-Goldwyn-Mayer***<sup>15</sup>

In this case, The Bradford Exchange (“TBE”) invited several artists to submit paintings of Dorothy from “The Wizard of Oz.”<sup>16</sup> The plaintiff, Gracen, submitted her painting, which was selected by TBE.<sup>17</sup> However, when Gracen refused to sign its contract, TBE hired another artist by the name of Auckland to paint Dorothy, using Gracen’s version as a guide.<sup>18</sup> Upon notice of TBE’s actions, Gracen brought a suit against it for copyright infringement.<sup>19</sup> The district court found Gracen’s paintings and drawings not copyrightable.<sup>20</sup>

On appeal to the Seventh Circuit, Judge Posner raised the issue of whether there is enough difference between the derivative and the underlying works for the originality requirement to be met.<sup>21</sup> Posner reasoned that there was a perceptible difference, but if protection were granted, future derivative works could lead to overlapping claims, handcuffing juries as to the source of inspiration for future derivative works.<sup>22</sup> Therefore, Posner held that there must be sufficiently gross difference between the derivative work and the underlying work to avoid entangling subsequent artists, who depict the underlying work, in copyright issues.<sup>23</sup>

## **Entertainment Research Group v. Genesis Creative Group<sup>24</sup>**

The plaintiff Entertainment Research Group (“ERG”) designed and manufactured three-dimensional costumes based on cartoon characters such as Cap’n Crunch and the Pillsbury Dough Boy.<sup>25</sup> The defendant Genesis sold ERG products.<sup>26</sup> When their business relationship soured, Genesis hired a competitor to make its costumes.<sup>27</sup> In response, ERG sued Genesis for copyright infringement.<sup>28</sup>

The Ninth Circuit turned to a two-part originality test first introduced in *Durham Industries v. Tomy Corp.*:<sup>29</sup> To support a copyright, the original aspects of a derivative work must (1) be more than trivial, and (2) reflect the degree to which it relies on pre-existing material and must not in any way affect the scope of any copyright protection in that preexisting material.<sup>30</sup> As to prong one, the court held that the originality of ERG’s costumes was not more than trivial:

[N]o reasonable trier of fact would see anything but the underlying copyrighted character when looking at ERG’s costumes. . . . [ERG] has demonstrated, and the [costumes] themselves reflect, no independent creation, no distinguishable variation from preexisting works, nothing recognizably the author’s own contribution that sets [ERG’s] figures apart. . . . [B]ecause ERG’s costumes are “instantly identifiable as embodiments” of the underlying copyrighted characters in yet another form, no reasonable juror could conclude that there are any non-trivial artistic differences between the underlying cartoon characters and the immediately recognizable costumes that ERG has designed and manufactured.<sup>31</sup>

As to prong two, the court also found against ERG:

Given the fact that ERG’s costumes are so similar to the well-known copyrighted characters that they are based upon, the district court was correct to conclude that granting ERG a copyright in its costumes would have the practical effect of providing ERG with a de facto monopoly on all inflatable costumes depicting the copyrighted characters also in ERG’s costumes. Indeed, if ERG had copyrights for its costumes, any future licensee who was hired to manufacture costumes depicting these char-

acters would likely face a strong copyright infringement suit from ERG.<sup>32</sup>

Therefore, because ERG failed to meet either prong of the *Durham* test, its costumes were denied copyright protection.<sup>33</sup>

## **Ets-Hokin v. Skyy Spirits, Inc.<sup>34</sup>**

In this case, the defendant Skyy hired the plaintiff Ets-Hokin, a professional photographer, to shoot one of its vodka bottles for an advertisement.<sup>35</sup> The resultant shots featured, *inter alia*, illumination, concomitant shadows, and a perpendicular view.<sup>36</sup> Skyy rejected the photos and hired other photographers.<sup>37</sup> In response, Ets-Hokin sued for copyright infringement.<sup>38</sup> The district court applied the *Durham* test and dismissed the plaintiff’s claim.<sup>39</sup>

The Ninth Circuit reversed, finding that Ets-Hokin’s decisions as to angle, lighting, and perspective amply warranted protection.<sup>40</sup> *A fortiori*, the court opined that for a work to be derivative, the underlying subject must be copyrightable.<sup>41</sup> Here, the vodka bottle was not copyrightable, so the photos were not derivative works and were examined at a modicum—rather than a heightened—standard of originality.<sup>42</sup> As a result, Ets-Hokin’s artistic decisions in taking the photographs met the originality requirement for copyrightability.<sup>43</sup>

Conversely, in her dissent, Judge Dorothy W. Nelson moved to affirm a dismissal on the basis of the merger and *scènes à faire* defense doctrines. Judge Nelson found the copyrightable aspects of the photographs at issue too minimal to be infringed but for via slavish copy.<sup>44</sup> Ultimately, her minority position was adopted on remand and affirmed by the Ninth Circuit in 2003.<sup>45</sup>

## **SHL Imaging, Inc. v. Artisan House, Inc.<sup>46</sup>**

In this case, the defendants, who manufactured mirror and picture frames, hired the plaintiff, a professional photographer, to shoot their frames for advertising purposes.<sup>47</sup> Various creative decisions were made by the plaintiff as to lenses, lighting, and staging.<sup>48</sup> The defendants allegedly exploited the plaintiff’s photos beyond the terms of the licensing agreement, and the plaintiff sued for copyright infringement.<sup>49</sup>

As in *Ets-Hokin*, the court found that a derivative work must be based on a work that itself is copyrightable.<sup>50</sup> The court then reasoned that a product-shot photograph could not be a derivative work because it did not recast, transform, or adapt the underlying work.<sup>51</sup> Applying a minimal standard of originality, the court found that the totality of the plaintiff’s precise lighting selection, angle of the camera, lens and filter selection made his photos copyrightable.<sup>52</sup> However,

the plaintiff was entitled to protection only for this “incremental contribution,” as he could not prevent others from photographing the same frames, or using the same lighting techniques and blue sky reflection in the mirrors.<sup>53</sup> In effect, the plaintiff’s work was protectable only against verbatim copying. However, this is exactly what the defendants did, so the court found that they infringed the plaintiff’s picture frame photos.<sup>54</sup>

## Analysis and Proposed Solutions

### Recent Case Law Commentary Regarding Originality

#### 1. Applying Heightened Originality Standards to Derivative Works Is Inherently Flawed

Authors should be entitled to protection only of their own original creations.<sup>55</sup> This fundamental concept of copyright law should apply unconditionally, no matter the context surrounding a particular fixated work.<sup>56</sup> Thus, any kind of originality standard devised by courts that has the potential to deny authors their due protection is flawed and simply should not be used.

The “substantially different” standard proffered by Judge Posner in *Gracen*<sup>57</sup> is the first in a number of recent noteworthy and different originality standards to surface regarding derivative works. Posner envisions the scenario where there are two or more very similar derivative works produced, leading to multiple copyright claims and numerous infringement permutations certain to hamper the judicial process. In response, Posner posits that a derivative work must substantially differ from the underlying work to garner copyright protection. Yet Posner’s reasoning fails, because the problems evidenced by his scenario run much deeper than merely derivative works—they are in fact universally applicable. Any time separate individuals produce works of a particular landscape, or any subject for that matter, there is always a real possibility that the works will be similar, opening the door for rivaling infringement claims.<sup>58</sup> One would therefore conclude that there must be a more compelling reason to adopt a heightened standard of originality.

What about the theory that a heightened originality standard for derivative works actually provides more incentive to create, and hence, greater innovation? Credible arguments can be made that a heightened standard quells satisficing efforts: Authors are encouraged to create works from scratch rather than alter an underlying copyrighted work with the intent of infusing just enough changes to attain independent copyrightability.<sup>59</sup>

However, what if these satisficing authors cannot adapt their styles so as to create works from scratch, and a net loss of innovation results as these typecast

minimalist copywriters are effectively externalized from the copyright arena? This net loss of innovation reflects the theory that the artistic talent pool is saturated and inflexible: (1) the economic utility generated from minimalist copywriters is irreplaceable, and (2) hacks are incapable of becoming innovators.<sup>60</sup>

Most notably however, federal copyright law is rooted in the concept that original contributions to society, small and large, regardless of an author’s initial creative disposition, must be appropriately compensated so as to ensure that authors have the incentive to continue to create and innovate.<sup>61</sup> Therefore, it is difficult to endorse a standard that would deny protection to copyrightable material. Although feasible arguments can be made both ways regarding public policy, incentives, and innovation, there just is not enough evidence to suggest that a heightened originality standard is *the best* approach in determining copyrightability.

#### 2. Giving Judges Too Much Latitude

Additionally, there is the problem of judges legislating, rather than adjudicating. Congress has been empowered by the Constitution “to promote the Progress of Science . . . by securing for limited times to Authors . . . the exclusive Right to their respective Writings. . . .”<sup>62</sup> and has in turn classified copyrightable matter as “original works of authorship fixed in any tangible medium of expression.”<sup>63</sup> Unfortunately, however, Congress purposely failed to define originality in the 1976 Act,<sup>64</sup> and has thus put judges in the precarious and untenable position of formulating their own varied definitions depending on the context.

This is dangerous, because judges often fail to notice the inherent proportionality built into copyright and originality. The more expressive and original a piece of work, the stronger the afforded copyright protection should be, and vice versa.<sup>65</sup> For example, an original painting by a famous artist should garner much more copyright protection than a photograph of that painting. However, that which the photograph emanates as original—lighting, angle, perspective—should nonetheless be protected, albeit thinly. However, if we apply a standard of even *minimally* heightened originality to said photograph to cater to the economic interests of the owner of the painting, whatever originality the photograph possesses may well get overlooked and go unprotected. As such, requiring anything higher than a modicum of originality<sup>66</sup> will undoubtedly deny deserving works copyright protection merely because they exhibit originality less than that of an arbitrarily established standard.

Giving judges added latitude in defining copyright protection has also led to ill-applied multi-factor tests further complicating the issue of originality in derivative works. As mentioned above, in *Entertainment*

Research Group,<sup>67</sup> Judge Rea relied on a two-part test established in *Durham*<sup>68</sup> to find that costumes developed by ERG that derived from pre-existing cartoon drawings were uncopyrightable.<sup>69</sup>

Upon first glance, the *Durham* test looks rather enticing. Meeting the two conditions would certainly garner a derivative work copyright protection. However, what has been overlooked is the inherent mutual exclusivity between the original contribution of the underlying work and that of its derivative work.<sup>70</sup> On one hand, the copyright in the underlying work extends to the original expression of that work as a whole. On the other hand, the copyright in a derivative work extends only to that expression that has recast, transformed, or adapted the underlying work.<sup>71</sup> Once a person can permanently separate the two, any prospective interference of a derivative work with the underlying work ceases to exist as a copyrightability<sup>72</sup> issue and is relegated to the secondary issue of infringement, which turns on whether the derivative author's use of the underlying work was indeed lawful.<sup>73</sup> Thus, the second factor of the *Durham* test is really a non-factor in determining copyrightability and reflects a general uncertainty on the part of judges as to the scope of protection a particular copyright affords.

### 3. Neutralizing Bad Faith and Palming Off Activities Via Derivative Works

Judges who endorse a heightened standard almost always seem to be preoccupied with the potential adverse economic impact on an underlying work's copyright if protection is extended to a similar derivative work.<sup>74</sup> If a minimally creative derivative work is protected, favorable conditions purportedly exist for palming off<sup>75</sup> the derivative work copyright as that of the underlying work. There then exists a potential for bad faith on the part of the derivative author in asserting infringement claims against subsequent derivative authors and overstepping its protective bounds.<sup>76</sup> However, such bad-faith activity in this situation is simply not feasible. First, a derivative author cannot attain a copyright unless her use of an underlying work is lawful.<sup>77</sup> Second, the copyright owned by the derivative author applies only to that which she personally created and is completely independent of the underlying work.

In the case of a photograph of a product, protection would apply only to the author's choices of angle, lighting, and perspective, among other factors.<sup>78</sup> As a result, it would take an act such as slavish copying to enable the derivative work owner to bring a successful infringement claim. This, coupled with courts' recent application of the *scènes à faire* and idea/expression merger doctrines<sup>79</sup> to dismiss infringement claims against substantially similar second and third deriva-

tive photographs, have essentially eviscerated any chance of palming off by a derivative work copyright owner.

Recall Judge Posner's Mona Lisa example in *Gracen*.<sup>80</sup> Artists A and B independently made reproductions of the Mona Lisa that were similar to the original but did exhibit artistic differences such as lighting, shade, highlighting, and angle.<sup>81</sup> Posner worried that if A sued B for infringement, the jury would not be able to tell whether B was copying A or the original.<sup>82</sup> Unfortunately, Posner failed to consider the real chance that there was no infringement by Artist B. Sure, the similarity between A and B is inevitable, given the shared concept or idea of reproducing the Mona Lisa.<sup>83</sup> However, if we take away the unoriginal elements of Artist A's work—namely that which relates to the original Mona Lisa—Artist A is left with a thin copyright, protecting only against virtually identical copying.<sup>84</sup> In this situation, A and B are not virtually identical and likely differ in as many ways as are possible, given the constrained medium of commercial reproduction. Therefore, under the application of *scènes à faire* and merger doctrines, because there are only limited ways to create a commercial reproduction of an underlying work, and as the only constant between works A and B is the underlying work itself, we can neither classify A nor B as an infringing work.

### 4. Is a Photograph Even a Derivative Work?

Having shown that a secondary work derived from an underlying work can garner its own copyright, albeit thin and practically unenforceable, consideration must also be given to the words of the Copyright Act itself, and the concept that many photographs are in fact not derivative works as per the definition set forth by 17 U.S.C. § 101. Under the Copyright Act, a work must transform, recast, or adapt a pre-existing work to be considered a derivative work.<sup>85</sup> Does a photograph of a pre-existing work transform, recast, or adapt that pre-existing work? Endorsing an affirmative answer to this question, one would point to the dimensional change innate in the taking of a photograph, during which light from a three-dimensional subject is captured within a camera and stored as a two-dimensional image, either via film or digital means. Furthermore, as Justice Story once alluded to, almost everything is derivative in a sense.<sup>86</sup> However, in *SHL Imaging*,<sup>87</sup> Judge Pauley has taken a diametrically opposed view: “[a] photograph of [a pre-existing] sculpture . . . merely depicts that sculpture; it does not recast, transform, or adapt [the pre-existing] sculptural authorship.”<sup>88</sup>

On its face, a resolution to the above dispute seems critical to the assessment of originality with regard to photographs. Under the current legal scheme, if a photograph is classified as a derivative work, the chance for

copyrightability decreases, as courts will examine under a heightened standard of originality. However, if the photograph is somehow not a derivative work, courts revert back to the regular modicum of originality standard, under which a colorable copyright claim can almost certainly be raised. Yet if a modicum standard of originality is applied, regardless of a photograph's classification as a derivative work or otherwise, what seemed like a critical debate becomes a moot point. *A fortiori*, the ability of mere subjective semantics to significantly alter the level of scrutiny under which photographs are examined for originality demonstrates a real need to remedy such an unjust system.

## Proposed Solutions

### 1. Amendment to Federal Copyright Act

By adopting and promoting varied originality standards that are not in synch with federal statutory law, judges have circumvented Congress and in effect usurped their power to legislate on behalf of the people. This is not without remedy, however. This author implores Congress to amend the Copyright Act to (1) require no more than a modicum of originality for copyrightability as applied to all works, and (2) linearly relate originality and copyrightability by stating that the less originality a work exhibits, the proportionately thinner the copyright afforded, and vice versa. In application of said linear relation, appropriate labels such as "thin," "average," and "strong" can be given to copyrighted works to hone in on the scope of their protection. If Congress establishes these principles, judges will be coerced to slowly but surely abandon the faulty heightened originality standards that leaked into the common law over the latter half of the twentieth century.

First, by establishing a modicum as the standard for originality for all works, judges will be able to focus their full energy toward the content of a work in determining the amount of originality it exhibits, rather than waste half of an opinion waffling over what the originality standard should be. As a result, there is a comforting streamlining effect on copyright analysis as judges know there is one standard to apply and do not run the risk of having a higher court overturn their decisions based on its belief in applying a differing standard.

Even more importantly though, copyrightable works will not be denied their due protection, notwithstanding how thin and relatively unenforceable that protection may be. Just as there is no *de minimus* defense to copyright infringement—even the smallest amount of copying is *prima facie* evidence of infringement; judges should not be able to cast away copyrightable material by pitting policy-driven arguments<sup>89</sup> against the relatively small degree of originality exhibit-

ed by a work—any evidence of intellectual labor generating a modicum of originality should be protected.

Second, by linearly relating originality and copyrightability in the statute, Congress will provide judges with a mindset with which to approach the issue of copyrightability, as well as a framework by which to quantify the strength of a particular copyright. Copyright analysis as we know it is a rather uncertain process. Once we determine something is copyrighted, there is this uniform tag of protection associated with a work. However, by further defining what this protection covers in terms of scope and its relative quantitative value, judges will be better able to determine such issues as infringement and fair use.

Assigning a quantitative value to a copyright does not have to be a rigorous or numeric task for judges. This author would rather encourage the institution of a few descriptive terms in an effort to better categorize the protection level of a work. First, a work which exhibits only minimal originality would possess a "thin" copyright, protectable only against slavish copying. An example of this would be a product-shot photograph as in *SHL Imaging* or *Ets-Hokin*. Derivative works will often fall under the "thin" classification due to their significant dependency on an underlying work.

On the other end of the spectrum would be a completely original work abundant with creative nuances. Such a work would garner a "strong" copyright label and would be protectable against any copying that produced a substantially similar work. Examples of strong copyrights would include novel songs, paintings, or writings.<sup>90</sup> In between "strong" and "thin" copyrighted works are those works that deserve an "average" level of protection. "Average" copyrights apply to first-generation works that were created independently and exhibit sufficient originality for copyright protection. However, an "average" work is sufficiently similar to another author's work so as to suggest a lack of novelty and effectively diminish its overall copyright protection.<sup>91</sup>

A good example of an "average" copyright would be two original screenplays about the class nerd becoming the prom king. Both start with an uncopyrightable concept, that of the class nerd becoming prom king, but incorporate enough differences and nuances along the way with respect to expression in the script so as to meet the requirement of originality<sup>92</sup> and secure independent copyrightability. However, when we compare the two screenplays, although they are not infringing upon each other, there are numerous similarities due to their original dependency on the same idea. Therefore, the copyright afforded to these two screenwriters can only be as strong as their own original contribution, and here originality most likely only amounts to an "average" copyright.

Adopting this quantitative valuation system for copyright protection will allow judges to better determine the issue of copyright infringement. A work that is labeled as a “thin” copyright has a very low chance for infringement, as it can only be infringed if slavishly copied. An “average” copyrighted work has a greater chance to be infringed upon than a “thin” work because it possesses more original expression from which a subsequent author can take. Finally, a “strong” copyright work has the greatest chance to be infringed upon, due to its abundance of original expression—being predominantly different from other works.

## **2. Practical Implementation and Associated Effects**

### **a. Uniform Modicum of Originality Standard**

As with the institution of any change to the law, one must address and evaluate the concern for and opposition against a uniform modicum of originality standard. The most adversarial opponents to a proposed statutory amendment would be companies that market distinctive brands and hire photographers to photograph their products for advertising purposes. These brand-name companies want to protect the economic value of their products. However, recognizing minimal originality in derivative works diminishes brand-name companies’ leverage to control the economic value of their products via copyright law.

An example of this is Skyy Vodka. Absent any agreement otherwise, a independently hired product-shot photographer has a copyright interest only in the unique lighting, angle, and perspective expressed in a Skyy Vodka bottle photograph. However, even though the photographer has no intellectual property claim to Skyy Vodka itself, its labeling or packaging, there inevitably exists this unbreakable association between the product photograph and the product. Although it is possible to intellectually separate the oppositional intellectual property interests, when viewing a photo of a Skyy Vodka bottle, one copyrightable entity is seen.

On its face, this seems to be a real problem for Skyy Vodka. However, the reality is that when a photographer enters into an agreement with Skyy Vodka, the terms of that agreement will always favor the more powerful bargainer, all but ensuring that Skyy Vodka’s intellectual property interests are unaffected. These agreements are generally work-for-hire, with any copyright interests arising from the scope of services rendered vesting not to the photographer, but rather to Skyy Vodka. Thus, because Skyy Vodka owns the copyright in the original aspects of the product-shot photograph, it need not fear the prospect of bad-faith notoriety generated by the photographer. To summarize, in practice, the drafting of a solid contract is critical to avoiding any future copyright infringement issues. Yet because solid contracts are for the most part already in

place by brand-name companies, any risk of their losing economic value in their protected products is usually nullified.

Furthermore, for independent authors such as artists and sculptors, a derivative author’s use of their original works must be lawful, either consented to or a fair use. Fair use aside, the moment of authorization gives the original author a chance to disallow such derivative activity, or alternatively enter into contract under which an economically favorable resolution can be reached. Thus, the original author has the opportunity to protect his intellectual property interests before any derivative activity begins. Theoretically speaking, lowering the originality requirement may expose original authors to a loss of control in their intellectual properties. However, there are sufficient preliminary checks in the system by which original authors can protect their economic interests against derivative authorship.

### **b. Quantitative Valuation System**

In practice, the quantitative valuation system proposed above will undoubtedly be useful in litigation as courts attempt to assess the copyrightability of the works at issue. Moreover, instituting such a system will aid companies tremendously in their intellectual property portfolio and asset management capabilities. Companies will be able to use the proposed guidelines—attributed to labeling a work as having “thin,” “average,” or “strong” protection—and apply them to each of their copyrightable works. By attaching a copyright value to their works, while relying on the fact that all courts must carry out a similar analysis in the event of an infringement claim, companies will be able to value their copyrights with greater accuracy and in turn make smarter decisions as to their competitive activities and legal issues.

The issue of enforcement regarding a quantitative valuation system is one that is prominently court driven. Until a court renders an official decision as to a work’s strength of copyright, companies must depend on bona fide *sui generis* valuations. With self-valuations comes the risk of companies’ unduly inflating the strength of their copyrights. However, the risk of such bad-faith activity is really no greater than that of more traditional underhanded business practices such as insider trading and profit inflating accounting, which have led to a marked increase in white-collar criminal punishments. Furthermore, egregious violations, regardless of their nature, are almost always discovered and remedied.

## **3. Alternative Solutions**

Given the great difficulty in effectuating an amendment to the Copyright Act, there are a few alternative methods by which parties’ with original works can bet-

ter safeguard their copyright interests. First and foremost, contract law is a very effective and essentially necessary tool in protecting intellectual property. Large-scale players such as brand-name companies can use leverage to draft favorable contracts with parties hired to create derivative works, in which the companies retain all associated rights. On the other hand, small-scale players, such as artists and sculptors, have the power to withhold consent from potential derivative authors and can use this power as leverage in formulating favorable contract terms for themselves as well.

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*“Determining the appropriate level of copyright protection is difficult, as has been well documented in the wake of recent struggles by federal courts to sort out the rights associated with derivative photographs, sculptures, paintings, and the like.”*

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For derivative authors however, due to a lack of bargaining position, it would be very difficult to infuse favorable terms into a contract to protect the minimally original aspects of a work. Instead, if an amendment to the originality standard is not feasible, derivative authors may be best served via a change in their artistic philosophy. By aiming for a higher degree of originality in their works, artists may begin to shift their agenda from creating satisficing derivative, or thin works, toward more original, average and strong works. An attempt at such a movement would purport to enrich the overall quality of artwork, while minimizing the denial of deserving copyright protection. Though seemingly this shift of interest will induce a diminishment of thin, derivative works, in reality, the derivative artist gap will likely be filled by authors whose main interest would be economic compensation rather than artistic merit. Thus, these individuals will be willing to enter into derivative work contracts that relinquish all of their associated intellectual property rights as long as they will be justly compensated for doing so.

## Conclusion

Determining the appropriate level of copyright protection is difficult, as has been well documented in the wake of recent struggles by federal courts to sort out the rights associated with derivative photographs, sculptures, paintings, and the like. At the root of the problem are the varying standards of originality used by courts, depending on the nature of the works. Copyright law is getting more muddled by the day as federal judges are effectively creating their own rules regarding

originality, one view more baffling than the next. If there is a concerted effort by Congress to recognize a uniform, modicum of originality standard for all works, judges will be better equipped to implement copyright law and focus on other, more pertinent concerns, such as the content of the work at issue. Furthermore, by recognizing a linear relationship between originality and copyrightability, judges will be able to better quantify copyright protection by having verbal metrics to label particular types of works.

## Endnotes

1. U.S. Const. art. I, § 8, cl. 8.
2. 17 U.S.C. § 101 (2005).
3. *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 345 (1991).
4. *Id.*
5. *See infra* Recent Case Law.
6. *Id.*
7. A second-generation work is a work that relies on previous works. This is in contrast to a first-generation work, which is wholly created by the author. Steven S. Boyd, *Deriving Originality in Derivative Works: Considering the Quantum of Originality Needed to Attain Copyright Protection in a Derivative Works*, 40 SANTA CLARA L. REV. 325, 338–40 (2000).
8. 17 U.S.C. § 101.
9. 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 3.06 (2005).
10. Most courts have held that photographs sufficiently recast, adapt, or transform a preexisting work so as to make them eligible for derivative work status. Jeffrey Malkin, *What is a Copy?*, 23 *Cardozo Arts & Ent. L.J.* 419, 450 n. 115 (2005).
11. *Id.* at 448.
12. *Id.* For further illustration of this dichotomy, see Malkin's seashell example. *Id.*
13. *See infra* Recent Case Law *Gracen, Entm't Research Group and Ets-Hokin*. *See also* Malkin, *supra* note 10, at 449.

When the photographic subject itself is meaningful or beautiful, how do we adjudicate between the claims of the subject, the first photographer, and subsequent photographers? The level of original authorship in the earliest photograph is the wild-card in these cases because its claim to be a work of authorship might be derived in part or whole from the aesthetic qualities of its subject, from the expressive content of a preexisting work of authorship, or from the model's expression of his or her personality.
14. The prevailing originality standard for derivative works is that they must exhibit a “distinguishable variation” from the underlying work that is more than “merely trivial.” NIMMER, *supra* note 9, § 3.03[A]. Other heightened standards that have been applied by courts include “modicum times 2” and “substantially different.” *Id.* § 303[A]–[C].
15. 698 F.2d 300 (7th Cir. 1983).
16. *Id.* at 301.
17. *Id.*
18. *Id.* at 301–02.

19. *Id.* at 302.
20. *Id.*
21. *Gracen*, 698 F.2d at 304–05.
22. *Id.* at 304.
23. *Id.* at 305.
24. 122 F.3d 1211 (9th Cir. 1997).
25. *Id.* at 1214.
26. *Id.* at 1215.
27. *Id.*
28. *Id.*
29. 630 F.2d 905, 909 (2d Cir. 1980).
30. *Entm't Research Group*, 122 F.3d at 1220.
31. *Id.* at 1223. (quotations and citations omitted)
32. *Id.* at 1224.
33. *Id.*
34. 225 F.3d 1068 (9th Cir. 2000).
35. *Id.* at 1071.
36. *Id.*
37. *Id.* at 1072.
38. *Id.*
39. *Id.* at 1073.
40. *Ets-Hokin*, 225 F.3d at 1078.
41. *Id.* The theory that derivative works only apply where the underlying work is copyrightable has widely been debunked. See Nimmer, *supra* note 9, § 3.03[C][3].
42. *Ets-Hokin*, 225 F.3d at 1080–81.
43. *Id.* at 1077.
44. *Id.* at 1082–83. See *infra* note 79 and accompanying text.
45. *Ets-Hokin v. Skyy Spirits, Inc.*, 323 F.3d 763, 764–65 (9th Cir. 2003). On remand, U.S. District Judge Susan Yvonne Illston for the Northern District of California adopted Judge Nelson's dissent in granting summary judgment to Skyy Spirits. *Id.* at 764–65. On appeal, the Ninth Circuit affirmed Judge Illston's opinion and clarified its position regarding the application of the merger and *scènes à faire* defenses. *Id.* As previously decided, *Ets-Hokin's* product shots were copyrightable, and Skyy's subsequent photos were substantially similar to those of *Ets-Hokin*. *Id.* However, there are not very many ways one can create an advertising photograph, or "product shot." *Id.* at 764.
- Accordingly, hailing Judge Nelson's earlier dissenting opinion as "prescient," the Ninth Circuit embraced the merger and *scènes à faire* defenses: Skyy's photos were not virtually identical to those of *Ets-Hokin* and therefore did not infringe. *Id.* at 765–66. In the wake of this latest Ninth circuit opinion, a number of courts have cited to the decision but have failed to apply any significant positive or negative treatment.
46. 117 F. Supp. 2d 301 (S.D.N.Y. 2000).
47. *Id.* at 303.
48. *Id.*
49. *Id.* at 304.
50. *Id.* at 306.
51. *Id.* The court was careful not to classify all photographs as incapable of derivation. Cropping photographs and re-shooting an earlier photographic work with some alteration of the expressive elements were two examples of photographic derivative works. *Id.* See *Gross, et al. v. Seligman*, 212 F.930, 931 (2d Cir. 1914) (involving the "Grace of Youth" photograph).
52. *SHL Imaging*, 117 F. Supp. 2d at 310–11.
53. *Id.* at 311.
54. *Id.*
55. Nimmer, *supra* note 9, § 3.03[C][3].
56. *Id.* Robert A. Gorman, *Copyright Courts and Aesthetic Judgments: Abuse or Necessity?*, 25 Colum. J.L. & Arts 1, 7 (2001) ("The same 'minimal creativity' standard should apply whether a photographer captures a scene from nature, a public domain art work, or an art work protected by copyright."). *Id.*
57. *Gracen v. The Bradford Exchange and Metro-Goldwyn-Mayer*, 698 F.2d 300 (7th Cir. 1983).
58. Jeffrey L. Harrison, *Rationalizing the Allocative/Distributive Relationship in Copyright*, 32 Hofstra L. Rev. 853, 875 (2004).
59. *Id.* at 854.
- [One would describe] satisfying behavior like this: One could postulate that the decision maker had formed some aspiration as to how good an alternative he should find. As soon as he discovered an alternative for choice meeting his level of aspiration, he would terminate the search and choose that alternative. On one hand, it seems unrealistic to believe that people have in mind the minimal standards of copyright law when engaged in creative activity. On the other hand, if the proposition is stated differently, it does not seem as farfetched. Thus, creative people might aim higher if the right to claim exclusive rights to their work hinged on this. [For example,] in the context of business sponsored work for hire . . . the objective is hardly to be as creative as possible but to satisfy business goals.
- Id.* at 854 n.9. (citations omitted)
60. For an opposing view, see *infra* Analysis and Proposed Solution, Proposed Solutions, Neutralizing Bad Faith and Palming Off Activities Via Derivative Works.
61. See generally Nimmer, *supra* note 9, §§ 2.01, 3.03[C][3].
62. U.S. Const. art. I, § 8, cl. 8.
63. 17 U.S.C. § 101.
64. H.R. Rep. No. 94-1476 (1976). "The phrase 'original works of authorship,' which is purposely left undefined, is intended to incorporate without change the standard of originality established by the courts under the present copyright statute." *Id.* at 51.
65. See Boyd, *supra* note 7 at 338–39.
66. A modicum of originality standard is a fairly low one, "requir[ing] that a work exhibit at least some minimal degree of creativity. . . . [I]t focuses on the inherent quality of the work itself, without consideration of the creator's efforts." Nathan C. Rogers, Note, *Copyright Protection: A Dead Fish for Sculptors or Taxidermy Mannequins*, 6 J. Intell Prop. L. 159, 161–62.
67. 122 F.3d at 1220.
68. 630 F.2d at 905.
69. See *supra* Recent Case Law, *Entm't Research Group*.
70. 17 U.S.C. § 103(b).
71. See *Id.* § 101, 103(b).
72. Of course, we are assuming here that the derivative work has sufficient minimal originality to be copyrightable itself. Otherwise, as in the event when a derivative work is a slavish copy of an original underlying work, clearly copyright protection cannot be extended to the derivative work.

73. For example, a copyright in the costume at issue in *ERG* could only cover those original (and non-functional) elements which *ERG* created itself. It could never extend further to the underlying work. To find otherwise would directly infringe on the underlying work's copyright. If copyright protection is couched in this way—as it should be—there will be much less confusion as to the scope of protection.
74. Jane C. Ginsburg, *The Concept Of Authorship in Comparative Copyright Law*, 52 DePaul L. Rev. 1063, 1082 (2003).
75. Traditionally, the term “palming off” or “passing off” is used in trademark and unfair competition law to describe passing off one's product as the product of another seller by means of similar labeling, packaging or advertising. 1 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* 1:12, § 1:12 (4th ed. 2004). As used in the text above however, the act of “palming off” would be more aptly construed as an author tendering a thin, derivative work copyright as that of the stronger-protected underlying work.
76. See generally *Gracen*, 698 F.2d at 300; *Entm't Research Group*, 122 F.3d at 1211; *Ets-Hokin*, 225 F.3d at 1068. *Ginsburg*, *supra* note 74, at 1085.
77. *Gracen*, 698 F.2d at 303. Note that the word “lawful” is used above to cover either the scenario where the preexisting author (1) consents to derivative author's use, or (2) withholds consent but the derivative author's use is protected by fair use or an applicable foreign law. See *supra* note 9 and accompanying text.
78. *Nimmer*, *supra* note 9, § 3.03[C][3].
79. *Ets-Hokin*, 323 F.3d at 763. *Nimmer*, *supra* note 9, §§ 13.03[B][3]–[4] (discussing *scènes à faire* and idea/expression merger doctrines). *Ets-Hokin*, 225 F.3d at 1082 (defining the *scènes à faire* and merger doctrines).
- Under the merger doctrine, courts will not protect a copyrighted work from infringement if the idea underlying the work can be expressed only in one way, lest there be a monopoly on the underlying idea. In such an instance, it is said that the work's idea and expression “merge.” Under the related doctrine of *scènes à faire*, courts will not protect a copyrighted work from infringement if the expression embodied in the work necessarily flows from a commonplace idea. . . .
- Id.*
80. *Gracen*, 698 F.3d at 304.
81. *Id.*
82. *Id.*
83. See *Ets-Hokin*, 323 F.3d at 766.
84. *Id.* See *Apple Computer v. Microsoft Corp.*, 35 F.3d 1435, 1442 (9th Cir. 1994). “[W]hen the range of protectable expression is narrow, the appropriate standard for illicit copying is virtual identity.” *Id.* at 1435. This standard applies to our *Mona Lisa* example in light of the especially narrow range of protectable expression, constrained by both the subject-matter idea of the reproduction and the conventions of commercial reproduction. See *Ets-Hokin*, 323 F.3d at 766.
85. 17 U.S.C. § 101.
86. “In truth, in literature, in science and in art, there are, and can be, few, if any, things which, in an abstract sense, are strictly new and original throughout.” *Emerson v. Davies*, 8 F. Cas. 615, 621, No. 4436 (C.C. Mass. 1845). *Nimmer*, *supra* note 9, § 3.03[C][3].
87. 117 F. Supp. 2d at 301.
88. *Id.* at 306.
89. See *Gracen*, 698 F.2d at 303.
90. “Novel” works include those “first-generation” works that are neither a compilation nor derivative and are not substantially similar to any preexisting or coexisting works or materials. See *Boyd*, *supra* note 7, at 339–40. A first-generation work that is a substantially similar work—if it is rooted in coincidence and not in copying—is not novel, and thus should garner a somewhat weaker copyright, that of “average” protection.
91. The strength of an “average” copyright would differ linearly based on the degree of similarity between the “average” work and another author's work. The more similar the works are, the weaker the protection, and vice versa.
92. A viable originality standard to apply here would be the trivial/distinguishable variation standard. Its low threshold parallels that of a modicum of originality: “[u]nder this standard, a work must exhibit a distinguishable variation, meaning that the author's contribution must be something which is not merely trivial—something recognizably his own.” *Rogers*, *supra* note 66, at 162. “A court will look at whether the inherent features of a work represent a distinguishable variation from similar works already in existence.” *Id.* at 163.

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# Despite Enthusiasm of Vocal Supporters, New State “Truth in Music Advertising” Acts Make It Difficult to Sing Their Praises

By Matthew David Brozik

On February 21, 2006, Pennsylvania governor Ed Rendell signed into law his state’s Truth in Music Advertising Act (the “TMAA”)<sup>1</sup>—previously Senate Bill 929, introduced by Republican State Senator Bob Robbins and supported, to say the very least, by the Vocal Group Hall of Fame and Museum of Sharon, Pennsylvania.<sup>2</sup> The TMAA was designed to combat what has been termed both “fraud” and “identity theft” perpetrated regularly by current performing groups allegedly passing themselves off under the names of well-known musical groups, but with no connection thereto or sponsorship thereby. In other words, Pennsylvania has made it illegal for a group of imitators to call itself “The Coasters,” for example, and to coast through concerts by merely paying lip service, as it were, to the work of the originals.<sup>3</sup>

The Vocal Group Hall of Fame and the recording groups affiliated with it hope that every state in the union will adopt a version of the TMAA.<sup>4</sup> (As of this writing, South Carolina<sup>5</sup> and North Dakota<sup>6</sup> have enacted comparable laws. The State legislatures of Connecticut, Massachusetts, New Jersey, Illinois, California, Florida, Michigan, Ohio, Nevada, and Missouri reportedly are considering the issue or are expected to do so soon.<sup>7</sup>) The legislation is not without several significant shortcomings, though, including, among other things, being a state-specific band-aid (so to speak) provision in conflict with the federal trademark scheme, and the enormous difficulty and inefficiency that will likely result from trying to enforce a law that requires identification of “original” members of recording groups, when many such groups saw members come and go with great frequency, and whose surviving members are now very few. Under some circumstances, the law would permit too many groups with the same name; more likely, though, the law will permit too few—that is, none.

## Choosing A Protection Scheme

### Why Not Copyright?

The lay concertgoer, if not the Intellectual Property law practitioner, would be forgiven for wondering why *copyright* is unavailing here—for songs performed in concert are unquestionably the subject of copyright law.<sup>8</sup> Copyright law does not fill the proverbial bill because in many cases—and especially in the cases of

many of the vocal groups of the 1950s and 1960s—the copyrights to the songs are not held by members of the groups that recorded them (and often made them famous). Unlike today, songwriters and singers then were seldom the same persons. Many groups of the 1950s and 1960s, and in particular the vocal groups, performed and recorded only; the songwriting was done by others.<sup>9</sup> Those others (or their heirs or assigns) today hold the relevant copyrights. Current performing groups, therefore, need only obtain permission from the songs’ copyright holder(s) to sing the songs in concert. Most concertgoers, not necessarily aware of this, might reasonably assume, because the performers on stage before them seemingly have permission to sing the songs associated with the recording group, that the singers are at least sponsored or in some way sanctioned by the recording group. In analyzing the new law, then, copyright law will probably not protect those whom the TMAA is intended to protect.

So we turn, as it seems the Pennsylvania legislature did, to trademark law, a system that historically has protected principally the consumer (and not the author, as copyright law does).

### But Is It Trademark?

The TMAA is purportedly a trademark statute, a consumer protection measure. The press, announcing its enactment and heralding its imminent activation, made much of the interests of the public that the legislature had in mind while fashioning and ratifying the law. Although urged by what is apparently a lobby for some recording artists of yesteryear, the TMAA is, the public is meant to believe, intended to protect the concertgoer who expects to hear performed not a tribute or cover band but the “real” thing, or the original recording artists. Therefore, like traditional trademark laws, the TMAA will protect those recording artists of yesteryear—the producers in this market scenario—only by way of protecting the consumer, the *sine qua non* of trademark/consumer protection law.

Among the potentially confused consumers whom Pennsylvania’s statute will aid is state senator Robbins, nominal author of the bill that became law. Robbins was quoted as saying, “[W]hen I pay top dollar to see a concert, I expect to see the real thing, not impersonators. My legislation gives the original artists, as well as consumers, a remedy through the Attorney General’s

Office to help fight against this type of fraud.”<sup>10</sup> Mr. Robbins did not merely mention in passing that his legislation will aid the recording artists, but highlighted the fact. Referring to Charlie Thomas, the Drifter who recorded “Under the Boardwalk,”<sup>11</sup> Mr. Robbins said, “Mr. Thomas, like a lot of artists of his generation, do not have the funds to fight these bogus groups through the legal system.”<sup>12</sup> Mr. Robbins stated further: “I would like to thank Governor Rendell for recognizing the importance of this issue and signing this bill into law. . . . The fact that the bill was unanimously passed in both the Senate and House sends a strong message that Pennsylvania will not condone this type of consumer fraud.”<sup>13</sup>

Members of the recording groups themselves have supported the premise of the TMAA as well. Carl Gardner, seventy-seven years old as of this writing and the last surviving member of the Coasters,

said he hopes all 50 states pass such laws [as the TMAA] and he can get his livelihood back. “If they can get every state in the union to sign these papers, [imposter groups will] never be able to work again and I’ll be able to get all my jobs back,” said Gardner, a member of the Rock and Roll Hall of Fame. “They’ve cut into my business awfully bad and everybody who is affiliated, it hurts everybody.”

Gardner, who is semiretired, said he typically charges \$10,000 a gig. He said the phony Coasters charge only \$1,000 and often perform badly—which he said tarnishes his reputation.<sup>14</sup>

Bill Pinkney, eighty-eight years old and the only surviving member of the Drifters, echoed these sentiments through his publicist.<sup>15</sup>

Nowhere, however, has it been reported—or even suggested but in the most bald, unsupported manner—that *concertgoers* have been heard to complain. Thus, it seems clear that the TMAA was enacted *not* for the protection of the consumer—let alone for the consumer principally—but instead for the protection of the very few living members of recording groups of half a century ago.<sup>16</sup> Both the provisions of the statute and the plain statements of its supporters make this apparent.

Yet this is not merely an instance of a law being presented by its backers to be more populist than it is in fact. Rather, in the Pennsylvania legislature’s eagerness to comfort a local lobby, it has enacted an ill-conceived law that runs counter to established and fair trademark laws and could well do much more harm than good.

## Where the TMAA Goes Astray

The TMAA is drafted in such a manner that presumes misconduct on the part of the performing group that operates under the name of a recording group—which presumption is itself troubling—providing as it does:

It shall be unlawful for any person to advertise or conduct a live musical performance or production in this Commonwealth through the use of a false, deceptive or misleading affiliation, connection or association between a performing group and a recording group. This section does not apply if any of the following apply[.]

That the statute runs without interruption from the statement of unlawfulness to the exceptions thereto suggests that all instances of use by a performing group of the name of a recording group are to be viewed *ab initio* as unlawful. After all, *inclusio unius est exclusio alterius*—the inclusion of one is the exclusion of another—and *exceptio probat regulam de rebus non exceptis*—the exception proves the rule so far as concerns the matters not excepted.

In plain English: If your performance group does not meet one of the five exceptions of the statute, then your performance is false, deceptive and misleading.

The principal problems with the TMAA, however, stem from its two principal exceptions to the central rule, those being:

- (1) The performing group is the authorized registrant and owner of a Federal service mark for that group registered in the United States Patent and Trademark Office.

and

- (2) At least one member of the performing group was a member of the recording group and has a legal right by virtue of use or operation under the group name without having abandoned the name or affiliation with the group.

## The First Exception

The invocation of the federal trademark scheme (and the USPTO) in the first exception of the statute might seem to suggest that the TMAA was designed to work within the scheme, but the very narrowness of the exception belies that suggestion.

Perhaps the very first thing that strikes a careful reader as odd about this exception is that no reference is made to Pennsylvania’s own statutes providing for trade- and service mark protection. Every state has such laws, complementary to those of the United States

Code. In fact, it is only the naïve or lazy practitioner who does not invoke state trademark, as well as federal laws, when bringing suit for an alleged infringement. It seems odd that a state statute ostensibly for the in-state protection of a service mark would allow an exception only in case of a federal registration of the mark. Perhaps that is merely an innocent quirk, however.

It is much more difficult, though, to forgive the importance placed upon registration of a mark, federally or otherwise, when registration does not and has never been as significant as actual use, the *sine qua non* of trademark rights and protections.

In allowing only a performance group with a “federal” registration for the group name (regardless of the presence of an original member, the concern of the second principal exception, discussed below) to perform in Pennsylvania requires more of a potential mark user than the federal and state-specific mark statutory and common-law protection schemes do otherwise. The exception itself needs an exception—contemplation of the possibility that the mark at some point went “up for grabs” and a performing group grabbed it, by being the first to use it after its abandonment by the recording group. If a name at issue was never abandoned by the recording group that used it, of course, then adequate protection *already exists* in traditional trademark law. However, if the recording group has not used the name, and a performance group wants to, federal registration of the name as a mark is a burdensome requirement that has no precedence in the extant arrangements, and, worse, creates a possibility otherwise unknown in the federal and state-specific trademark protection schemes: *the retirement of a mark*.

### The Second Exception

Consider the Drifters. According to the Vocal Group Hall of Fame Web site, “the Drifters were not just one group, they were at least two, with enough members between 1953 and 1971 to make up several quintets. They had 12 different lead singers, 11 from other groups, and even boasted two members named Charlie Thomas who knew each other and were both originally from Virginia.”<sup>17</sup>

The vocal groups of the 1950s and 1960s were hard-ly models of cohesion. Yet the legislation bases the second exception (in part) on the presence in a performance group of “[a]t least one member. . . [who] was a member of the recording group.” If every person who was once a “legitimate” Drifter decided separately to perform in Pennsylvania as “The Drifters,” the statute would have to allow twenty or so different groups to use the name. Also, because the statute does not distinguish among members of recording groups despite being a measure concerning vocal groups, presumably

even non-singing members of recording groups could legitimize performance groups today!

The second exception requires not just the inclusion in a performance group of at least one member of the recording group but also that that member “ha[ve] a legal right by virtue of use or operation under the group name without having abandoned the name or affiliation with the group.” The statute does not provide what constitutes either “operation under the group name” or abandonment thereof, however. If a member of the recording group has not performed in a year under the group’s name, does that constitute his or her individual abandonment? Ten years? Twenty? What if a member was fired? Went into the army?

What if no member of the recording group has “used” or “operated under” the group’s name in a reasonable period? Then, instead of there being five or twelve or twenty different possible legitimate, legal groups all of the same name allowed to perform simultaneously in Pennsylvania, again, *there will be none*. (There would not even be a *new* group, as there is no provision allowing the name to fall into the public domain if no legitimate performance group incarnation is possible!) Both exceptions therefore lead to retirement of a mark.

### A Law With Little Future

Alas, too many groups performing in Pennsylvania under the same name is not likely to be a problem if the statute is enforced to the letter. Too few, perhaps, instead. Inasmuch as the law is truly intended to aid the living members of recording groups of years ago, the number of persons for whom the law will make a difference will only diminish. Eventually, perhaps soon, there will be no living members of the recording groups to protect. This is not a law with a future of utility, to be sure, given its true nature.

### Recommendation: A More Sensible Law

The foregoing is not meant to suggest either that consumers need no protection—they do, some—or that the performing groups are blameless. Likely, the performing groups are hoping to fool audiences . . . but to an extent. Simpler measures would suffice, in any event, to curb whatever passing off is being attempted—without running afoul of traditional trademark schemes.

Why not simply require a performing group with the same name as a recording group to advertise conspicuously which, if any, members of the recording group are in the performing group?<sup>18</sup> The consumer would then have the burden of researching who was in the original recording group, and who of those members is still alive, but that burden would be small indeed, especially for anyone with access to the Inter-

net. The Vocal Group Hall of Fame could aid consumers by posting and keeping current a roster of living, performing recording group members.

Buyer beware . . . of false Drifters, Coasters, and Platters.

## Endnotes

1. Press Release, Commonwealth of Pennsylvania, Governor Rendell Signs Bills (Feb. 21, 2006) (on file with author). The text of the TMAA in its entirety is as follows:

### AN ACT

Prohibiting the advertising and conducting of certain live musical performances or productions; providing for enforcement; and imposing a penalty.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Short title.

This act shall be known and may be cited as the Truth in Music Advertising Act.

Section 2. Definitions.

The following words and phrases when used in this act shall have the meanings given to them in this section unless the context clearly indicates otherwise:

“Performing group.” A vocal or instrumental group seeking to use the name of another group that has previously released a commercial sound recording under that name.

“Recording group.” A vocal or instrumental group at least one of whose members has previously released a commercial sound recording under that group’s name and in which the member or members have a legal right by virtue of use or operation under the group name without having abandoned the name or affiliation with the group.

“Sound recording.” A work that results from the fixation on a material object of a series of musical, spoken or other sounds regardless of the nature of the material object, such as a disk, tape or other phono-record, in which the sounds are embodied.

Section 3. Production.

It shall be unlawful for any person to advertise or conduct a live musical performance or production in this Commonwealth through the use of a false, deceptive or misleading affiliation, connection or association between a performing group and a recording group. This section does not apply if any of the following apply:

(1) The performing group is the authorized registrant and owner of a Federal service mark for that group registered in the United States Patent and Trademark Office.

(2) At least one member of the performing group was a member of the recording group and has a legal right by virtue of use or operation under the group name without having abandoned the name or affiliation with the group.

(3) The live musical performance or production is identified in all advertising and promotion as a salute or tribute.

(4) The advertising does not relate to a live musical performance or production taking place in this Commonwealth.

(5) The performance or production is expressly authorized by the recording group.

Section 4. Restraining prohibited acts.

(a) Injunction.—Whenever the Attorney General or a district attorney has reason to believe that any person is advertising or conducting or is about to advertise or conduct a live musical performance or production in violation of section 3 and that proceedings would be in the public interest, the Attorney General or district attorney may bring an action in the name of the Commonwealth against the person to restrain by temporary or permanent injunction that practice.

(b) Payment of costs and restitution.—Whenever any court issues a permanent injunction to restrain and prevent violations of this act as authorized in subsection (a), the court may in its discretion direct that the defendant restore to any person in interest any moneys or property, real or personal, which may have been acquired by means of any violation of this act, under terms and conditions to be established by the court.

Section 5. Penalty.

A person who violates section 3 is liable to the Commonwealth for a civil penalty of not less than \$5,000 nor more than \$15,000 per violation, which civil penalty shall be in addition to any other relief which may be granted under section 4. Each performance or production declared unlawful by section 3 shall constitute a separate violation.

Section 6. Effective date.

This act shall take effect in 60 days.

2. Press Release, The Vocal Group Hall of Fame and Museum, Senator Robbins’ “Truth in Musical Advertising Act” Signed Into Law (Feb. 22, 2006) (on file with author).
3. According to at least one news article, the Platters, the Drifters, and the Coasters are the bands most frequently imitated. Tracie Mauriello, *New State Law Makes Phony Bands Face the Music*, Pittsburgh Post-Gazette, Feb. 22, 2006, at <http://www.post-gazette.com/pg/06053/659053.stm>. The original Coasters evolved from a group called the Robins (no relation, presumably, to the Pennsylvania Senator).
4. See note 2, *supra*.
5. S.C. CODE ANN. § 39-5-38 reads as follows:

**SECTION 39-5-38.** Deceptive or misleading advertisement of live musical performance.

(A) For purposes of this section:

(1) “performing person or group” means a vocal or instrumental performer seeking to use the name of another person or group that has previously produced or released, or both, a commercial recording; and

(2) “recording person or group” means a vocal or instrumental performer that has previously pro-

duced or released, or both, a commercial recording.

(B) It is an unlawful trade practice pursuant to Section 39-5-20 to advertise a live musical performance or production in South Carolina through the use of a false, deceptive, or misleading affiliation, connection, or association between the performing person or group with a recording person or group.

(C) The advertisement of a live musical performance does not violate subsection (B) if the:

(1) performing person or at least one member of the performing group was a member of the recording person or group;

(2) live musical performance or production is identified as a "salute" or "tribute" to, and is otherwise unaffiliated with, the recording person or group;

(3) advertising does not relate to a live musical performance taking place in South Carolina; or

(4) performance is expressly authorized in the advertising by the recording person or group.

6. N.D. CENT. CODE § 51-12-01 reads as follows:

**51-12-01. False and misleading advertising prohibited.**

1. No person with intent to sell, dispose of, increase the consumption of, or induce the public to enter an obligation relative to or to acquire title or interest in any food, drug, medicine, patent and proprietary product, merchandise, security, service, performance, medical treatment, paint, varnish, oil, clothing, wearing apparel, machinery, or anything offered to the public may make, publish, disseminate, circulate, or place before the public, or directly or indirectly shall cause to be made, published, disseminated, circulated, or placed before the public in a newspaper, or other publication, or in the form of a book, notice, handbill, poster, bill, circular, pamphlet, tab, label, letter, or in any other way, an advertisement that contains any assertion, representation, or statement of fact, including the price thereof, which is untrue, deceptive, or misleading regarding such food, drug, medicine, patent and proprietary product, merchandise, security, service, performance, medical treatment, paint, varnish, oil, clothing, wearing apparel, machinery, or anything offered to the public.

2. It is not a violation of this section to advertise a performance by a performing group if at least one member of the performing group was a member of the recording group, the performance is identified as a "salute" or "tribute" to the recording group, the performance is expressly authorized in

the advertising by the recording group, the advertising does not relate to a live music performance taking place in this state, or the advertising contains a disclaimer that the performing group is not the recording group or is not affiliated with the recording group.

7. Susan Haigh, *'50s and '60s Bands Aim to Stop Copycats*, Associated Press, Feb. 24, 2006.

8. 17 U.S.C. § 106(4), of course, provides:

[T]he owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

\* \* \*

(4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly. . . .

9. As independent producers at Atlantic Records in the 1950s, Jerry Lieber and Mike Stoller, for example, revitalized the career of the Drifters (the duo penned "On Broadway," *inter alia*) and for the Coasters alone wrote 24 songs that appeared on national charts.

10. See note 2, *supra*.

11. Yet he does not own the copyright to the song. "Under the Boardwalk," words and music by Artie Resnick and Kenny Young, © 1964 Artie Resnick & Kenny Young.

12. See note 2, *supra*.

13. *Id.*

14. See Haigh, *supra* note 7.

15. *Id.*

16. Who, it is suggested, admirably wish to continue to perform for profit even at advanced ages.

17. <http://www.vocalhalloffame.com>. In fact, "before the original hit group formed there were at least three different units going under the name the Drifters." *Id.*

18. We require lists of ingredients or statements of origin of parts to be printed on the packages of most if not all consumer products—why not require similar statements from vocal performing groups, such as CONTAINS NO ORIGINAL MEMBERS, or RECONSTITUTED. NOT A SIGNIFICANT SOURCE OF NOSTALGIA? Each group might also be required to list the songs it has permission to sing in concert.

**Matthew David Brozik, a lawyer and writer, is co-author of *The Government Manual for New Superheroes* and *The Government Manual for New Wizards* (Andrews McMeel). He has no fear that others are touring the country, pretending to be him, hoping to cash in on his fame or infamy.**

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# The Da Vinci Code Case Stretched Legal Thinking on What Can Be Protected by Copyright

By John T. Aquino

The common wisdom both before and during the London copyright infringement trial over Dan Brown's *The Da Vinci Code* ("DVC") was that the plaintiffs Michael Baigent and Richard Leigh would lose the case, because ideas cannot be copyrighted.<sup>1</sup> Some even suggested that the plaintiffs filed the lawsuit only to bolster the sale of their own book, *Holy Blood, Holy Grail* ("HBHG").<sup>2</sup> Still, the case was one of those signal attempts to reconsider the definition of authorship under copyright law.

## Cribbed Maybe, But Infringed?

That defendant Brown's fiction had been, at the very least, influenced by the plaintiffs' 1982 non-fiction book<sup>3</sup> was admitted by Brown himself. In addition, Carl Olson and Sandra Miesel argued in their book, *The Da Vinci Hoax*, that it was more than mere influence, and that DVC was basically cribbed from HBHG. Both HBHG and DVC proffered that Jesus survived his crucifixion, married Mary Magdalene and had children. The question for the court was whether the act of cribbing from a non-fiction book for a fictional book constituted copyright infringement.

## Precedent

Trying the case in a British court was reminiscent of Brooklyn attorney Fanny Holtzman, who seventy-two years ago filed the defamation case *Youssouppoff v. MGM*,<sup>4</sup> in a British court, rather than sue in the United States, on the assumption that British law was more respectful of an individual's privacy. (It was a good choice on her part: She won, and the disclaimers at the ends of films that state that the characters and events are fictitious result from that case.) As for the issues raised in *Baigent*, British courts have shown a tendency at least to a broader reading of plagiarism than is found in the U.S. For example, British courts have given more weight to the "labor" a plaintiff has expended in writing a work than in the United States, where the "sweat of the brow" theory has been rejected. In addition, there were specific precedents in British case law that appeared favorable to the plaintiffs in *Baigent*.

In *Ravenscroft v. Herbert*,<sup>5</sup> the plaintiff claimed infringement of his non-fiction work *The Spear of Destiny*, which concerned the spear allegedly used to pierce the side of Christ on the Cross and which traveled from

Israel to Vienna to become a source of inspiration for the Nazis prior to World War II. The defendant Herbert openly admitted that he had used *The Spear of Destiny* as his inspiration for his novel *The Spear*.<sup>6</sup> Herbert's book included prologues that told the story of the spear, and the judge concluded that Herbert wrote his novel with *The Spear of Destiny* open in front of him. The court upheld the plaintiff's claim of copyright infringement because of the defendant's use of the same characters, incidents and interpretation of the significance of events.

In *Harman Pictures NV v. Osborne*,<sup>7</sup> noted playwright John Osborne was sued for copyright infringement of Cecil Woodham-Smith's non-fiction book, *The Reason Why*, due to similarities in Osborne's screenplay for the film "The Charge of the Light Brigade." The court wrote: "One must, however, be careful not to jump to the conclusion that there has been copying merely because of similarity of stock incidents, or of incidents which are found in historical, semi-historical and fictional literature about characters in history."<sup>8</sup> Yet the court concluded that "the true principle in all these cases is that the defendant is not at liberty to use or avail himself of the labour which the plaintiff has been at for the purpose of producing his work, that is, in fact, merely to take away the result of another man's labour or, in other words, his property."<sup>9</sup>

Ultimately, an injunction was granted, a settlement was reached, Osborne's script was completely rewritten and he received no screen credit for the 1968 film.

## Baigent v. Random House Group

Thus, *Baigent* went to trial with precedents supporting the plaintiffs' argument that copying in copyright infringement could involve the taking of a central theme or architecture. The case was not the wild gamble that was portrayed in the press, but rather an attempt to expand on what already existed. What the plaintiffs needed was evidence to support the sort of cribbing that Herbert and Osborne were said to have done and a firm showing that "something" had been taken.

As to the former, Justice Smith in his decision did not hide his frustration about the absence from the proceedings of Blythe Brown, the author's wife, whom the judge regarded as "the true researcher of historical

facts.” Smith concluded that there was no reason for her absence except, he inferred, that she would have been cross-examined on issues for which the author Dan Brown could provide little information, specifically how important a role HBHG played in the creation of DVC. While Justice Smith conceded that there was copying of HBHG by Brown but not enough for infringement, direct evidence that Brown had used HBHG in the same manner Herbert used *The Spear of Destiny* might have affected Smith’s ultimate decision.

More important was the plaintiffs’ failure as to “architecture” or “central theme.” Their initial definition of HBHG’s structure as “an architectural edifice of ideas” was reworked in the pleadings and reduced to “central theme.” While it was clear to the authors of *The Da Vinci Hoax* that Dan Brown had utilized HBHG in writing DVC, the narrative line of HBHG is somewhat amorphous. It spans centuries and moves back and forth: from Jerusalem to Gaul where the Merovingian Dynasty, who were descendants of Jesus and Mary Magdalene, briefly ruled; to the First Crusade and Godroi de Bouillon—a supposed descendant of Christ and Magdalene who took Jerusalem from the Saracens; to the Knights Templar and the Priory of Zion; and the village priest Berenger Saumiere who discovered important documents relating to the hereditary line of Jesus working its way through history. The narrative line of HBHG is so widespread that someone “borrowing” from it could pick and choose.

There are elements in DVC that are not in HBHG and vice versa. In Justice Smith’s seventy-page ruling, he seemed amenable enough to consider finding copyright protection for the central theme of HBHG, but he ultimately decided that he could not find a central theme in the plaintiffs’ book and that what the plaintiffs presented as one was an artificial creation for the purpose of litigation.

The plaintiffs’ argument, though having some precedent, may have been the right one for the wrong books. Future plaintiffs who have a simpler story line involving a legendary spear or the charge of a light brigade may have an easier time, and those who suggest that a foreign court ruling would have no effect in the United States do not understand global publishing. A victory in such a case would mean that an “idea” can be copyrighted and that copyright law as we know it could be fundamentally changed.

As for Dan Brown, if as he claimed, his research cherry-picked from a number of books, he is bearing the fruits of that. Having been unsuccessfully sued in British and U.S. courts by different authors, he now

faces the threat of similar suits in U.S. and Russian courts by a Russian art historian.

## Other Cases

*Baigent* appears to be yet another case that seemed off-the-wall when filed and yet raised issues that still have not been fully settled. Another example of such a case was when Lynn Thomson, the dramaturge for the musical “Rent,” sued the estate of the late author claiming that she was the joint author of the hit musical. Thomson lost both at trial and on appeal, with the court concluding that joint authorship required an agreement of which there was no manifestation.<sup>10</sup> The dramaturge then prepared to file suit claiming copyright protection for each line she said that she had contributed to the work, but rather than litigate that issue, she and the author’s estate reached a settlement

In another case, the estate of Margaret Mitchell sued Houghton Mifflin, the publisher of *The Wind Done Gone*, for copyright infringement for the book’s use of characters from Mitchell’s *Gone with the Wind*.<sup>11</sup> Houghton Mifflin claimed in response that *The Wind Done Gone* was a parody—using a broad definition that included social commentary—and therefore that portions of copyrighted material could be used as fair use. After separate Federal and Appeals Court rulings, the two parties ultimately reached a settlement.

A third example concerns the publisher of an unauthorized biography of Shania Twain, who was sued in a Canadian court for copyright infringement. The claim was that the defendant took biographical quotes Twain had given to the plaintiff for a different book, and used them as if the defendant had obtained them for his own. Part of the publisher’s defense was that the plaintiff author could not claim copyright protection for what Twain said in the interview because the author/interviewer wasn’t the creator of the quotes. The court decided for the plaintiff, but did not deal directly with the issue of who owned the copyright for interview quotes and instead concluded: “Other than the direct quotes of Shania Twain’s words, it was not verbatim copying, but the same concepts, thought patterns, and even sentence structure could be found. In terms of quantity, part of the plaintiff’s work was taken.”<sup>12</sup>

The court’s inclusion of “concepts” and “thought patterns” as being protected by copyright is *Baigent* territory. However, even with such cases filed and issues raised, questions remain either unanswered, or the answers so far appear to be indefinite.

## Endnotes

1. *Baigent v. Random House Group* [2006] EWHC 719 (Ch). The plaintiffs ultimately did lose the lawsuit.
2. Even if this was the case, High Court Justice Peter Smith ordered the plaintiffs to pay \$1.75 million in legal costs, and the authors will need high sales figures to earn enough royalties to pay that amount.
3. Non-plaintiff Henry Lincoln was also a co-author of *Holy Blood, Holy Grail*.
4. *Youssouf v. MGM* [1934] 50 TLR 581.
5. *Ravenscroft v. Herbert* [1980] RPC 193.
6. The plot of *The Spear* concerned neo-Nazi terrorism and the fictional postwar exploits of the spear.
7. *Harman Pictures NV v. Osborne* [1967] 1 WLR 723.
8. *Id* at 732.
9. *Id*.
10. *Thomson v. Larson*, 147 F.3d 195 (2d Cir. 1998).
11. *Suntrust Bank v. Houghton Mifflin Co.*, 1:01-CV-701-CAP (N.D. Ga.).
12. *Hager v. ECW Press Ltd.* [1999] 2 F.C. 287.

**John T. Aquino is a media law attorney, former editor of Intellectual Property Strategist and author of the book "Truth and Lives on Film: The Legal Issues in Depicting Real Persons and Events in a Fictional Medium." E-mail: johnaquino@usa.net. A version of this article first appeared in the May 2006 issue of Entertainment Law and Finance.**

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# Are You and Your Clients Prepared for Upcoming eDiscovery Demands?

## Do You Know About the New Class of Technological Solutions that Will Prepare Companies Today for Future eDiscovery Demands?

By Kurt Jacobs

Legal investigations, audits and *subpoenas duces tecum* may well precipitate a crisis for a company or other business entity that is not prepared. The spreadsheets, documents and email attachments that are pervasive in the ordinary course of business pose a significant risk for a firm due in part to their enormous volume, lack of orderliness, and widespread distribution.

Both legal mandates and good business practices require a company to be able to speedily produce all demanded electronic files, or to demonstrate that files were automatically deleted based on policy. The claim of “inability to locate and retrieve” is a shield that has been proven in the courts to be unacceptable. An evaluation of circumstances at the outset of litigation or the commencement of an investigation often suggests a strategy to pursue. Thus immediate knowledge and retrieval of all electronic records, including all versions thereof that may play a role in the forthcoming proceedings, inestimably strengthens a company’s position.

However, the technology that should be used in the ordinary course of business, which would alleviate the need for crisis management to respond quickly and accurately to investigations, has not heretofore been available. Technological controls for a company’s “big applications,” where data is stored in databases, do not often pose a problem. These applications often inherently provide systematically authenticated and readily retrievable data for discovery. However, similar technology controls have not existed for the files created by desktop applications such as Excel, Word and email. This is because the existing technology for auditing and establishing controls over these data files was semi-automated and negatively impacted user productivity. The accuracy of such tools was also dependent on the employees’ elective participation, which might not be consistent with the policies of the organization.

Thus, companies have in the past been forced into now-unnecessary eDiscoveries that are extremely costly, unreliable and harbingers of dire consequences. In an

attempt to comply, companies have had to rely on expensive and error-prone, semi-automated, reactive processes, and were forced to hire forensic experts to identify, retrieve and secure all of the electronic records distributed throughout the company.

Recently, as a result of significant technological advances, a new genre of solutions has emerged which is certain to facilitate and enhance total and prompt compliance in our highly litigious world. This class of technology solutions simplifies compliance with legal demands because it anticipates the ability to meet the requirements of such demands. These solutions should become an integral part of the technology infrastructure underlying ordinary business affairs. This ensures orderliness of “unstructured data files” (i.e. spreadsheets, word documents and emails) wherever they are stored throughout an organization.

Such solutions give companies the means to achieve appropriate legal and regulatory compliance, allowing for the management and production of electronic records on demand. As business proceeds, these solutions categorize, audit and secure a company’s “unstructured data files.” An extremely significant characteristic of these solutions is that it immediately ensures one hundred percent user-adoption, because the solutions can be deployed without altering an existing infrastructure or requiring diversionary intervention by your employees.

The universal eDiscovery preparedness issue has inspired several special companies to produce intellectual properties to solve the problem—for the most part the results are patented software systems—that will fundamentally change the landscape of how organizations operate in this highly litigious atmosphere, compounded by exponential growth of electronic files.

The following scenario illustrates the impact these solutions have on a hypothetical organization (“Company ABC”), by simplifying compliance with an eDiscovery demand. Company ABC deployed such a solution

to establish technological controls that identify, organize, analyze, search, manage and secure “unstructured data files.” The business users and applications that accessed these files on the file systems were completely unaware that such solution had been installed. However, as the business users were creating, accessing and modifying existing spreadsheets and word documents, these files were automatically categorized and an authenticated audit trail was created for every single activity. Company ABC is able to accurately and instantly respond to an eDiscovery demand, by searching against the index of files, with the absolute certainty that *all* files that have been created during the specified period of time would be included in the search results. Company ABC is able to demonstrate excellent controls over its information by producing only these pertinent files, because it was able to focus the search criteria not only on the content of the files, but also on the operational history of the files, i.e., identifying all of the people who at any point modified the file and the time-frame that the files were actively worked on.

Litigation involving electronic record discovery demands is at best extremely costly, and at worst a threat to the very survival of some law firms and their business clients. The technology discussed herein offers the most substantial means of preparing for and coping with the massive and instantaneous compelling demands for classification, retention, historical illumination and retrieval of electronic records. The anticipation and management of information likely to be demanded via eDiscovery may well spell the difference between litigation success and failure.

**Kurt Jacobs is VP of Sales, Mathon Systems. He can be reached at [kurt.jacobs@mathon.com](mailto:kurt.jacobs@mathon.com) or (800) 691-1067 ext. 714.**

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### **OUTSTANDING VOLUNTEER AWARD WINNERS**

The following outstanding volunteer award winners were honored with awards given in recognition of exceptional contributions in support of VLA's mission of service to the arts community:

**Fried, Frank, Harris, Shriver & Jacobson LLP**

**Morgan, Lewis & Bockius LLP**

**Proskauer Rose LLP**

**Peter R. Rienecker, Esq.**

**Home Box Office, Inc.**

**Shearman & Sterling LLP**

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### **VLA Legal and Business Bootcamp for Arts Professionals™**

This new program about the legal and business issues that affect individual artists and individuals within arts organizations and cultural institutions. Law students, attorneys and other professionals who represent artists may also benefit from this program. VLA offers the program in venues around the United States. For additional information about the boot camp please go to <http://www.vlany.org/bootcamp>.

## MediateArt's Training Program: Summer 2006

### Earn 24 CLE Credit Hours and Learn to Be a Mediator with MeidateArt and VLA!

MediateArt, a vital program of VLA's since 1998, offers members of the arts community an alternative, non-litigious way in which to resolve their disputes. This summer, VLA is offering an intensive three-week workshop of basic mediation training for attorneys, artists, arts administrators, and other professionals with an interest or background in the arts or in Intellectual Property. The workshop will cover basic mediation, negotiation, and facilitative leadership skills with a focus on the resolution of disputes without litigation. Participants will learn and practice mediation skills and will receive one-on-one feedback from experienced mediators.

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### Bi-monthly Legal Clinic

The VLA Legal Clinic is a bi-monthly forum for any VLA member to meet privately with an attorney to discuss their arts-related legal issues. The clinic provides an opportunity for attorneys to advise clients in a direct and effective manner. Clinics are held from 4:00 p.m. to 7:00 p.m. on the second and fourth Wednesdays of each month. If you are interested in volunteering at the clinics, you are invited to contact Allison Mattera Charles at (212) 319-2787, Ext. 15.

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### Career Development & Private Counseling

VLA's Executive Director and Senior Staff Attorneys are available for private career counseling and to review your resumes in the context of charting your desired career path. By private appointment only. Please call Alexei Auld, Esq., Director of Legal Services, at (212) 319-2787, Ext. 12 to arrange an appointment.



**Volunteer Lawyers for the Arts**  
1 East 53rd Street, 6th Floor, New York, NY 10022  
212-319-2787 | [www.vlany.org](http://www.vlany.org)

# Section Committees and Chairpersons

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## Publication of Articles

The *Journal* welcomes the submission of articles of timely interest to members of the Section. Articles should be submitted with biographical information either via e-mail or on a 3½" diskette (preferably in WordPerfect or Microsoft Word) along with a laser-printed original. Please submit articles to:

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[WWW.NYSBA.ORG/EASL](http://WWW.NYSBA.ORG/EASL)

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