

NYSBA

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Entertainment, Arts and Sports Law Journal



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



In This Issue

- A Case of "Creative Destruction": Takeaways from the 5Pointz Graffiti Dispute
- The American Actress, the English Duchess, and the Privacy Litigation
- The Battle Against the Bots: The Legislative Fight Against Ticket Bots

....and more

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In The Arena: A Sports Law Handbook

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

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

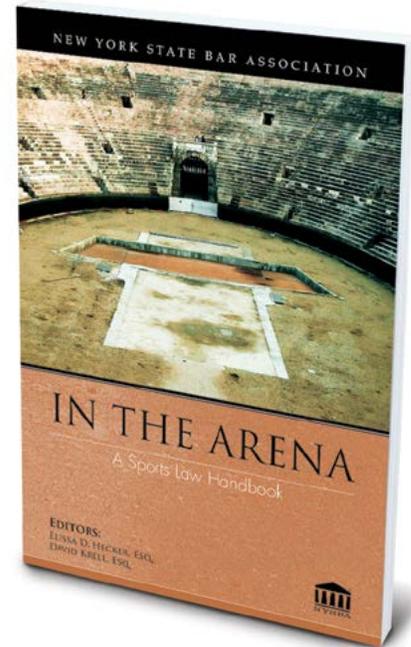


Table of Contents

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

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Table of Contents

	Page
Remarks From the Chair	4
Editor’s Note Pro Bono Update	5
Law Student Initiative Writing Contest	7
The Phil Cowan Memorial Scholarship Writing Competition.....	8
NYSBA Guidelines for Obtaining MCLE Credit for Writing	10
SPORTS AND ENTERTAINMENT IMMIGRATION: SCOTUS, Travel Bans, Bull Riders, Dancers, and Athletes.....	11
(Michael Cataliotti)	
RESOLUTION ALLEY: Desperately Seeking Diversity in ADR.....	17
(Theodore K. Cheng)	
A Case of “Creative Destruction”: Takeaways from the 5Pointz Graffiti Dispute	20
(Louise Carron)	
HOLLYWOOD DOCKET: Recent Interesting Cases	25
(Nelville L. Johnson and Douglas L. Johnson)	
The American Actress, the English Duchess, and the Privacy Litigation.....	30
(Amber Melville-Brown)	
CAST Act: Small Claims, High Hopes	42
(Michael B. Smith)	
Pop-Up Stays Up	47
(Tin-Fu (Tiffany) Tsai)	
Annual Meeting Award Photos	49
Transcript from Annual Meeting Program.....	51
The Battle Against the Bots: The Legislative Fight Against Ticket Bots.....	94
(PCMS winner Jennifer Sherman)	
Characters in Captivity? Defining the Scope of Trademark Protection for Public Domain Characters	99
(PCMS winner Brandon A. Zamudio)	
Protecting Your Most Valuable Asset: Your Clients.....	107
(Lynn Lavender)	
KRELL’S KORNER: The 1919 Chicago White Sox, Kenesaw Mountain Landis, and <i>Eight Men Out</i>	109
(David Krell)	
The Entertainment, Arts and Sports Law Section Welcomes New Members	111
Section Committees and Chairpersons	112

Remarks From the Chair

By Barry Werbin

What I thought was the “final” draft of these remarks, all optimistic and set to go to print, was unexpectedly derailed after New York was shut down from the COVID-19 pandemic and the world changed, seemingly overnight. My revised remarks here are now a mix of emotions—excitement and gratefulness to serve as EASL’s new Chair as we enter the third decade of the 21st Century, coupled with sadness and disbelief at the horrific loss of life brought upon us by the pandemic.

But New Yorkers are resilient and strong, and they get going when things get tough, helping each other through unprecedented times. We honor all those amazing doctors and health care workers across the country who have put their own lives at risk week after week. I hope this *Journal* issue finds you and your loved ones safe and healthy, as we slowly start to focus on getting back to normalcy, while grieving all we have lost.

On behalf of the entire Section, I want to express thanks and appreciation to my namesake predecessor, Barry Skidelsky, who as Immediate Past Chair did a terrific job easing us through the end of the millennium’s second decade and setting us on a positive course.

Despite the challenges brought on by the pandemic, the EASL Section, including its Executive Committee, has continued to function virtually using Zoom and other online tools to maintain its connection to its members.

At the time the pandemic hit, we were well on our way to making 2020 one of the most productive terms for the Section and its members. EASL’s Annual Meeting program on January 28th was a sell-out, with two enlightening panels discussing legal and business aspects of The Digital Distribution Revolution in film, TV, videogames, and esports, followed by another engaging panel discussing the ethical implications of changing roles of attorneys, agents, and managers in the entertainment field. Planning the Annual Meeting takes enormous effort and dedication, and I want to thank our Executive Committee members Judith Bass, Anne Atkinson, and Sarah Robertson for all their hard work as Program Chairs.

Following the Annual Meeting, some 100 members of EASL and NYSBA’s Intellectual Property Section headed over to Bill’s Bar and Burger in Rockefeller Center for some enjoyable and productive networking over drinks and hor d’oeuvres.

February 19th was our last in-person program. In collaboration with the Center for Art Law, the Committee on Fine Arts arranged a screening that was hosted by Pryor Cashman of *Driven to Abstraction*, a riveting documentary on the forgery scandal that shocked the art world and brought down Knoedler Gallery.

We were hard at work planning the Spring Meeting for May 21st, which had to be cancelled, along with many other EASL and State Bar programs. Nevertheless, we are planning at least two segmented online CLE programs for a virtual Spring Meeting later this Spring. In addition, our Committee Chairs have been reaching out to their members to stay in touch and come up with creative virtual programs, both CLE and non-CLE. NYSBA’s new EASL website interface will now make it easier for Committee Chairs to connect with their members through the Online Community portal. With the pandemic having wreaked havoc on businesses, including within the sports and entertainment fields, as of this writing we are planning at least one webinar program on the impact of the pandemic on those industries.

Other virtual programs have taken off amidst the “stay at home” mandate. Although the Pro Bono Clinic was unable to move forward in person, our Pro Bono Steering Committee has been working in conjunction with NYFA and VLA on free webinars to help artists and those in the entertainment businesses weather issues that have arisen with the pandemic. In addition, EASL’s Diversity Committee co-sponsored the Metropolitan Black Bar Association’s April 22nd webinar “Representation Opportunities for Attorneys in Esports Post COVID-19” and our Alternative Dispute Resolution Committee arranged a successful ADR webinar CLE that took place in May.

Although our annual two-evening EASL/CTI Theater Producing event had to be cancelled, we are optimistic that it will go forward sometime in early Fall of this year. Our always-anticipated annual *Music Business Law Conference* is in the planning stages as well.

As Chair, among my personal goals for EASL are the inclusion of more diverse panelists and speakers at our programs, a critical goal shared with NYSBA, and greater program outreach statewide beyond the NYC metro area. We have a wealth of experienced practitioners spread across our upstate districts, as well as law schools in Albany (the oldest private, independent law school in North America), Buffalo, and Cornell (Ithaca). Law school professors and students add real value to our membership and program participation.



Remarks from the Chair continued on page 6

Editor's Note

By Elissa D. Hecker

I hope that everyone is healthy and staying strong. Obviously, this issue of the EASL Journal changed its focus due to the pandemic. Please check in with the EASL page of the NYSBA.org website for up-to-date resources. In addition, Dance/NYC (<https://www.dance.nyc/for-artists/resource-pages/Coronavirus-Preparedness>) and NYFA (<https://www.nyfa.org/Content/Show/Emergency%20Grants>) are continuously updating information and resources for our clients in the creative arts, including emergency grants and funds.

Thank you so much to Immediate Past Chair Barry Skidelsky and the Executive Committee members who recently completed their terms as EASL Officers. Barry's leadership continued to transform and reinvigorate the Section and its Committees, as well as improve its visibility and standing among our peers and the NYSBA.

EASL is lucky to have at its helm for the next two years Barry Werbin as Chair, as well as Ethan Bordman (Vice Chair), Andrew Seiden (Second Vice-Chair), Robert

Seigel (Secretary), Carol Steinberg (Assistant Secretary), Kathy Kim (Treasurer), and Cheryl Davis (Assistant Treasurer). We expect great things from this tremendous group.

Welcome to the Spring issue of the *Journal*. In addition to photos and the transcript from our amazing Annual Meeting (see Barry's Remarks for more information about the program), we also have two Phil Cowan Memorial Scholarship student award winning articles, our regular columns, and several excellent pieces that should pique your interest.

Please feel free to reach out to me with any questions or article ideas that you have at echeckeresq@echeckeresq.com.

Elissa



DO PRO BONO! DO PRO BONO! DO PRO BONO! DO PRO BONO! DO PRO BONO!

Pro Bono Update

Clinic/Webinars

Elissa and Tin-Fu (Tiffany)

On March 21st, the EASL and IP Sections were supposed to hold a Pro Bono Clinic at Dance/NYC's Annual Symposium. Although so many of you volunteered, the Symposium moved primarily online due to the pandemic.

Instead, we are partnering with NYFA and VLA to offer webinars to those in the entertainment and arts communities who are affected by COVID-19. The webinars

involve topics relating to contracts, copyright and digital content, immigration, real estate/housing, and the CARE Act, among others. Several of the Clinic volunteers will be presenting, including Diane Krausz, Cheryl Davis, Ariana Sarfarazi, Michael Cataliotti, Tiffany Tsai, and myself.

Thank you so much to our amazing EASL pro bono volunteers.

Programs

Carol Steinberg

On March 5th, the Pro Bono and Fine Arts Committees, along with Westchester Arts, held a program entitled

Fair Use Issues for Visual Artists. The next program, Artist Agreements, will be offered on June 3rd.

DO PRO BONO! DO PRO BONO! DO PRO BONO! DO PRO BONO! DO PRO BONO!

Clinics

Elissa D. Hecker and Tin-Fu (Tiffany) Tsai coordinate legal clinics with various organizations.

- **Elissa D. Hecker**, echeckeresq@echeckeresq.com
- **Tiffany Tsai**, dinfutsai@gmail.com

Speakers Bureau

Carol Steinberg coordinates Speakers Bureau programs and events.

- **Carol Steinberg**, elizabethcjs@gmail.com or www.carolsteinbergesq.com

Remarks from the Chair continued from page 4

Speaking of which, EASL has a new Law Student Committee that is empowered to assist with law school professor and student outreach, including the growth of student membership in EASL. We're pleased to welcome our two new law student co-Chairs, Isano Carter and Gabrielle Costa.

Increasing EASL membership is another primary goal. I am asking all EASL members to think creatively on ways to solicit new members, highlighting the many benefits of EASL membership. These benefits include top quality CLE and non-CLE programs (such as our brown-bag events), networking opportunities, and access to the *EASL Journal*, which is edited and made-to-happen by our extraordinary Elissa Hecker, Chair of the Publications Committee.

This issue of the *Journal* highlights the superb talents we have among our members. You are all encouraged to submit to Elissa articles for the *Journal* and blogs for the EASL blog (<http://nysbar.com/blogs/EASL/>). Our Section blog also features a regular *Week In Review* column, which provides a wealth of updates on timely cases, news, and business developments in the entertainment, arts, and sports worlds. I urge you to read it on a regular basis.

Reorganizing that our Committee structure is another goal, we are working on infusing new blood into Chair positions, improving diversity in our ranks, and having Committees sponsor a minimal number of varied programs annually (in-person CLE and non-CLE programs, webinars, brown bag lunch events, telephonic updates, email blasts, networking meet-ups, etc.).

Our members are our strength and foundation, and together we can continue to expand EASL's reach and growth. Offering timely and informative programs, virtual or otherwise, to our members during this challenging period helps maintain a sense of "normalcy" and keeps our members engaged and informed.

As the founder of JC Penney, James Cash Penney, said: "Growth is never by mere chance; it is the result of forces working together." Now, more than ever, we all need to work together to get through this crisis and rebuild our lives and the economy.

I look forward to working with all of you in the upcoming months as our collective forces join together to make our goals a reality.

Stay healthy, stay safe.

Barry

NEW YORK STATE BAR ASSOCIATION



If you have written an article you would like considered for publication, or have an idea for one, please contact the Editor-in-Chief:

Elissa D. Hecker
Law Office of Elissa D. Hecker
eheckeresq@eheckeresq.com

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

REQUEST FOR ARTICLES



Law Student Initiative Writing Contest

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

Law school students who are interested in entertainment, 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 website have wide national distribution.

Requirements

- **Eligibility:** Open to all full-time and part-time J.D. candidates who are EASL Section members. A law student wishing to submit an article to be considered for publication in the EASL Journal must first obtain a commitment from a practicing attorney (admitted five years or more, and preferably an EASL member) familiar with the topic to sponsor, supervise, or co-author the article. The role of sponsor, supervisor, or co-author shall be determined between the law student and practicing attorney, and must be acknowledged in the author's notes for the article. In the event the law student is unable to obtain such a commitment, he or she may reach out to Elissa D. Hecker, who will consider circulating the opportunity to the members of the EASL Executive Committee.
- **Form:** Include complete contact information; name, mailing address, law school, phone number and email address. There is no length requirement. Any notes must be in *Bluebook* endnote form. An author's blurb must also be included.
- **Deadline:** Submissions must be received by Friday, May 29th.
- **Submissions:** Articles must be submitted via a Word email attachment to echeckeresq@echeckeresq.com.

Topics

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

Judging

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

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

Phil Cowan Memorial Scholarship Writing Competition



Law students, take note of this publishing and scholarship opportunity: The Entertainment, Arts and Sports Law Section of the New York State Bar Association (EASL) has established the Phil Cowan Memorial Scholarship! Created in memory of Cowan, an esteemed entertainment lawyer and a former Chair of EASL, the Phil Cowan Memorial Scholarship fund offers *up to two awards of \$2,000 each on an annual basis* in Phil Cowan's memory to a law student who is committed to a practice concentrating in one or more areas of entertainment, art or sports law.

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

The Competition

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

The paper should be twelve to fifteen pages in length (including *Bluebook* form footnotes), double-spaced and submitted in Microsoft Word format. PAPERS LONGER THAN 15 PAGES TOTAL WILL NOT BE CONSIDERED. The cover page (*not* part of the page count) should contain the title of the paper, the student's name, school, class year, telephone number and email address. The first page of the actual paper should contain only the title at the top,

immediately followed by the body of text. The name of the author or any other identifying information must not appear anywhere other than on the cover page. All papers should be submitted to designated faculty members of each respective law school. Each designated faculty member shall forward all submissions to his/her Scholarship Committee Liaison. The Liaison, in turn, shall forward all papers received by him/her to the three (3) Committee Co-Chairs for distribution. The Committee will read the papers submitted and will select the Scholarship recipient(s).

Eligibility

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

Free Membership to EASL

All students submitting a paper for consideration, who are NYSBA members, will immediately and automatically be offered a free membership in EASL (with all the benefits of an EASL member) for a one-year period, commencing January 1st of the year following submission of the paper.

Yearly Deadlines

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

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

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

Submission

All papers should be submitted via email to Dana Alamia at dalamia@nysba.org no later than December 12th.

Prerogatives of EASL Scholarship Committee

The Scholarship Committee is composed of the current Chair of EASL and, on a rotating basis, former EASL Chairs who are still active in the Section, Section District Representatives, and any other interested member of the EASL Executive Committee. *Each winning paper will be published in the EASL Journal and will be made available to EASL members on the EASL website.*

The Scholarship Committee is willing to waive the right of first publication so that students may simultaneously submit their papers to law journals or other school publications. In addition, papers previously submitted and published in law journals or other school publications are also eligible for submission to the Scholarship Committee.

The Scholarship Committee reserves the right to submit all papers it receives to the *EASL Journal* for publication and the EASL Web site. The Scholarship Committee also reserves the right to award only one Scholarship or no Scholarship if it determines, in any given year that, respectively, only one paper, or no paper, is sufficiently meritorious. All rights of dissemination of the papers by EASL are non-exclusive.

Payment of Monies

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

About the New York State Bar Association/EASL

The 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 140 years.

The more than 1,500 members of the Entertainment, Arts and Sports Law Section of the NYSBA represent varied interests, including headline stories, matters debated in Congress, and issues ruled upon by the courts today. The EASL Section provides substantive case law, forums for discussion, debate and information-sharing, pro bono opportunities, and access to unique resources including its popular publication, the *EASL Journal*.



NYSBA Guidelines for Obtaining MCLE Credit for Writing

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

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

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

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

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

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

NEW YORK STATE BAR ASSOCIATION

Looking for past issues?
Entertainment, Arts and Sports Law Journal



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Sports and Entertainment Immigration: SCOTUS, Travel Bans, Bull Riders, Dancers, and Athletes

By Michael Catallioti

In our last edition of Sports and Entertainment Immigration, we discussed the then-proposed Department of Homeland Security (DHS) public charge rule, along with its Department of State (DoS) companion, reviewed the management of DHS and U.S. Citizenship and Immigration Services (USCIS), looked at some of the statistics around I-9 audits, and closed with a case study about an international student who was denied entry by Customs and Border Protection (CBP), and therefore, was unable to attend classes at Harvard. Now, with so much happening in the first weeks of 2020, we struggle with where to begin; so, let's simply pick a handful of items to discuss and put them together, à la "How It's Made."¹

SCOTUS Allows the Public Charge Rule to Go Into Effect Pending Litigation. Sickness for All!

As we discussed previously, the current administration sought to implement a new "public charge rule" that would determine whether an individual seeking permanent residency or temporary work authorization would be likely to require public assistance during her, his or their stay within the U.S.:

The purpose of this memorandum is to direct relevant agencies to update or issue procedures, guidance, and regulations, as needed, to ensure that ineligible non-citizens do not receive means-tested public benefits, in better compliance with the law."² The Memorandum repeatedly refers to applicants for permanent residency (i.e., people trying to obtain their green card). It does not make reference to other classes of foreign nationals, such as nonimmigrant workers (i.e., those in the US under O, P, E, H-1B, and the like). Despite this, DHS's final rule "applies to applicants for admission, aliens seeking to adjust their status to that of lawful permanent residents from within the United States, and **aliens within the United States who hold a nonimmigrant visa and seek to extend their stay in the same nonimmigrant classification or to change their status to a different nonimmigrant classification.**"³

As with most other elements of the current administration's policies, nationwide litigation ensued and the results were largely consistent: district court judges blocked the implementation of the new rule either statewide,

regionally, nationwide, or "globally."⁴ Upon appeal, the Ninth Circuit determined that the rule "'easily' qualified as a permissible interpretation of the Immigration and Nationality Act (INA)," and the Fourth Circuit "concluded that DHS is likely to prevail, thereby blocking preliminary injunctions issued in Washington and Maryland district courts, respectively."⁵



Therefore, the question before the Supreme Court (SCOTUS) was:

Whether the Department of Homeland Security may implement a rule that announced whether a noncitizen is likely to become a "public charge" and therefore is ineligible to enter the United States while it appeals injunctions that prevent the rule from going into effect nationwide.⁶

The Court granted the application for a stay, determining that "the District Court's [SDNY] October 11, 2019 orders granting a preliminary injunction are stayed pending disposition of the Government's appeal in the [Second Circuit]."⁷ Therefore, though still subject to litigation, as Justices Gorsuch and Thomas wrote: "Today the Court (rightly) grants a stay, allowing the government to pursue (for now) its policy everywhere save Illinois."⁸

DHS may now implement and begin enforcing its public charge rule nationwide, but for Illinois; if this seems strange, it should. The argument is logical enough, but it does not seem to take into account the issue that is the nationwide application of immigration laws, rules, policies, and procedures. Looking back at its granting of a stay, how DHS, or more likely USCIS, is going to implement and enforce a new public charge rule for all states, but for Illinois, is unknown. It is likely impossible. So what then, is the point of the stay?

The esteemed justices proceed to write what is the most interesting part of their concurring opinion: "Equitable remedies, like remedies in general, are meant to redress the injuries sustained by a particular plaintiff in a particular lawsuit."⁹

Ok, this is fair and logical, but where are we going?

“When a district court orders the government not to enforce a rule against the plaintiffs in the case before it, the court redresses the injury that gives rise to its jurisdiction in the first place.”¹⁰

Uh huh...

“But when a court goes further than that, ordering the government to take (or not take) some action with respect to those who are strangers to the suit, it is hard to see how the court could still be acting in the judicial role of resolving cases and controversies.”¹¹

Oh; oh no...

“Injunctions like these thus raise serious questions about the scope of courts’ equitable powers under Article III. See *Trump v. Hawaii*, 585 U. S. ___, ___ (2018) (THOMAS, J., concurring); Bray, Multiple Chancellors: Reforming the National Injunction, 131 Harv. L. Rev. 417, 471–472 (2017) (Bray); Morley, De Facto Class Actions? Plaintiff and Defendant-Oriented Injunctions in Voting Rights, Election Law, and Other Constitutional Cases, 39 Harv. J. L. & Pub. Pol’y 487, 523–527 (2016).”¹²

There we have it: perhaps Justices Gorsuch and Thomas are implying that the judiciary has outgrown itself and is impinging upon the executive or legislative branches; perhaps they are merely pontificating about nicer times when “the traditional system of lower courts issuing interlocutory relief limited to the parties at hand,” thereby “encourag[ing] multiple judges and multiple circuits to weigh in only after careful deliberation, a process that permits the airing of competing views that aids this Court’s own decisionmaking process”; or perhaps the good justices long for the simpler days: “The rise of nationwide injunctions may just be a sign of our impatient times. But good judicial decisions are usually tempered by older virtues.”¹³

In any event, the public charge rule may be implemented by DHS, but whether it *can* reasonably be implemented without significant delays or complications is a different story that is yet to be written. In its attempt to act “rightly” by granting a stay, the Court has further muddied the waters by imposing an intensely limited judicial interpretation and application (e.g., nullifying all injunctions on the rule, but for the one limited jurisdiction of Illinois, presumably due to the district court’s limitation in that instance). The only possible conclusion from this opinion—albeit not the majority’s—is that to pause the implementation of a nationwide injunction, there must be at minimum 50 instances of litigation that would proceed at their own paces and procedurally. This would undoubtedly clog the courts and cause undue and unnecessary delays in an already slow system.

Despite the potential problems, we will find out soon enough how this all plays out: USCIS has indicated that it is implementing the rule in all jurisdictions, save for Illinois, as of February 24, 2020.¹⁴ This means that any public

benefit for which a non-citizen has been deemed qualified and/or received as of February 24, 2020, will need to be reported and may be used against the individual during the review process.¹⁵ The agency that has difficulty determining whether *The Atlantic* or Brookhaven National Laboratory is a distinguished entity is *also* going to determine whether an individual is likely to be a drain on society. As so many people tell me: “Don’t worry about it! You worry too much!”

Ultimately, you may be wondering, “how will this affect me or my clients? I’m in the [sports or entertainment] industry!” Well, if you are in either, you likely have some clients, or your clients have relationships with individuals, who do not make lots of money. As a result, those clients or relations likely receive subsidies through various programs, and especially so, now, due to the spate of COVID-related closures and cancelations. They might even benefit from need-based grants or the like (again, especially so, now, because of the ceasing of nearly all sports and entertainment operations).

Here We Go Again... Another Travel Ban. Another Round of Uncertainty. Another Attack on Those “S-Hole Countries.”

However, in line with a discussion about tradition and the days of yore, while some justices love their traditions, the current administration has its own: one of which is making it increasingly difficult for individuals to enter the United States.

On January 31, 2020, six more countries were added to the travel ban: Burma, Eritrea, Kyrgyzstan, Nigeria, Sudan, and Tanzania.¹⁶ Additionally, DHS announced that it “has updated the methodology it uses to assess compliance with the security criteria established under” a previous executive order (Travel Ban 2.0).

Its new methodology requires more frequent communication with foreign countries: “DHS now considers whether a foreign government reports lost and stolen passports at least every 30 days, instead of considering whether they have ever shared such information. By reporting regularly, DHS officers can determine passport validity with higher confidence.”¹⁷

Well, then what is the deficiency? “Nigeria does not comply with the established identity-management and information-sharing criteria assessed by the performance metrics.”¹⁸ Reasonable enough.

What, therefore, is the response? “Suspension of entry for Immigrants, except as Special Immigrants whose eligibility is based on having provided assistance to the U.S. Government.”¹⁹ This is obviously not ideal, though curiously enough, while “additional restrictions may be added,” “[t]hose travelers who have already been issued visas by the U.S. government will not be affected by the new restrictions.”²⁰

This is an instance where it appears that DHS and/or DoS will no longer be allowing Nigerian individuals to obtain green cards (i.e., immigrants), as opposed to blocking all visa types (i.e., non-immigrant visas, such as an O, P, and so on). On its face, this does not appear to have an immediate impact on individuals' abilities to obtain the non-immigrant visas most common to our industries—O, P, H-1B—but it remains to be seen how those individuals will fare at their interviews in Lagos or upon reaching the U.S. border.

Bull Riders! Intense Athletes Performing Nationwide Take on a New, Non-Athletic Role. Just Wait for It...

Speaking of the border, admittedly, I do not watch sports. I am not opposed to watching games; I simply do not go out of my way to watch them. However, when at the gym on a Saturday afternoon or unable to sleep at night, I'll find myself watching professional bull riding. I had no idea that bull riders are so versatile!

As per *USA Today*: "Imagine the NFL and NBA sending Tom Brady and LeBron James to accompany the U.S. Border Patrol on a search for undocumented immigrants. Or how about Mike Trout and Serena Williams watching as a group of immigrants are apprehended trying to cross the border."²¹

That would be quite odd? Well, "[s]everal members of the Professional Bull Riders (PBR) did just that on a scorching day in July, riding horseback along the U.S.-Mexico border."²²

The scene described by *USA Today* reporter Josh Peter is nothing short of the stuff of films:

On that day, 2016 World Champion Cooper Davis, 2018 Rookie of the Year Keyshawn Whitehorse, 17-year tour veteran Sean Willingham and bullfighter Seth "Shorty" Gorham joined the Border Patrol. And they were not disappointed.

The group sprung into action when surveillance cameras spotted undocumented immigrants on the American side of the Rio Grande River. One of the PBR members broke from the pack and may have broken the law during a hectic scene.

Patrol boats and a helicopter swooped in to offer support and protection not only for the agents but also for the Border Patrol's special guests. The U.S. Customs and Border Protection supports the PBR in another way: with a \$2 million sponsorship deal this year that the Border Patrol says is used to bolster recruiting.²³

This is terribly curious, but what is very interesting about it, is that the partnership between CBP and PBR began in 2008, ended in 2011, and was renewed after "Trump's executive order in January 2017 that authorized the hiring of 5,000 additional Border Patrol agents."²⁴

Is this a tool for recruitment or propaganda for an agency that has been under intense scrutiny and faced significant amounts of bad press? It would appear to be the former:

In 2018, a report issued by the Office of Inspector General concluded that the Customs and Border Patrol (CBP) was at risk of wasting millions of taxpayer dollars on a contract with a third-party vendor expected to hire agents. The contract was terminated last year.

In March, *USA TODAY*, citing a review of government documents, congressional testimony and interviews with agents, reported the Border Patrol was facing a crisis in hiring, training and retaining agents as well as keeping track of what exactly its more than 19,000 agents are doing at any given time.

The CBP did not respond to a request last week for its recruiting budget and declined to provide data showing the partnership with the PBR has resulted in increased hiring.²⁵

The opaqueness is unsurprising, but the flagrancy of it all is insulting. What then should we make of the "ride-along," the pre-eminent recruitment effort? As Peter writes: "Of the experience, [Professional Bull Rider Seth "Shorty"] Gorham later told *USA TODAY Sports*, 'It was a lot of fun. I'll tell you, I always thought that fighting bulls would get your adrenaline going, but nothing like that experience there.'"²⁶ Lovely.

It Is Trump's Party, We Are Just Dancing. Well, Unless You Are a Dancer, That Is; Then, You Are Just Stuck Waiting.

Ballroom Dancers. Who Cares If So You Think You Can Dance? Is a Smash Hit?!

We previously touched upon the impact of immigration rules, policies, and procedures on dancers, especially in this climate, but now, we have an article about the impact on dance companies and studios with some more detail.

From the Associated Press (AP), "Ballroom dancers say immigration clampdown hurting business,"²⁷ Susan Haigh writes:

When no Americans replied to her ads seeking a dance instructor, studio owner Chris Sabourin looked overseas. But she was stymied again by a federal tightening of visa application rules she and others contend is hampering the ballroom dance industry.

Sabourin had to eventually give up after a year and thousands of dollars trying to hire a top ballroom dancer from Greece to teach at her Fred Astaire studio in Orange, Connecticut, only to have the woman detained at New York's Kennedy Airport and sent back home.²⁸

If there was any question about the hardships that many of us have faced—or if there has been any question about the hardships recounted in these columns—well, take it from the AP: “The owners, national representatives of the Arthur Murray and Fred Astaire dance studio chains, and attorneys describe greater backlogs for visa applications and an overall increase in evidence requests, including for redundant information and unnecessary documents.”²⁹ Yes, try explaining that the “request for additional evidence” is really just a “request for the same stuff that has already been submitted to delay the process further.”

Has anyone addressed these foolish requests or the obscene increase in processing times? “The Government Accountability Office told members of Congress in late May [2019] it plans to investigate the report's findings.”³⁰ Considering that the Government Accountability Office said that would take approximately five months to assemble a team to begin investigating the backlog,³¹ that's a no.

If we wondered why all of this is happening; aside from the “Buy American, Hire American” or “Extreme Vetting” executive orders, it is the attitude of irascible folks who advocate for stringent and uneconomical immigration levels. From the AP:

Mark Krikorian, executive director of the Center for Immigration Studies, which advocates for tighter immigration controls, said that he empathizes with small business owners but that they shouldn't blame federal immigration policy for their labor recruitment problems.

“It's one thing if you're talking about world-renowned nuclear physicists, where there's a handful of people on the planet who have an ability and we want them here. Everybody gets that,” he said. “Dance instructors? I'm sorry. That's something for the market to deal with. If they can't find people at dance programs

in college to entice to be teachers, well, maybe we need fewer dance schools. This is a supply and demand issue.”³²

I would like to pause for a moment here: As some of you may recall, we looked at a case study of a world-renowned nuclear physicist who was denied an “extraordinary ability” green card (i.e., EB-1A). Beyond this, however, who is anyone to dictate the value of one industry over another? I would argue that arts, entertainment, and culture serve vital roles in society that most everyone enjoys in some way or another. As a professional who works with scientists and technology entrepreneurs, and as the nephew of a world-renowned nuclear physicist, I can assure you that the majority of them also engage in and are patrons of the arts.

Olympic Ice Dance. Is It Really a National Competition?

Another example of this policy impacting American institutions is U.S. figure skating, or ice dancing. In a January 22, 2020 article published by *NBCSports*, Lynn Rutherford profiles several of the teams competing at the various run-up competitions to the U.S. Figure Skating Championships in Greensboro, North Carolina.³³

One team, Christina Carreira and Anthony Ponomarenko, has been considered a strong competitor, but in order to compete in the Olympics, both Carreira and Ponomarenko would need to hold U.S. citizenship; Carreira is a Canadian national.³⁴ Rutherford wrote:

Not all of the team's challenges are on the ice. The Montreal-born Carreira—who has lived and trained in Novi since she was 13—faces hurdles gaining her U.S. citizenship, without which the couple cannot compete at the Olympics. Last May, she petitioned U.S. Citizenship and Immigration Services to be deemed an “alien with extraordinary ability” under the immigration code, which would help smooth the way for legal permanent residency status. She was denied and filed suit against the USCIS, later dropping the action.³⁵

Carreira is not alone, however.

Other Athletes Have It Easier! No, They Do Not.

As per *The Wall Street Journal (WSJ)*: “For foreign-born swimmers, jockeys, tennis players, gymnasts and ice dancers who want to work or live in the U.S., the toughest competition these days may be persuading the Trump administration they are extraordinary.”³⁶ How apropos.

Louise Radnofsky proceeds to write in *WSJ* that:

The approval rate for individual immigrant petitions for permanent residence based on “extraordinary ability,” a category used by professional athletes,

scientists, professors and industry executives, fell from 82.1% in the 2016 government fiscal year, the last full year of the Obama administration, to 69.4% for the 2018 fiscal year. It stood at 56.3% for the 2019 fiscal year, new U.S. Citizenship and Immigration Services data show.³⁷

Facts.

“For petitions in which the government requested additional evidence, which it is doing more often, the approval rate fell from 47.8% in fiscal 2016 to 37.3% for fiscal 2018 and 34.4% for fiscal 2019.”³⁸ Painful facts, but facts, no less.

Who would cheer these actions? Despite this harm to the American economy and its global competitiveness, our good friend, the cantankerous Mark Krikorian.

Advocates of immigration restrictions cheered the stricter stance. “This alignment of the meaning of ‘extraordinary’ with reality is long overdue,” said Mark Krikorian, head of the Center for Immigration Studies, a restrictionist group. “The watering down of ‘extraordinary’ is just the grown-up version of the ‘everybody gets a trophy’ approach to children’s sports.”³⁹

Unfortunately, this has been pervasive across the country, throughout Service Centers, and irrespective of the individual’s industry.

The Journal reviewed a file of dozens of denied appeals, with the subjects’ identities blacked out, for cases involving sports in the past two years. Standards appeared to vary from office to office or adjudicator to adjudicator, and some adjudicators were particularly skeptical of individual athletes in sports that sometimes have a team component in competition.⁴⁰

Conclusion

The best prophylactic measures that we can deploy are starting early, being methodical, remaining diligent, and incessantly fighting. The present administration shows no signs of easing its hard-lined and harmful immigration practices, so we must adapt. As George Washington once wrote, “I had always hoped that this land might become a safe and agreeable asylum to the virtuous and persecuted part of mankind, to whatever nation they might belong.”⁴¹ I presume that he might not be so happy about the current state of affairs; let us push forward and try to ensure that Washington’s hope is maintained.

Endnotes

1. For those of you who don’t know, “How It’s Made” is a show broadcast on the Discovery Channel and the Science Channel that describes itself as: “Have you ever wondered how every day products are made? How It’s Made leads you through the process and gives you an inside look—including apple juice, skateboards, engines, contact lenses, and many more!” <https://www.discovery.ca/Discovery-Science/How-It-s-Made/Articles/How-It-s-Made> Ultimately, the show is a hodgepodge of things that have little relevance to each other, all described in detail by a monotone narrator who makes puns along the way . . . and now that I have just noticed the similarities, I’m not sure how I feel.
2. USCIS, *Final Rule Public Charge Ground Inadmissibility*, available at <https://www.uscis.gov/legal-resources/final-rule-public-charge-ground-inadmissibility>.
3. Cataliotti, Michael, *Sports and Entertainment Immigration: Detention, Baseball, Only the Best and the Brightest, and Resignations. The Trump Administration’s Greatest Hits!*, 29 N.Y.S.B.A. ENT., ARTS & SPORTS L. J. 2 at 38 (2019), quoting <https://www.uscis.gov/legal-resources/final-rule-public-charge-ground-inadmissibility> (emphasis added).
4. https://www.supremecourt.gov/opinions/19pdf/19a785_j4ek.pdf p2, referring to the “Eastern District of Washington, which “entered a similar order, but went much farther geographically, enjoining the government from enforcing its rule globally.”
5. https://www.supremecourt.gov/DocketPDF/19/19A785/128460/20200117170243633_20200117-170053-95749791-00000337.pdf.
6. <https://www.scotusblog.com/case-files/cases/department-of-homeland-security-v-new-york/>. As an aside, I apologize for bringing you all back to Constitutional Law, 1L or 2L, depending on your track, with this paragraph.
7. https://www.supremecourt.gov/opinions/19pdf/19a785_j4ek.pdf.
8. *Id.* at p. 2.
9. *Id.* at p. 3.
10. *Id.*
11. *Id.*
12. *Id.*
13. *Id.*
14. <https://www.uscis.gov/legal-resources/final-rule-public-charge-ground-inadmissibility>.
15. It is worth noting, though, that on the Form I-129, the public benefits section (Part 6), needs to be completed only if a non-citizen is seeking a “change of status” or “extension of stay” within the U.S. Be mindful of this procedural element; it could be useful when evaluating how you want to process the petition.
16. <https://www.dhs.gov/news/2020/01/31/raising-global-travel-security-bar-dhs-announces-new-travel-restrictions-six>.
17. *Id.*
18. *Id.*
19. *Id.*
20. *Id.*
21. <https://www.usatoday.com/story/sports/2020/01/21/immigration-sports-league-has-unique-partnership-border-patrol/2798296001/>.
22. *Id.*
23. *Id.*
24. *Id.*
25. *Id.*
26. *Id.*
27. <https://apnews.com/f9ad484646f442c0a365efce561a514d>.

28. *Id.*
29. *Id.*
30. *Id.*
31. <https://chc.house.gov/sites/congressionalhispaniccaucus.house.gov/files/Acceptance%20Letter%20-%20U.S.%20Citizenship%20and%20Immigration%20Services.pdf>.
32. *Supra*, APNews, fn 25.
33. <https://olympics.nbcsports.com/2020/01/22/carreira-ponomarenko-u-s-ice-dance-nationals-citizenship/>.
34. *Id.*
35. *Id.*
36. <https://www.wsj.com/articles/elite-athletes-seeking-visas-face-heightened-scrutiny-by-the-trump-administration-11576060200>.
37. *Id.*
38. *Id.*
39. *Id.*

40. *Id.*
41. George Washington to Francis Adrian Van der Kemp, <https://founders.archives.gov/documents/Washington/04-06-02-0266>.

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RESOLUTION ALLEY

Desperately Seeking Diversity in ADR

By Theodore K. Cheng

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

Addressing the dearth of women and people of color who are selected to act as arbitrators and mediators in the alternate dispute resolution (ADR) field has long been a challenge.¹ Historically, not only have the various rosters and lists maintained by ADR providers and courts failed to reflect the pool of available and qualified women and minority neutrals, but the selection process has also repeatedly afforded opportunities to only a small percentage of this growing pool. The emphasis on diversity and inclusion by Corporate America and law firms over the past several decades demonstrates the growing understanding of the value of promoting a diverse workforce and demanding that suppliers of legal services also be similarly committed. However, while great strides have been achieved in many disparate areas, little to no improvement has been seen in the selection of arbitrators and mediators.²

More recently, the arbitration community has focused on the under-representation of women on international arbitral tribunals. A pair of Law.com articles from 2016 sets out vastly different statistics for the U.S. federal courts (where, for example, in excess of 30% of judges are women) and for ADR (where, in cases involving disputes over \$500,000, less than 30% of selected neutrals are women, and for international disputes, well under 20%).³ In 2015, members of the arbitration community drew up the Equal Representation in Arbitration Pledge (Pledge), available at arbitrationpledge.com, to address the lack of women arbitrators on international tribunals. The Pledge “seeks to increase, on an equal opportunity basis, the number of women appointed as arbitrators in order to achieve a fair representation as soon practically possible, with the ultimate goal of full parity.” In its preamble, the Pledge notes that the arbitration community is “committed to improving the profile and representation of women in arbitration” and “consider that women should be appointed as arbitrators on an equal opportunity basis.” To achieve this objective, the Pledge outlines specific steps to ensure that, for example, wherever possible, committees, governing bodies, and conference panels in the arbitration field include a fair representation of women, and that lists of potential arbitrators or tribunal chairs include a fair representation of female candidates. As of January 26, 2020, the Pledge garnered over 4,000 signatories, many hundreds of which are corporations, law firms, and other organizations, including a growing list of U.S. firms, institutions, and companies.

One of the most noteworthy ADR/entertainment news items at the end of 2018 involved a November 28, 2018 petition filed by Shawn Carter (better known as the artist Jay-Z) in New York State Supreme Court, seeking to stay the arbitration of his ongoing business and intellectual property disputes with Iconix, the purchaser of the rights to his ROCAWEAR fashion line.⁴



The nature of those disputes is not germane to either ADR or the petition. Rather, in the petition, Jay-Z pointed to the apparent lack of diversity in the national roster of arbitrators maintained by the American Arbitration Association (AAA), one of the nation’s leading ADR providers, as the basis for staying the arbitration proceedings. Specifically, the main thrust of the petition was as follows:

1. This proceeding seeks a preliminary and permanent stay of an ongoing arbitration before the AAA on the grounds that it is void as against public policy. . . .
2. When Mr. Carter began reviewing arbitrators on the AAA’s Search Platform, however, he was confronted with a stark reality: he could not identify a single African-American arbitrator on the “Large and Complex Cases” roster, composed of hundreds of arbitrators, that had the background and experience to preside over the arbitration.
3. When Mr. Carter confronted the AAA about its apparent lack of diverse arbitrators who had expertise in complex commercial law, the AAA was able to provide only three neutrals it identified as African-American: two men—one of whom was a partner at the law firm representing Iconix in this arbitration and thus had a glaringly obvious conflict of interest—and one woman. Thus, the AAA provided Petitioners with one choice for an arbitrator from Mr. Carter’s protected class—which, of course, is no choice at all.
4. The AAA’s lack of African-American arbitrators came as a surprise to Petitioners, in part because of the AAA’s advertising touting its diversity. This

blatant failure of the AAA to ensure a diverse slate of arbitrators is particularly shocking given the prevalence of mandatory arbitration provisions in commercial contracts across nearly all industries. It would stand to reason that prospective litigants—which undoubtedly include minority owned and operated businesses—expect there to be the possibility that the person who stands in the shoes of both judge and jury reflects the diverse population.

5. By virtue of the increasing prevalence of arbitrations in commercial contracts, arbitrators have gained unprecedented power to oversee and make decisions regarding significant business disputes. The AAA's arbitration procedures, and specifically its roster of neutrals for large and complex cases in New York, deprive Mr. Carter and his companies of the equal protection of the laws, equal access to public accommodations, and mislead consumers into believing that they will receive a fair and impartial adjudication.
6. When a contract violates New York law, New York courts do not hesitate to invalidate that contract provision as void as against public policy, notwithstanding the fact that the parties willingly agreed to the provision. The AAA's failure to provide a venire of arbitrators that includes more than a token number of African-Americans renders the arbitration provision in the contract void as against public policy.⁵

The court granted a temporary restraining order that day and set down December 11, 2018 for a hearing on the preliminary injunction motion.⁶

A few days before that return date, Iconix submitted its opposition to the motion, which included a letter from the AAA attaching a list of its National Roster members who self-identify as African-American (152 names); the races of the 12 candidates proposed by the AAA for this case, three of whom were African-American; a form letter sent by the AAA to the National Roster soliciting arbitrators to voluntarily self-identify demographic information in furtherance of the AAA's diversity programs; a description prepared by the AAA of its diversity initiatives; and a list of the AAA Commercial Large Complex Case arbitrators who are located in New York. On December 9, 2018, Jay Z's lawyers withdrew the motion to enjoin the arbitration, writing, in relevant part:

Following the filing of the Petition in this action, the American Arbitration Association ("AAA") has committed to work with Petitioners to identify and make available African-American arbitrators for consideration, which may moot Petitioners' need for further relief. Accordingly, Petitioners hereby withdraw Motion Sequence 001 for a temporary

restraining order and preliminary injunction to allow for negotiations with AAA and Respondents on an arbitrator selection process that comports with New York public policy.

There are many questions that arise from this short-lived dispute, such as whether the AAA maintains a National Roster consistent with its commitment to diversity; why Jay-Z's attorneys were unable to perform the research necessary to identify any additional, appropriate candidates from the over 150 African-American arbitrators on the AAA's National Roster; how Jay-Z's prior agreement and consent to arbitration before the AAA affects his now arguably belated claim that the National Roster is somehow deficient; or how the inability to select an African-American arbitrator for this particular dispute somehow rises to a civil rights, equal protection, or other legally cognizable violation. Yet there is no denying that this situation caused a much-needed spotlight to be shined on the lack of diversity in the ADR field, particularly on rosters maintained by the AAA and other providers. Whatever may be the merits of the petition or the answers to the foregoing questions, to some degree, Jay-Z and his attorneys should be given credit for bringing this issue more fully into the mainstream.

As so much can rest on the selection of the arbitrator or mediator, it is little wonder that the dearth of diversity in the pool of neutrals should be of concern to all stakeholders in the ADR field. Further, there are sound rationales for why diversity is and should be an important (although perhaps not the sole or overriding) factor in selecting an appropriate neutral to resolve a dispute.

First, because ADR processes essentially privatize what would ordinarily be the public function of bringing a lawsuit in a judicial forum, the need for diversity is paramount.⁷ As is the case for the judiciary, an ADR profession dominated by individuals of one background, perspective, philosophy, or persuasion is neither healthy nor ideal.⁸ Instead, arbitrators and mediators should reflect the diverse communities of attorneys and parties whom they serve.⁹ A diverse pool of neutrals also instills confidence in those constituents and ensures a measure of fairness, public access, and public justice. In short, if we value diversity and inclusion in our courts, then we should similarly value them in the ADR setting.

Second, injecting diversity into the mix promotes creativity, which is critical to tailoring ADR processes to particular disputes. It is this flexibility in process design that supports the notion that arbitration and mediation can be more cost-effective and expeditious.¹⁰ For example, having a mediator with a more diverse background could conceivably reveal or facilitate different avenues for innovative solutions that perhaps would not have been explored otherwise.

Third, diversity has an even more pronounced impact in situations where more than one decision maker has been engaged, such as a panel of arbitrators. In that case, the decision making process is generally improved, resulting in normatively better and more correct outcomes, when there exist different points of view.¹¹ Aside from affording cognitive diversity, having a diverse panel typically adds new perspectives, while destroying the tendency to have the panel engage in unnecessary group-think, so long as the decision makers are able to exercise independence of opinion.

For these reasons, users of ADR should think more strategically when selecting arbitrators and mediators on their disputes. Arbitrators and mediators are, after all, suppliers of services not unlike attorneys, accountants, financial advisors, forensic analysts, and other expert witnesses. If, as a society, we truly value diversity and inclusion in our workforce and those who provide and support legal services, the same deep-rooted commitment to the workplace and supplier diversity initiatives should be applied to improve the paucity of women and people of color who are selected to act as arbitrators and mediators. Doing so will improve both the quality of these dispute resolution processes and access to justice overall.

Endnotes

1. See, e.g., David A. Hoffman and Lamont E. Stallworth, "Leveling the Playing Field for Workplace Neutrals: A Proposal for Achieving Racial and Ethnic Diversity," *Dispute Resolution Journal*, Vol. 63, No. 1 (Feb./Apr. 2008), at 36, <https://blc.law/wp-content/uploads/2016/12/HoffmanStallworth-branchmainlanguagedefault.pdf>.
2. See, e.g., Theodore K. Cheng, "The Case for Bringing Diversity to the Selection of ADR Neutrals," *NYSBA New York Dispute Resolution Lawyer*, Vol. 9, No. 2, at 18 (Summer 2016), https://www.nysba.org/Sections/Dispute_Resolution/Dispute_Resolution_Display_Tags/Events/2018/Arb_training_Book/Cheng_-_The_Case_for_Bringing_Diversity_to_ADR_Neutrals.html.
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4. See, e.g., Sopan Deb, "Jay-Z Criticizes Lack of Black Arbitrators in a Battle Over a Logo," *N.Y. TIMES* (Nov. 28, 2018), https://www.nytimes.com/2018/11/28/arts/music/jay-z-roc-nation-arbitrators.html?emc=edit_ur_20181129&nl=new-york-today&nliid=1271657320181129&te=1; David Lat, "Jay-Z Declares War . . . Against The Lack Of Diversity In The Arbitration World," *Above the Law* (Nov. 28, 2018), <https://abovethelaw.com/2018/11/jay-z-declares-war-against-the-lack-of-diversity-in-the-arbitration-world/>.
5. See *Carter v. Iconix Brand Group, Inc.*, Petition, Index No. 655894/2018 (Nov. 28, 2018), ¶¶ 1, 5-9, <https://www.courthousenews.com/wp-content/uploads/2018/11/jay-z-iconix.pdf>.

6. See generally *Carter v. Iconix Brand Group, Inc.*, Transcript of Proceedings, Index No. 655894/2018 (Nov. 28, 2018), <https://iapps.courts.state.ny.us/fbem/DocumentDisplayServlet?documentid=FdpFn27QhD1AZa4bYamQrw==&system=prod>.
7. See Laura A. Kaster, "Why and How Corporations Must Act Now to Improve ADR Diversity," *Corporate Disputes* (Jan.-Mar. 2015) at 36, 37, <http://www.corporatedisputesmagazine.com/why-and-how-corporations-must-act-now-to-improve-adr-diversity/>; David H. Burt and Laura A. Kaster, "Why Bringing Diversity to ADR is a Necessity," ACC Docket (Oct. 2013), at 41, <http://appropriatedisputesolutions.com/site/wp-content/uploads/2013/01/Why-Bringing-Diversity-to-ADR-is-a-Necessity.pdf>.
8. See Vincent T. Chang, Theodore K. Cheng, and James P. Chou, "Reflecting the Communities it Serves: Increasing the Diversity of the Federal Bench," *AABANY Advocate* (Winter 2011) at 3, <https://cdn.ymaws.com/www.aabany.org/resource/resmgr/imported/Advocate%20Winter%202011.pdf>.
9. See James Jenkins, "Arbitrators and Mediators Should Reflect Society's Diversity," *Law360* (Jan. 16, 2019), <https://www.law360.com/articles/1115452/arbitrators-and-mediators-should-reflect-society-s-diversity>.
10. See Theodore K. Cheng, "Providing for Neutrals with Industry, Legal, and Business Expertise," *NYSBA ENTMT., ARTS AND SPORTS L. J.*, Vol. 29, No. 3 (Fall/Winter 2018) at 97 (noting that "the characteristics of the person being selected as the arbitrator or mediator could make a difference in how (and sometimes whether) the dispute is resolved, how quickly a resolution is achieved, and how cost-effective the process will likely be," and that "[t]he ability to provide for, and ultimately select, the neutral with the right background and experience for the dispute in question is one of the hallmarks of a voluntary, consensual alternative dispute resolution process" that "distinguishes arbitration and mediation, for example, from the traditional litigation model for resolving disputes").
11. See generally Scott Page, "The Difference: How the Power of Diversity Creates Better Groups, Firms, Schools and Societies" (Princeton Univ. Press 2007); James Surowiecki, "The Wisdom of Crowds" (Anchor Books 2004).

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A Case of “Creative Destruction”: Takeaways from the 5Pointz Graffiti Dispute

By Louise Carron

February 20, 2020 will be known in legal art history as the day that street art was affirmed as “a major category of contemporary art.”¹ In *Castillo v. G&M Realty L.P.*, which put an end to a seven-year-long dispute over the whitewashing of the Long Island City-based “graffiti mecca” known as 5Pointz, the U.S. Court of Appeals for the Second Circuit upheld Hon. Frederick Block’s February 2018 ruling for the District Court for the Eastern District of New York (E.D.N.Y.). Judge Block awarded \$6.75 million in statutory damages to 21 aerosol artists whose works were destroyed without prior notice by the owner of the building where the artists had been authorized to create for a decade.²

In addition to being a great win for the plaintiffs, this case helps legal practitioners understand the Visual Artists Rights Act of 1990 (VARA)³ and pays deference to graffiti as an art form. This federal law takes its roots in the European moral rights theory of protecting art as an expression of the artist’s personality.⁴ Among the rights awarded to visual artists is the protection against the willful destruction of works of “recognized stature.” VARA outlines two mechanisms for enforcing these rights:

1. Unremovable works incorporated in a building cannot be removed without the artist’s consent, unless the artist waives his or her rights in a writing signed by both the artist and the building owner.⁵
2. Authors of removable works are entitled to 90-days written notice to enable them to salvage the works.⁶

However, VARA does not explain how to reach the threshold of “recognized stature,” so the task of defining its boundaries has been left to the courts, litigants, and their attorneys. In *Castillo*, the Court of Appeals determined whether temporary artworks possessed moral rights and specifically, whether they could achieve recognized stature. The court concluded that “the temporary nature of [street] art is not a bar to recognized stature.”⁷

Facts and Chronology

Starting in 2002, real estate developer Gerald “Jerry” Wolkoff allowed aerosol artist Jonathan Cohen, a/k/a Meres One, to turn his 200,000-square-foot warehouse into a residency and exhibition space for graffiti artists. Since then, Cohen renamed the site “5Pointz” and became the curator of an artistic forum where writers from all over the world had an opportunity to create art on the walls on a rotating basis. 5Pointz, which was located near MoMA PS1 and could be directly seen from the 7 train in Queens, evolved into a “graffiti mecca” through the

efforts of Cohen, co-curator Marie-Cécile Flagueul, and other volunteers. The site attracted thousands of artists, locals, and tourists and quickly gained extensive media coverage. It really became part of the New York City landscape. In 2013, as Long Island City became gentrified, Wolkoff announced his plans to destroy the building and erect a luxury rental complex on the site. The plans sparked the efforts of artists to preserve the site, the art, and the community that it represented.⁸



The legal proceedings are detailed chronologically as follows:

- May 2013: A community board meeting hearing was held at PS1 to discuss the variance application.
- August 20, 2013: The Landmark Preservation Commission denied the request to designate 5Pointz as a landmark because the site was not in existence for the required 30 years.
- August 21, 2013: The City Planning Commission (CPC) issued a permit to demolish the 5Pointz buildings. CPC additionally allowed Wolkoff to build on site two towers containing 800 luxury rentals and 200 affordable units. Artists residing at 5Pointz received eviction notices, giving them until December 2013 to vacate the premises.
- October 10, 2013: Seventeen artists, including Cohen, filed a petition under VARA to enjoin the demolition.⁹
- October 17, 2013: The E.D.N.Y. issued a 10-day temporary restraining order against Wolkoff, which enjoined him from altering the building while the court considered the plaintiffs’ motion and encouraged the parties to settle the dispute.¹⁰
- October 28, 2013: The court extended the temporary restraining order until 5:00 p.m. on Tuesday, November 12, 2013.¹¹
- November 12, 2013: In a minute order, Judge Block lifted the restraining order, denied the plaintiffs’ request for preliminary injunctive relief, and indicated that a written opinion would follow.

- November 12-20, 2013: Wolkoff denied artists access to 5Pointz and ordered 5Pointz whitewashed overnight, without any notification to the artists.
- November 20, 2013: The E.D.N.Y. issued an opinion,¹² where Judge Block concluded that, “although some of the 5Pointz paintings may have achieved recognized stature, resolution of that question was best reserved for trial.”¹³
- June 17, 2014: Jonathan Cohen and 17 artists filed an amended complaint before the E.D.N.Y. (*Cohen* lawsuit), claiming (1) intentional destruction of artworks protected under VARA, (2) intentional infliction of emotional distress, (3) conversion, and (4) property damage.¹⁴
- March 2014: Wolkoff applied for a demolition permit.
- August 2014: Wolkoff demolished the building.
- June 3, 2015: Maria Castillo and nine other artists initiated a separate lawsuit (*Castillo* lawsuit) against Wolkoff, based on the same four claims as in *Cohen*.¹⁵
- March 31, 2017: On summary judgment, the court consolidated the *Castillo* and *Cohen* lawsuits for trial, which would primarily address whether the artworks had achieved “recognized stature” and, if so, what was the value of the art which Wolkoff destroyed.¹⁶
- October 17, 2017: The trial began in federal court and was presided over by Judge Block. The 21 plaintiffs introduced a 1,000-page report and 29 witnesses to prove that the 49 artworks destroyed had attained “recognized stature.”¹⁷
- November 15, 2017: Since all parties waived their right to trial by jury, an advisory jury found that, out of the 49 works at issue, 28 artworks achieved recognized stature and eight had been mutilated or distorted, thus harming the artists’ reputations. The jury recommended \$545,750 in actual damages and \$651,750 in statutory damages.
- February 12, 2018: Judge Block issued a 100-page decision containing color reproductions of all the artworks, finding that (1) 45 works were of recognized stature; (2) Wolkoff had intentionally destroyed all 45 works; and (3) Wolkoff must pay the affected artists \$6.75 million in statutory damages.¹⁸
- February 21, 2018: Wolkoff filed a notice of appeal and argued that Judge Block abused his discretion and that the findings of fact he made were clearly erroneous. Specifically, the appellant raised the following arguments:
 - The great majority of the works in question were of a temporary nature and therefore could not meet the recognized stature requirement.
 - The artists were aware that the 5Pointz buildings would eventually be torn down, so they should have expected their work to be destroyed.
 - Recognized stature must be assessed at the time of the work’s destruction, not at the time of trial.
 - An expert as to recognized stature must base his or her conclusions upon actually seeing the works, not based on images.
 - Cohen’s curatorial choices are irrelevant to proving recognized stature, as he reviewed plans for the 5Pointz works before they were painted.
 - The lower court focused on the stature of the site, rather than on the stature of the individual works at 5Pointz.
 - Most importantly, Wolkoff challenged the District Court’s award of damages, claiming that Judge Block was biased when he awarded the artists with highest amount possible under copyright law.
- March 15, 2018: Wolkoff filed a motion to vacate the judgment and for a new trial.
- June 13, 2018: The defendant’s motion to vacate the judgment was denied.
- August 30, 2019: Oral arguments on the appeal were held.
- October 3, 2019: Queens’ Local Community Board 2 approved Wolkoff’s development plans for “5Pointz Towers,” which include a 5,000-square-foot library, affordable units, and artist studio and exhibition space.¹⁹
- February 20, 2020: A panel of three federal judges, Hon. Barrington D. Parker, Hon. Reena Raggi, and Hon. Raymond J. Lohier, Jr., unanimously affirmed Judge Block’s ruling on every count.

Discussion

1. What is a work of “recognized stature”?

Under the VARA cases of *Carter v. Helmsley-Spear, Inc.*²⁰ and *Martin v. City of Indianapolis*,²¹ the court confirmed that a work of recognized stature is “one of high quality, status, or caliber that has been acknowledged as such by a relevant community, [which will] typically be the artistic community, comprising art historians, art critics, museum curators, gallerists, prominent artists,

and other experts.” Further, the court stated that “since recognized stature is necessarily a fluid concept, we can conceive of circumstances under which, for example, a “poor” work by a highly regarded artist—e.g., anything by Monet—nonetheless merits protection from destruction under VARA.”²²

2. Can a temporary work ever attain recognized stature?

Answering this question with a resounding “YES,” the court underlined that: “We see nothing in VARA that excludes temporary artwork from attaining recognized stature.”²³ The court explained that VARA does distinguish between temporary and permanent works, but does not require that works be permanent to receive protection. It would therefore violate the balance of power between the legislature and the judiciary to add such a requirement into a federal law. Interestingly, the court used the appellant’s own expert witness against him, who, during the trial, “acknowledged that temporary artwork can achieve recognized stature.”²⁴

3. How to demonstrate recognized stature?

Recognized stature, undoubtedly the most fundamental question of law in this case, may be proven through the following:

- “Expert testimony or substantial evidence of non-expert recognition will generally be required to establish recognized stature.”²⁵
- Recognized stature may be assessed after destruction: “the quality of a work, assessed by an expert after it has been destroyed, can be probative of its pre- destruction quality, status, or caliber.”²⁶
- “An artist whose merit has been recognized by another prominent artist, museum curator, or art critic is more likely to create work of recognized stature than an artist who has not been screened.”²⁷
- “Appearance at a major site—e.g., the Louvre or the Prado—ensures that a work will be recognized, that is, seen and appreciated by the public and the art community.”²⁸

The court also validated the testimony of Renée Vara, the artists’ “highly regarded expert,”²⁹ who testified as to the recognized stature of all the individual works and established a methodology for doing so. Wolkoff sought to set aside her testimony on the grounds that she had never seen the works in person, to which the court replied: “We see nothing wrong and certainly nothing clearly erroneous with this approach.”³⁰

4. How to calculate damages?

At the heart of the appeal was Judge Block’s decision to award \$6.75 million in statutory damages to the artists (but no actual damages), which was five times more than the total amount recommended by the advisory jury. The Copyright Act of 1976 fixes statutory damages between \$750 and \$30,000 per work and up to \$150,000 per work if a litigant proves that a violation was willful.³¹ The most surprising part of Judge Block’s decision was his award of \$150,000 for each of the 45 works, totalling \$6,750,000. Feeling unduly punished because the artists did not suffer any “actual loss,” Wolkoff argued that Judge Block was unfairly biased in favor of the artists—perhaps because Judge Block, as a jazz musician, always had a passion for art.³²

In reviewing the decision of the District Court, the Court of Appeals considered two factors:

First, in assessing the willfulness of the act, the decision pinpointed several facts. Twice in the decision, the Court emphasized that Wolkoff testified to the District Court that he “would make the same decision today.”³³ The time frame of the whitewashing was also particularly relevant. The Court stated that: “Wolkoff could have allowed the artwork to remain visible until demolition began, giving the artists time to photograph or to recover their work. Instead, he destroyed the work immediately after the District Court denied the preliminary injunction and before the District Court could finalize its promised written opinion.”³⁴ In justifying his actions, “Wolkoff testified that he whitewashed the work to prevent the artists from illegally salvaging their work. However, he [...] testified that the artists had always behaved lawfully.”³⁵ It is also noteworthy that the Court also commended the plaintiffs for doing everything in their power to save their works “legally” by seeking landmark status and offering to purchase the site before resorting to bringing the case.

Second, the Court considered the amount of statutory damages ordered by Judge Block. Under *Bryant v. Media Right Prods., Inc.*, courts must weigh six factors when calculating statutory damages:³⁶

1. **The infringer’s state of mind.** In concluding that this factor cut in favor of the artists, both the District Court and the Court of Appeals highlighted that Wolkoff “whitewashed the artworks without any genuine business need to do so. It was simply, as the District Court found, an ‘act of pure pique and revenge’ toward the artists who had sued him.”³⁷ Additionally, “Wolkoff set out in the dark of night, using the cheapest paint available, standing behind his workers and urging them to ‘keep painting’ and ‘paint everything.’”³⁸ The court also took the artists’ perspective into account, by mentioning that the “sloppy” cheap paint used by Wolkoff reminded “the artists on a daily basis of what had happened to them.”³⁹ The courts also

mentioned that “the mutilated artworks were visible to millions of people passing the site on the subway.”⁴⁰ This was likely emphasized to show that Wolkoff’s actions had consequences beyond the street art community as 5Pointz had become a “landmark” in the New York City urban scene.

2. **The expenses saved, and profits earned, by the infringer.** This factor was not assessed by the Court.
3. **The revenue lost by the copyright holder.** The Court of Appeals agreed that the appellees’ loss was significant, for purposes of statutory damages, but not compensable through actual damages.⁴¹ Nonetheless, both courts noted that “[t]he value of 5Pointz to the artists’ careers was significant, and its loss, though difficult to quantify, precluded future opportunities and acclaim.”⁴²
4. **The deterrent effect on the infringer and third parties.** Again, Wolkoff’s confession that “he had no remorse for his actions” helped the Court determine that a “maximum statutory award could serve to deter Wolkoff from future violations of VARA.”⁴³ Beyond the facts of this particular case, the Court felt that an award of maximum damages “could further encourage other building owners to negotiate in good faith with artists whose works are incorporated into structures and to abide by the 90-day notice provision set forth in VARA.”⁴⁴ Here, the Court addressed the concerns of the legal community that the outcome from this case would discourage property owners from lending concrete canvases to street artists.⁴⁵
5. **The infringer’s cooperation in providing evidence concerning the value of the infringing material.** This factor was not assessed by the Court.
6. **The conduct and attitude of the parties.** Wolkoff’s conduct and attitude was a decisive element in the Court’s opinion. The Court stated that, “[i]f not for Wolkoff’s insolence, [the maximum statutory] damages would not have been assessed.”⁴⁶ The Court of Appeals confirmed that “the evidence at trial established that Wolkoff had not even applied for a demolition permit until four months after the whitewashing, and he admitted that he suffered no loss for the delay.”⁴⁷ In contrast, Judge Block noted that the artists “conducted themselves with dignity, maturity, respect, and at all times within the law.”⁴⁸

Therefore, the U.S. Court of Appeals saw no abuse of Judge Block’s discretion and affirmed the lower court’s decision on all counts. At most, Block’s choices could be “debatable,” but were certainly not wrong.

The case might be headed to the U.S. Supreme Court. On March 5, 2020, Jerry Wolkoff requested a 90-day stay while he prepares a petition for writ of certiorari on the interpretation of “recognized stature.” On March 13th the appellees filed an opposition to Wolkoff’s motion, but as of this writing, the motion has not yet been decided. If accepted, this would be the first VARA-related case before the Supreme Court.

Takeaways

Irina Tarsis, the Founder of the Center for Art Law and member of EASL’s Executive Committee, said: “We are proud of our colleagues who contributed to this seminal ruling.” Beyond the legal issues at stake, this decision is noteworthy for examining street art through the lens of art history and acknowledging that it has become “a major category of contemporary art.” The Second Circuit Court references famous visual artists, such as *Monet*, *Christo and Jeanne-Claude*, along with *Shepard Fairey* and *Banksy*, the latter two who are known for their “illegal” works and whose pieces *sell for millions of dollars* at auction. This decision elevates street art to the same level as “high art,” which is exactly what the community has been fighting for for decades, specifically to go beyond the “vandalism” label that authorities coined in the 1970s.

However, it must be stressed that this decision is of limited scope, as it deals with authorized/sanctioned/legal art and is unlikely to be extended to unauthorized works, which have not achieved recognized stature. Further, the Court’s evaluation of the appellant’s behavior, testimony, and experts were all used against him. This shows how this ruling is particularly fact-specific and *sui generis*: Jerry Wolkoff engaged in a disrespectful pattern against the artists, which the courts acknowledged and did not allow such behavior to go unpunished.

Therefore, street and graffiti artists (and visual artists more broadly) have rights against the willful destruction of their artworks so long as: (1) they had permission from the building owner, (2) the owner destroyed their works without following the legal requirements, and (3) their destroyed works had achieved recognized stature, a seemingly high threshold to reach.

Such a lengthy and painful litigation illustrates the relevance of VARA waivers, signed by property owners and commissioned artists at the time of the work’s installation and specifying that the work may be subject to destruction, distortion, mutilation or other modification by reason of its removal. Negotiation in good faith confirmed in writing can go a long way.

Hopefully, the outcome of this long dispute will lead the general public, including building developers, advertising companies, fashion brands, and the like to be more respectful of the artistic process and community that generate graffiti and street art.

Endnotes

1. *Castillo v. G&M Realty L.P.*, Nos. 18-498-cv (L), 18-538-cv (CON), 2020 U.S. App. LEXIS 5228 (2d Cir. Feb. 20, 2020).
2. *Castillo v. G&M Realty L.P.*, No. 18-498-cv (2nd Cir. 2020), aff'ing *Cohen v. G&M Realty L.P.*, No. 13-CV-05612 (E.D.N.Y. Feb. 12, 2018).
3. Visual Artists Rights Act of 1990, 17 U.S.C. § 106A.
4. See L. Carron, *Street Art: Is Copyright for 'Losers'™? A Comparative Perspective on the French and American Legal Approach to Street Art*, 30 N.Y.S.B.A. Ent., Arts & Sports L. J. 1 (2019). Republished, 91 N.Y.S.B.A. J. 8 (2019).
5. VARA § 113(d)(1).
6. VARA § 113(d)(2).
7. *Castillo v. G&M Realty L.P.*, Nos. 18-498-cv (L), 18-538-cv (CON), 2020 U.S. App. LEXIS 5228, at *18 (2d Cir. Feb. 20, 2020).
8. The Art Law Podcast, "Moral Rights in Street Art: The 5Pointz Story" (Ap. 9, 2018), <http://artlawpodcast.com/2018/04/09/5pointz-and-the-moral-rights-of-artists/>.
9. *Cohen v. G&M Realty L.P.*, No. 13-CV-05612 (E.D.N.Y. filed on Oct. 10, 2013).
10. *Cohen v. G&M Realty L.P.*, No. 13-CV-05612 (E.D.N.Y. Oct. 17, 2013).
11. *Cohen v. G&M Realty L.P.*, No. 13-CV-05612 (E.D.N.Y. Oct. 28, 2013).
12. *Cohen v. G&M Realty L.P.*, 988 F. Supp. 2d 212, 214 (E.D.N.Y. 2013).
13. *Castillo v. G&M Realty L.P.*, Nos. 18-498-cv (L), 18-538-cv (CON), 2020 U.S. App. LEXIS 5228, at *5 (2d Cir. Feb. 20, 2020).
14. *Cohen v. G&M Realty L.P.*, No. 13-CV-05612 (E.D.N.Y., filed on June 17, 2014).
15. *Castillo v. G&M Realty L.P.*, No. 15-CV-3230 (E.D.N.Y., filed on June 3, 2015).
16. *Cohen v. G&M Realty L.P.*, No. 13-CV-05612 (FB) (RLM), 2017 U.S. Dist. LEXIS 50943 (E.D.N.Y. Mar. 31, 2017).
17. Laura B. Richardson, *The Making of the Moral Rights Case: The Factual and Legal Background of the 5Pointz Cases*, Center for Art Law (Nov. 5, 2017), <https://itsartlaw.org/2017/11/05/the-making-of-the-moral-rights-case-the-factual-and-legal-background-of-the-5pointz-cases/>.
18. *Cohen v. G&M Realty L.P.*, 320 F. Supp. 3d 421 (E.D.N.Y. 2018). See Lise Berichel, *Around the Block Ruling in 5Pointz*, Center for Art Law (April 10, 2018), <https://itsartlaw.org/2018/04/10/around-the-block-ruling-in-5pointz/>.
19. Christine Chung, *LIC Community Board Changes Colors On '5pointz' Towers After Library Added*, The City (Oct. 4, 2019), <https://thecity.nyc/2019/10/long-island-city-5pointz-towers-okayed-after-library-added.html>.
20. *Carter v. Helmsley-Spear, Inc.*, 861 F. Supp. 303, 324-25 1 (S.D.N.Y. 1994), *aff'd in part, vacated in part, rev'd in part*, 71 F.3d 77.
21. *Martin v. City of Indianapolis*, 192 F.3d 608, 612 (7th Cir. 1999).
22. *Castillo v. G&M Realty L.P.*, Nos. 18-498-cv (L), 18-538-cv (CON), 2020 U.S. App. LEXIS 5228, at *13 (2d Cir. Feb. 20, 2020).
23. *Castillo* at *16.
24. *Id.*
25. *Castillo* at *15.
26. *Castillo* at *22.
27. *Castillo* at *23.
28. *Castillo* at *24.
29. *Cohen v. G&M Realty L.P.*, No. 13-CV-05612, at *30 (E.D.N.Y. Feb. 12, 2018).
30. *Castillo* at *22-23.
31. 17 U.S.C. § 504.
32. Frederick Block, *Disrobed: An Inside Look at the Life and Work of a Federal Trial Judge* (Thompson Reuters Westlaw, July 2017), ISBN 0314606629.
33. *Castillo* at *27 and *30.
34. *Castillo* at *27.
35. *Id.*
36. *Bryant v. Media Right Prods., Inc.*, 603 F.3d 135, 144 (2d Cir. 2010).
37. *Castillo* at *29, citing S. App'x at 44.
38. *Castillo* at *29, citing J. App'x at 2423.
39. *Castillo* at *29.
40. *Id.*
41. *Castillo* at *30.
42. *Id.*, citing S. App'x at 48.
43. *Castillo* at *30.
44. *Id.*
45. See e.g., William Charron, *Painting Your Way to a Lifetime Tenancy Through the Visual Artists Rights Act*, Bloomberg Law (Dec. 13, 2017), <https://news.bloomberglaw.com/ip-law/painting-your-way-to-a-lifetime-tenancy-through-the-visual-artists-rights-act>.
46. *Cohen v. G&M Realty*, 2018 WL 851374, at *19 (E.D.N.Y. Feb. 12, 2018).
47. *Castillo* at *31.
48. *Id.*, citing S. App'x at 49.

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HOLLYWOOD DOCKET

Recent Interesting Cases

By Neville L. Johnson and Douglas L. Johnson

With the beginning of the new decade we can look back at recent cases that may have gone unnoticed but will undoubtedly have a far-reaching impact. Three recent cases are of note to practitioners in the entertainment space, involving arbitrations, rescission of unpaid contracts, and joke-theft.



organization specified in their agreement. The arbitrator ruled in favor of Monster Energy. However, Olympic Eagle later discovered that the arbitrator was a co-owner of JAMS, JAMS had administered 97 arbitrations for Monster Energy over the previous five years, and this information had not been disclosed before Olympic Eagle accepted the supposedly neutral arbitrator.

I. Arbitrator's Mandatory Disclosures in Arbitration

Nationally, legal disputes are increasingly resolved with arbitration, driven primarily by contractual obligations. Large employers pick a preferred arbitration provider and process claims en masse through the same organization. Arbitration is purportedly fast and efficient because it lacks the layers of rules of a regular courtroom. In *Monster Energy Co. v. City Beverages, LLC*,¹ the Ninth Circuit added a layer of protection, holding that "before an arbitrator is officially engaged to perform an arbitration," the arbitrator must disclose any ownership interest he or she has with his or her arbitration association. This change to mandatory disclosures in arbitration is likely to go nationwide, because it is so simple, yet provides a great deal of protection for parties in arbitrations and ensures that arbitration awards are not overturned.

a. Rules of Arbitration

An arbitrator's ethical duties and required disclosures are governed by non-uniform sources, such as state law, rules of the arbitrator's arbitration association, or other rules, such as those promulgated by prominent legal associations. Despite this variation, all these ethical guidelines uniformly require that the arbitrator must remain neutral in all dealings *and* mandates the disclosure of any affiliations, ownerships, and/or partnerships with other companies in order to ensure impartiality. However, until recently, this disclosure rule did not apply to ownership with the arbitration organization *itself*.

In *Monster Energy v. City Beverages*, Monster Energy terminated its agreement with City Beverages (which was doing business as Olympic Eagle) and the parties proceeded to arbitration. The two parties chose from a list of neutral arbitrators provided by Judicial Arbitration and Mediation Services, Inc. (JAMS), the arbitration

When Monster Energy asked the district court to confirm its award, Olympic Eagle brought this new information forward and asked the district court to set aside the arbitration. Due to "Repeat Player" bias involved in the arbitration, Olympic Eagle displayed evidence of unfair arbitration process and ruling, over which the court has jurisdiction.

b. "Repeat Player" bias

This phrase refers to the notion that an arbitrator will be biased towards "Repeat Players." Repeat Player bias is the inherent partiality an arbitrator holds when he, she or they become involved with one party multiple times. The Repeat Player bias provides certain parties advantages in arbitration either by the party's influential power from the repeated business, or by the use of asymmetric information to assist one player in the arbitration selection process.

Repeat Players can either be defendants or plaintiffs who appear often in arbitration, typically winning as a result in a legal dispute. In fact, JAMS' data reports a 79.9% increase in chance of winning if the firm is considered a "super repeat player" law firm and an employee's probability of winning increased 55.1% if he was represented by a "high-level" repeat player firm.² Thus, a firm or individual utilizing the same arbitrator or arbitration company can create an inherit advantage for itself in arbitrations that are already essentially insulated from judicial review.

c. Holding of *Monster Energy Co. v. City Beverages*

In *Monster Energy Co. v. City Bevs.*,³ the district court ruled in favor of Olympic Eagle, holding that:

[B]efore an arbitrator is officially engaged to perform an arbitration, to ensure that the parties' acceptance of the arbitrator is informed, arbitrators must disclose their ownership interests, if any, in the arbitration organizations with whom they are affiliated in connection with the proposed arbitration, and those organizations' non-trivial business dealings with the parties to the arbitration.

Here, the Arbitrator's failure to disclose his ownership interest in JAMS—given its nontrivial business relations with Monster Energy—creates a reasonable impression of bias and supports vacatur of the arbitration award.⁴

JAMS should have disclosed to other side that it frequently worked with Monster Energy. The Supreme Court has held that vacatur of an arbitration award is supported where the arbitrator fails to “disclose to the parties any dealings that might create an impression of possible bias.”⁵ In a concurrence, Justice White noted that when an arbitrator has a “substantial interest in a firm which has done more than trivial business with a party, that fact must be disclosed,”⁶ a formulation of the rule that we have adopted.

d. Dissent in *Monster Energy, Co.*, Arbitration Is Always Biased

In contrast, Judge Friedland argued, dissenting, that no one should be surprised that the arbitrator was biased, because the arbitration system is inherently biased. He believed that Olympic Eagle could not claim to be surprised when it agreed to resolve any future disputes in a forum lacking the judicial protections built into the constitution. Judges are paid by the government, while arbitrators, by contrast, have an economic stake in cultivating repeat customers and not losing the top clients of their firms. Therefore, arbitrators have incentives to craft decisions amenable to frequent customers. “This feature of private arbitration, even if distressing, is an inevitable result of the structure of the industry.”⁷ Although many practitioners would agree with Judge Friedland, the Supreme Court feels otherwise.

e. Disclosure Rules Expanded

The court in *Monster Energy* held that firms must disclose their loyalties to all parties *prior* to arbitration. Specifically, JAMS was required to reveal its longstanding business with Monster Energy before any arbitration began. Given that JAMS has administered 97 arbitrations for Monster Energy over the five years prior to this case, Olympic Eagle was extremely disadvantaged.

An arbitrator's duty of disclosure is a continuing duty, in every case. Concurrently, there is no limit to the number of attempts to challenge a proposed arbitrator. An

arbitrator must disclose (1) any matter that could cause a person to be doubtful of the arbitrator's impartiality and (2) any interest that could be affected by the outcome of the arbitration.

To protect the validity of arbitration proceedings, arbitrators should follow this rule of disclosure, even if it is not yet required in their jurisdictions. Monster Energy lost its arbitration award because the “supposed” neutral arbitrator proved not to be impartial once JAMS's loyalties were disclosed. Practitioners should be aware of these rules when heading to arbitration, as these rules will affect litigation decisions, payouts, and penalties.

The foregoing is relevant to the entertainment marketplace where virtually all arbitration agreements require JAMS as a neutral. So, determine if the arbitrator is a shareholder in the arbitration entity.

II. Rescission of Unpaid Royalty Agreements

In the late 1990s, the Kingsmen, a music group, was not receiving royalties for its hit song “Louie, Louie.” Across three litigation actions, the court granted it an extreme remedy, rescission of the contract and transferring to it ownership of the copyrights and master recordings. The court so readily granted such a remedy because it was indisputable that “[...] the Kingsmen have never received a single penny of the considerable royalties that ‘Louie, Louie’ has produced” over the preceding 30 years.⁸

In the music industry, many artists want the rights to their masters. The possibility of retrieving these coveted recordings is tantalizing to plaintiffs and worrying to defendants. Most significantly, the court affirmed that the “statute of limitations did not bar rescission of the contract because every ongoing breach of the contract by defendants started the clock anew.”⁹

a. Rescission in California

“Rescission, or the act of rescinding, is where a contract is canceled, annulled, or abrogated by the parties, or one of them.”¹⁰ This “unwinding” of a contract is done to bring the parties, as close as possible, back to the position they were before the contract. However, every state has slightly different rules for when this remedy is appropriate.

In California, a party to a contract may rescind the contract under Cal. Civ. Code § 1689(b)(2) if “the consideration for the obligation of the rescinding party fails, in whole or in part, through the fault of the party as to whom he rescinds.” Normally, a party to a contract must promptly bring a claim or have it precluded by the statute of limitations. However, the Kingsmen case set a California precedent that an “ongoing breach” can “start the clock anew” on the statute of limitations and permit rescission.

b. Peterson v. Highland Music

In *Highland Music*, the Ninth Circuit Court of Appeals affirmed the district court's conclusion that the statute of limitations did not bar rescission of the contract, as the obligation to pay royalties functioned like an installment contract where every failed payment was a separate breach that "starts the clock afresh" for statute of limitations purposes.¹¹ For example, in *Conway v. Bughouse, Inc.*,¹² the court looked at how money would be paid under a pension contract in determining how a party's failure to make any given payment should affect the tolling of the statute of limitations:

The total amount of money to be paid to [the pensioner] is not a fixed sum which is to be paid out over a period of time. To the contrary, the total amount owed is unascertainable until the date of [the pensioner's] death because each payment is separate and contingent upon [the survival of the pensioner and his adherence to the terms of the contract]. As each payment is separable from the others and is not a part of a total payment, the agreement should logically be considered an installment contract for purposes of determination of the application of the statute of limitations.

Royalties, too, are "not a fixed sum," but are rather "separable from the others and . . . not a total payment[.]" Therefore, the court in *Highland Music* reasoned that if California law were to bar a party from seeking a remedy of rescission after the statute of limitations had once passed, it would have the effect of forever barring rescission regardless of any future breaches. In the light of this inequitable result, it held that every missed payment was a separate breach that "starts the clock afresh" for statute of limitations purposes.¹³

c. Rescission in New York

However, each state has different requirements. New York has similar requirements to California, but emphasizes the requirement that the party seeking rescission file promptly. In *Huntington Village Dental, PC v. Rathbauer*, the court explained the circumstances under which a plaintiff is entitled to rescission of a contract. The court refused to grant the plaintiff summary judgment on its claim for rescission, notwithstanding "evidence of slight, causal and/or technical breaches of the" parties' contract and instead granted the defendants summary judgment on the plaintiff's rescission claim, explaining:

As a general rule, rescission of a contract is permitted for such a breach as substantially defeats its purpose. It is not permitted for a slight, casual or technical breach, but only for such as are material and willful, or, if not willful, so substantial

and fundamental as to strongly tend to defeat the object of the parties in making the contract. [...]

However, by choosing not to terminate the contract at the time of the breach, the nonbreaching party surrenders his or her right to terminate later based on that breach.¹⁴

d. Litigation in New York

In New York, courts are reluctant to grant rescission where there have been *some* royalties paid. In *Nolan v. Sam Fox Publishing Company, Inc.*,¹⁵ the plaintiff did not receive "74% of the royalties due him" for the preceding six years, and "Fox failed to pay any royalties on income from foreign sources, royalties on income from licensing of the song for public performances, and royalties on income from printed material other than piano copies." Still, the court held that "none of [these breaches] were substantial enough or were so material as to justify rescission by Nolan, maintaining that Nolan could 'be rendered whole by an award of monetary damages.'"¹⁶

However, it is reasonable to believe that a New York court would grant rescission where, as in *Highland Music*, no payment of due royalties ever occurred. While damages may only be able to extend as far back as the statute of limitations allows, rescission enables the court to compensate a plaintiff for the substantial injustice of decades of unpaid royalties.

III. Joke Theft

In 2016, Alex Kaseberg filed a lawsuit against Conan O'Brien and his company Conaco, LLC for "joke theft."¹⁷ Kaseberg wrote four jokes on separate occasions, regarding topics such as Delta Airlines, Tom Brady, the Washington Monument, and Bruce Jenner, and published them on his personal blog and Twitter. Kaseberg then claimed that they were each subsequently featured in the monologue segment of the "Late Night With Conan O'Brien" (Conan) show; thus, the case for "joke-theft." Joke theft may be a mortal sin in the comedy world, but what does it mean in a court of law? In practicality, this case for "stolen jokes" is a claim for copyright infringement.

a. Copyrighted Jokes

Kaseberg alleged that his jokes should be considered "literary works" that are his intellectual property and filed multiple applications with the United States Copyright Office (USCO) over the course of the litigation.¹⁸ This turned out to be a monumental hurdle, which Kaseberg only partially cleared. Jokes short enough to fit in a Tweet are so short as to offer little original authorship, only the exact expression of the idea would be protected, and this will not stop other versions of the joke that were independently created.

b. Words and Short Phrases Are Uncopyrightable

The U.S. Copyright Office expressly states that it will not even entertain a copyright registration for “words and short phrases.”¹⁹ A joke short enough to fit in a Tweet may not be copyrightable as a practical matter, and litigants are required to register their copyrights before filing suit.²⁰ This is meant to prevent ridiculous claims, although potential plaintiffs may be so incentivized by the possibility of statutory damages, including attorney fees, to attempt such an uphill battle.

In *Kaseberg v. Conaco*, Kaseberg filed five independent registrations, one for each of his claimed jokes, and only four were even considered by the Copyright Office. These four “literary works” spent years of litigation at the Copyright Office, with Kaseberg spending extensive periods of time arguing the copyrightability of his “literary works,” because 280 characters is so close to the “short phrases” normally barred by the Copyright Office under 37 CFR § 202.1(a).

c. Copyright Protects Expression, Not Ideas

If the Copyright Office does consider registration of a Tweet, copyright protection exists only for the fixed original expression of an idea when it is infringed without a legal defense, such as independent creation, fair use, or parody. In addition, copyright law emphasizes the “idea-expression dichotomy.”²¹ Thus, in the context of “joke-theft,” a copyright infringement would only occur if a party were to replicate the *exact delivery* of the original joke without a lawful defense—meaning the slightest variation will defeat a claim for “joke-theft.”

Kaseberg’s original tweet on June 9, 2015 was: “Three towns, two in Texas, one in Tennessee, have streets named after Bruce Jenner, and now they have to consider changing them to Caitlyn. And one will have to change from a Cul-De-Sac to a Cul-De-Sackless.” O’Brien delivered this in his monologue on the same night: “Some cities that have streets named after Bruce Jenner are trying to change the streets’ names to Caitlyn Jenner. If you live on Bruce Jenner cul-de-sac it will now be cul-de-no-sack.”

Given that the central comedic ideas of both jokes were the same, the method of delivery still differed significantly. From the word choice to the grammatical structure, the expressions of the sentences were inherently distinct. Copyright law protected Kaseberg’s expression, not the idea of his joke—making Kaseberg’s claim of copyright infringement to be a weak claim, at best.

d. Lawful Defense—Independent Creation

This ties together with O’Brien’s asserted lawful defense—*independent creation*. He described how common the phenomenon is in the age of social media, “Two years ago one of our writers came up with a joke referencing Kendall Jenner’s ill-fated Pepsi commercial, and so did 111 Twitter users.” O’Brien essentially argued that

there is a limited amount of news stories per day that are worthy of comedy material, and the factual set-ups often lead themselves to similar punchlines - therefore it truly is common, and almost unavoidable, to encounter similar jokes.

This was exhibited in *Walker v. Time Life Films, Inc.*,²² where the court affirmed that a mere *scènes à faire*, “scene that must be done” or the required set dressings of a genre, is unprotectible because it lacks sufficient original expression. Similarly, the joke that was expressed on “Conan” could be considered nothing more than the *scènes à faire* of topical comedy prevalent with the late-night comedy host. Just as O’Brien’s joke echoed Kaseberg’s, so too will the topical jokes of Seth Meyers, Jimmy Kimmel, and Stephen Colbert echo each other on a nightly basis.

Ultimately, the case resulted in a settlement between the two parties in 2019. O’Brien described to *Variety*: “Four years and countless legal bills have been plenty.” However, while there is not binding precedent, this signals that there are settlements to be had for “joke theft.”

While the terms of the settlement are still unknown, filings from April 2019, just before the lawsuit was settled, show that the court:

- Denied the plaintiff’s motion to Amend;
- Granted the defendant’s Motions in Limine to exclude the plaintiff’s experts,
- Granted the defendant’s Motions in Limine to exclude evidence of widespread joke dissemination; and
- Denied three-quarters of the plaintiff’s Motions in Limine to exclude the defendant’s evidence.

That a settlement was reached may encourage litigious comedians and comedy writers to pursue claims that were previously considered untenable. Practitioners should consider these difficulties before bringing a “joke-theft” lawsuit, or be ready with these arguments to deter potential litigants.

IV. Conclusion

Developing this sense of where the judicial winds are blowing can make or break a case. Practitioners on both sides need to be prepared for new arguments and have cutting-edge case law to back them up. Knowing if judges are becoming more skeptical of arbitrations or if certain remedies are becoming disfavored can influence arguments one will present. On the other hand, a clever attorney with the right case could win big and return an artist his, her or their masters, or possibly win a claim for joke-theft.

Endnotes

1. *Monster Energy Co. v. City Beverages, LLC*, (2019) 940 F.3d 1130.
2. Chandrasekher, Andrea and Horton, David, *Arbitration Nation: Data from Four Providers* Vol. 109 CAL. L. REV. 1 (2019).
3. *Monster Energy Co.*, 940 F.3d at 1130.
4. *Id.* at 1138.
5. *Commonwealth Coatings Corp. v. Cont'l Cas. Co.*, 393 U.S. 145, 149 (1968).
6. *Id.* at 151-52 (White, J., concurring).
7. *Monster Energy Co.*, 940 F.3d at 1139 (Friedland, M. dissenting).
8. *Peterson v. Highland Music*, 140 F.3d 1313 (1998).
9. *Id.*
10. Blacks Law Dictionary.
11. *Peterson*, 140 F.3d at 1320-21.
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13. *Peterson*, 140 F.3d at 1320-21.
14. *Huntington Village Dental, PC v. Rathbauer*, 2014 NY Slip Op. 51545(U) (emphasis added).
15. *Nolan v. Sam Fox Publishing Company, Inc.*, 499 F.2d 1394, 1398 (2d Cir. 1974).
16. *Id.* at 1396.
17. *Kaseberg v. Conaco*, 2016 U.S. Dist. LEXIS 97581.
18. *Id.*
19. 37 C.F.R. § 202.1(a).
20. See *Fourth Estate Public Benefit Corp. v. Wall-Street.com*, 586 US _ (2019).
21. See *Baker v. Selden*, 101 U.S. 99 (1879) (Holding that the law does not protect the idea itself but rather the specific expression of that idea.).
22. *Walker v. Time Life Films, Inc.*, 784 F.2d 44 (2d Cir. 1986).

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The American Actress, the English Duchess, and the Privacy Litigation

By Amber Melville-Brown

First Brexit, Now Megzit...

In a move more resonant with players of the TV show “Survival” than with members of the British royal family, the Duke and Duchess of Sussex—Prince Harry and Meghan Markle, the Duchess of Sussex—blindsided senior royals with a unilateral announcement that they intended to “*carve out a progressive new role*”¹ within the royal family, and by the surprise launch of their own independent website. The relatively sparsely populated www.sussexroyal.com—including a personal statement about their recently launched media litigation, reference to the Royal Rota media system that they are rejecting, and to the Information Commissioner’s Office public interest test under the Freedom of Information Act—suggests strongly that it is the couple’s tense relationship with the media that has led them to seek a new “working model” in 2020.

Indeed, if this announcement was intended to foster a new and better relationship with the press, it backfired. Further, if the move to Canada—in part at least—to seek a “more peaceful life,” as Harry offered up to the public, then that too may have backfired. Upon the announcement of resignation, both media and public backlashes ensued. While Meghan returned to Canada—leaving the papers to be able to recycle the rather tired “Brexit” into a much more fun “Megzit”—it left the Duke of Sussex to enter negotiations and to seek a compromise with “The Firm.”

In this fast-moving story developments will inevitably ensue in the short time frame between “file” and “publish” of this article. However, Harry and Meghan appear to have come out of the deal talks with less than they had hoped for in terms of professional roles and responsibilities, and less than they anticipated in terms of privacy protection and that desired “peaceful life.”²

As this article went to press, developments came thick and fast. For example, the couple surprisingly swapped the calm of Canada for the glitz of Los Angeles. Whereas privacy might have been in shorter supply than Harry and Meghan would have hoped for in the Great White North, it is surely rarely on the menu in the City of Angels.

However, a move to California was not an ultimate severing of links for Harry with his homeland. Indeed, he was due to return to Blighty in April 2020 to attend the London Marathon, as patron of the London Marathon Charitable Trust. Yet even royals have been affected by the 2020 COVID-19 coronavirus; and Harry’s plans for a

trip back to the motherland were dashed with the event postponed amid the COVID-19 coronavirus pandemic, even ironically as his father HRH Prince Charles himself actually succumbed and tested positive for the virus.

The couple’s new social media sites also suffered a blow; the new relationship carved out in negotiations between the royal family and the couple as they venture out on their own saw them having to abandon use of the “Sussex Royal” brand with which they heralded the new them, before the ink on the new branding was really even dry.

Then, and again with an ironic family twist given it was made on the eve of his Grandmother Her Majesty The Queen’s birthday, Harry and Meghan made a spectacular—some believe spectacularly foolish—move. They communicated to the British tabloid press that they would no longer... err, communicate with the British tabloid press. The very public attack on the newspapers confirmed that henceforth, “there will be no corroboration and zero engagement.” It seeks to protect the couple from criticism, going on that: “This policy is not about avoiding criticism. It’s not about shutting down public conversation or censoring accurate reporting. Media have every right to report on and indeed have an opinion on the Duke and Duchess of Sussex. But it can’t be based on a lie.”

Truth or lies aside, by penning this line, it is inevitable that the couple have drawn a line in the sand. While it may not be about avoiding criticism, from the tabloid quarters for sure, but more widely also, criticism is what their actions have yielded.

The timing for this breakup letter perhaps explains this move—it was sent at the beginning of the week that Meghan’s privacy claim against Associated Newspapers Limited, the publishers of the *Mail* and the *Mail on Sunday*, kicked off. The physical doors of the splendid Royal Courts of Justice on The Strand, London, may be closed amid the coronavirus pandemic, but the wonders of modern technology allowed the presiding judge, Mr. Justice Warby, himself a specialist media judge and barrister before that, to hear the case remotely at a virtual hearing,



reportedly with Meghan and Harry listening in from Los Angeles.

This virtual hearing was an application (motion) by the newspaper to strike out two elements of the plaintiff's claim, one of "dishonesty" by the newspaper in its alleged editing of Meghan's letter to her father, the subject matter of her claim, and second purported reliance for her claim in aggravated damages, on a number of other articles by the newspaper alleged to indicate an agenda against her. Both elements of the motion were defended as irrelevant.

Judgment was handily handed down on the day that the presses rolled for this article. It found the newspaper in the driving seat, while the Duchess of Sussex—according to some commentators—was left with a legal action akin to "a train ploughing into a petrol tanker on a level crossing... a complete disaster."³ Mr. Justice Warby confirmed the win for the defendant in his judgment, recording that: "I have struck out all the passages attacked in the application notice. Some of the allegations are struck out as irrelevant to the purpose for which they are pleaded. Some are struck out on the further or alternative ground that they are inadequately detailed. I have also acted so as to confine the case to what is reasonably necessary and proportionate for the purpose of doing justice between these parties."⁴

Perhaps understandably, given the media's hounding of his mother Princess Diana, and the paparazzi's perceived role in her death, Harry's hatred of the press and in particular the tabloids seems to have sat festering as a poisonous weight in his stomach over the intervening years. His view of its attitude and treatment of his wife has seemingly turned that poison into a hatred that has bubbled up and exploded, first with his and his wife's separate litigation against various representatives of the British tabloid press, and now in the establishing of new battle lines with the media.

This latest defeat for Meghan will do nothing to improve relationships between the parties, with commentators suggesting that the couple should settle the action. Of course, Meghan and Harry may both remain confident that they will ultimately win their actions, and be unwilling to settle their claims even if the newspapers were willing to throw in the towel. Yet why should the defendants do that? With the litigation fire in its belly, the first legal win its back pocket, a sexy story to plaster over its front pages for a readership looking for something other than Covid-19 news, and the ensuing revenue, it is hard to see the newspaper coming quickly to the settlement table.

Out of Britain, but into British Columbia

If standing down as a senior royal, giving up royal titles, and moving to Canada were efforts to achieve a peaceful life away from the prying eyes of the media, the couple have been sorely disappointed. None of these

efforts—and neither their move to glamour-town, West Coast America—will make them any less interesting to the public, given its demand for insights into the monarchy and all its machinations, or of any less public interest concerning as it does the immediate future of the British royal family. The young family will continue to be a valuable commodity to the media organizations that serve those dual interests, irrespective of where they reside.

Despite their move to Los Angeles, it is worth considering why they chose Canada as a potential safe haven. The degree of protection they considered might be afforded them in British Columbia remains unclear. Privacy laws in Canada are more protective than they are in the U.S., but less developed than those of England and Wales. What Canada does offer, however, is seemingly a different attitude. If the scoop-chasing, tenacious, and intrusive tabloids are the "feral beast" of the press world, and the American newspapers are the investigative newshounds, then the Canadian press may be the well-bred, better behaved service dogs of the nation.

Canada then, with what may be seen as one of the world's most polite press, will not have had to address its legal mind as much as its British cousin to curbing the wilder excesses of the media, where those excesses are fewer. Yet with the couple's albeit short-lived move to Canadian shores encouraging the arrival of some foreign paparazzi tourists armed with long lenses, seeking to collect photo trophies to send to the publishing houses back home in Blighty, that might significantly have changed the Canadian ways.

Whether the couple—no strangers to the camera and to public life—will find privacy succor on any foreign shore seems unlikely. However, little Archie may be a different story. When the author JK Rowling took action in England over the unauthorized publication of photos of her toddler son in a pushchair on the streets of Edinburgh,⁵ the Court of Appeal held in 2008 that: "The law should indeed protect children from intrusive media attention," and that "If a child of parents who are not in the public eye could reasonably expect not to have photographs of him published in the media, so too should the child of a famous parent."

Most modern legal systems will seek to protect the vulnerable. Canada is no different and had the couple stayed there, the British Columbia courts faced with persistent paparazzi pursuit of the couple and their child on Canadian soil, Archie might have been the couple's secret weapon to garner some degree of privacy protection. That might go California too, at least with regard to photographs taken on California soil, but published by the couple's tabloid foe. In 2014, the children of British singer Paul Weller—who were 16 and 10 months old at the time of the publications—received damages in an action brought in the courts of England and Wales, for the unauthorized publication of photographs of them on a shopping trip in Santa Monica.

This article will discuss the differences between media litigation in the U.S. and the U.K. against the backdrop of the legal action brought by the Duke and Duchess of Sussex. First, what is this new media relationship all about?

The Royal Rota System

We need now to leave aside the relationship between the couple and the tabloid press. For this is, at least according to the couple, no relationship. It is over. It was, as far as they are concerned, not a good relationship. And like many a disgruntled former partner, they have written the tabloids a “Dear John” letter, and are moving on. However, that does not mean that they eschew all future relationships with any media. Far from it. The new media relationship that the couple is seeking to embrace rejects not only of late, the terrible tabloids, but even before that a system with which the royal family has more or less amicably enjoyed for more than 40 years. The News Media Association explains that “due to space restrictions and security, it is rarely possible to allow all media who wish to cover a royal engagement equal access to the event.”⁶ Accordingly, the Rota system allows media organizations access to these events “on the understanding that they will share all material obtained, with other members of their sector who request it.”⁷ However, according to Harry and Meghan’s website, while those media outlets—*The Daily Express*, *The Daily Mail*, *The Daily Mirror*, *The Evening Standard*, *The Telegraph*, *The Times*, and *The Sun*—“are regarded internationally as credible sources of both work of members of The Royal Family as well as of their private lives,”⁸ that is a “misconception” allowing for coverage by other outlets around the world “amplifying frequent misreporting.”⁹

The Duke and Duchess of Sussex, it seems, want to take back control of their relationship with the media. By refusing forthwith to participate in the Rota system, they will choose to whom they release news of their professional and private lives, and that of their son Archie. Embracing social media via their own website and Instagram accounts—easier to control than an independent news organization—they hope presumably to position themselves more fairly and accurately, or certainly to their own media agenda. However, by adopting this stance, they have thrown down the gauntlet to the British tabloid press that they wish to exclude. In their announcement that they will not engage with the tabloids, they have slapped that gauntlet across the faces of those widely read and powerful newspapers.

Independence Day

In their new desired life of financial independence, living between North America and the United Kingdom, it is unlikely in the extreme that the tabloids will do them anymore favors, or afford them any more privacy than they did when they were within the fold. Just days after Harry joined his wife in Canada, their lawyers sent let-

ters to British news outlets warning that action would be taken if they buy or publish photos of them taken under circumstances described as harassment. After moving to Los Angeles, further letters were sent seeking to cut the papers off from the source of potential news stories. Yet if the old adage is true that one should keep one’s friends close and one’s enemies closer, by casting these media organizations out into the cold in this way the Duke and Duchess of Sussex will inevitably have made even more of an enemy of the mainstream media than it was before.

Their independent actions may also have found them foes nearer to home. If the British monarchy is run like a military operation, the soldier and his actress wife have broken ranks. While Her Majesty The Queen has been characteristically dignified, albeit uncharacteristically personal in her statements about the rift, reports that their initial unilateral announcement infuriated her are not surprising. A note on the couple’s website that they intended to continue “to honour our duty to The Queen”¹⁰ could be cold comfort in the face of such apparent insubordination.

It is hard not to draw comparisons with the Duke of Sussex’s great-great-uncle Edward VIII who wrenched himself away from the royal family by his decision to wed his American divorcee wife and abdicated the British throne. Here, Harry seeks to walk the line between love and duty, honoring both his wife and The Queen; living a financially independent life while still using his royal title to undertake important charitable work; and embracing a new relationship with new media, while leaving behind certain sections of a press distasteful to him and the Duchess of Sussex.

Some will admire them for this stance. Those who do not will no doubt include the mainstream media. The couple’s actions may have been intended as a regal lesson, but it is not one that the press is willing to take. Royal Rota or not, engagement by Meghan and Harry or not, they will continue to report on the activities of the Duke and the Duchess of Sussex, and the soldier and the actress, from without the palace walls and wherever they chose to hang their tiaras.

The legal action commenced by Harry and Meghan late last year against the tabloids was an early indication that the English prince and his American wife were quite prepared to take on the media with unexpected ferocity. Yet as this article sets out, history is in fact peppered with examples of regal legal action by way of precedent upon which the couple may be able to rely.

Two Countries—One Language—Two Legal Systems

England and America are famously two countries divided by a common language. We are also two countries divided by different media laws, different burdens of proof, different attitudes to the media, and different approaches to holding it to task via legal process.

Indeed, to a media lawyer having spent the first 20 years practicing on the British side of the Atlantic, the law practiced by media attorneys on the American side of the Pond seems to be a little like the world seen by Alice in Lewis Carroll's 19th century novel, *Through the Looking-Glass and What Alice Found There*, "just the same as our[s] ... only things go the other way."¹¹

The Duke and the Duchess of Sussex—Keeping It Private

The differences between the two systems may well be evidenced by recent media and legal activities by members of the British royal family of late, including its own version of Alice, Meghan. Over here in the U.S., she is the African American actress best known for playing the body-hugging-suit-clad aspiring attorney in the legal drama, "Suits." Over there in the U.K.—at least until she returned to Canada recently—she is the tiara-wearing Duchess of Sussex, wife of Harry, and mother to the sixth in line to the British throne. These differences in circumstances and jurisdiction may explain what appears to be a change in approach to the media over a matter of a few small years.

As a former actress in the United States, Meghan appeared to love the camera, earning her living from and happily posing for it at numerous celebrity events. Despite the media attention that her role as an actress and celebrity attracted, it is less likely that she would have thought twice before reaching for her lawyer over the publication of any damaging commentary or for any perceived invasion of privacy in the United States. However, as a current Duchess, she clearly has little love for the British tabloid media, is unhappy with the manner in which it refers to, reports on and treats her, and is so unhappy in fact, that she has sought recourse in the courts of England and Wales by bringing legal proceedings against sections of the British tabloid press for privacy invasion.¹²

It is certainly not just the Duchess of Sussex who is less than impressed with the press. Harry has staunchly and defensively stood by her side, castigating certain sections of the press for its campaign of harassment against her. He has also issued legal proceedings in the High Court of England and Wales over his own alleged privacy invasion as a result of phone hacking.¹³ However, there appears to be a historical and jurisdictional difference here as well. While in the U.S., some years ago, privacy was something which bachelor Harry allowed to take a back seat as he revealed all in a Las Vegas hotel room during a game of strip billiards with his pals. Recorded on a third party's phone, these otherwise private moments were later all over the papers without complaint.¹⁴ That differed in turn from the stance taken by his brother Prince William and his wife, over the publication by French magazine *Closer*, of unauthorized photographs of Catherine, the Duchess of Cambridge, topless while on

holiday—which did result in a complaint and in successful legal action.¹⁵

Yet it is not just standing up to the press via regal legal action that brought attention in 2019. Sitting down with the media also had tongues wagging. Her Majesty Queen Elizabeth II annually faces the cameras in her Christmas address. Otherwise, it is unusual for members of the royal family to sit down with reporters for a face to face interview. However, like his sister-in-law Princess Diana before him, His Royal Highness Prince Andrew took the unusual step of giving a televised interview¹⁶ to the media to seek to dispel the negative media attention surrounding vehemently disputed allegations made in connection with his association with the disgraced Jeffrey Epstein. This spectacularly misfired, with the Prince himself, being "fired" from public duties.¹⁷

There is much to be said for calling the press to account when it behaves irresponsibly, and engaging with reporters to tell one's story can be the right approach, on proper advice to do so. In taking either action, a fair balance can sometimes be achieved between the respective rights at play, reputation and privacy on the one hand, and free speech on the other; and a fuller, more accurate picture be painted for the public. As—being fair to the media, and if one wants fair play, one must be fair oneself—the media does not generally want to act unlawfully by publishing false and defamatory allegations, or private information without justification. However, taking either course of action in either jurisdiction is not for the faint-hearted, and certainly not to be undertaken without careful consideration, and on advice.

Unifying both systems on both sides of the Transatlantic looking-glass reporters and publishers work as the eyes and ears of the public, watching courtroom proceedings, listening to sources, and then reporting back on important societal issues, including news, politics, religion, the arts, and so on. As they do so, their work often bumps up alongside the legal rights of others, sometimes contravening those rights. The media laws of England and Wales have been criticized for being oppressive and draconian—largely it may be said, by a press whose wilder excesses the laws are there to prevent. Those laws are utilized by claimants wishing to regain control, or at least some balance, in the telling of the story or the protection of their privacy. Meanwhile, the American system may be said to provide some of the greatest protection for free speech in the world, of which the First Amendment attorneys are proud, but which may not provide as many avenues for redress by those with justifiable grievances. Calling the press out via litigation in the U.S. is a risky sport engaged in less readily than in the U.K., largely because in the U.S., the First Amendment¹⁸ gives the American media a head-start in the race to the litigation finishing line.

First Things First—the First Amendment

The Brits have a vague idea anecdotally of what Americans are taught from an early age, that the First Amendment was born in the aftermath of the revolution as America wrenched herself free from distrusted, distant British rule, creating the federal system and its Constitution. “Congress shall make no law . . . abridging the freedom of speech, or of the press . . .”¹⁹ echo the voices of the Founding Fathers down the centuries, those voices being variously harkened to throughout history as the U.S. Supreme Court has defended free speech. However, while as Justice Black conceded in his 1971 opinion in the Pentagon Papers case that the First Amendment is not “absolute,”²⁰ the American press has sought to ensure that it is as protective as it can be to enable it to fulfill its essential role in serving the public.

To be clear—the press in the United Kingdom is no lap dog. Familiarly known as the bloodhound and watchdog of society, it roots out bad behavior and barks it out from the rooftops (or the red tops, a nickname for the English tabloids due to their front page red banners) to the world at large, thereby saving the public from hypocrisy, criminality, and corruption, and thus securing democracy. Even without a First Amendment to protect it, the British press does not simply roll over like a scolded puppy at any threats to sue, but will robustly defend its reporting in the face of litigation. Of course, some press activity is bad enough to merit a severe reprimand and justify that reporter, editor, newspaper being in the doghouse with judges and the public alike. Harry’s statement in announcing his wife’s litigation²¹—referring to sections of the press as conducting a campaign of harassment, perpetrating lie upon lie, and unjustly vilifying his wife as some sort of pantomime villain—certainly seeks public approval and public approbation of the press.

Privacy v. Privacy

The Duchess of Sussex’s legal claim against the British tabloid newspaper, the *Mail on Sunday*, arises out of the unauthorized publication of a private letter written and sent by her to her father. Hard on those litigation heels, the Duke of Sussex is bringing a claim against the tabloids, the *Mirror* and *The Sun* over alleged phone hacking. Both claims are brought in privacy, more formally referred to as claims for misuse of private information.

Belying the phrase “the apple doesn’t fall far from the tree,” the American branches of privacy law fell from the branches of the traditional English variety of breach of confidence—also the mother of modern English privacy law. However, here, it has not really taken root in the same way.

The traditional English Breach of Confidence law encompasses and protects an array of relationships of trust and is used extensively in the courts of England and Wales to protect against and provide remedy for,

disclosures and threatened disclosures of information communicated in circumstances importing an obligation of confidence. In other words, where a party knew or ought to have known that the information disclosed to it was confidential and not to be disclosed, that party may be restrained from any unauthorized, onward disclosures, and be ordered to pay damages for any disclosures that have taken place. The newer tort of misuse of private information is the offspring of breach of confidence sired out of the Human Rights Act,²² which incorporated the European Convention of Human Rights²³ into English law. It equally protects information in respect of which the claimant has a reasonable expectation of privacy, irrespective of any existing relationship of trust between the parties.

Meanwhile, the American variety of privacy protection fits snugly within categories of Public Disclosure of Private Facts, False Light, Commercial Exploitation of Likeness, Intrusion Upon Seclusion, and a limited Breach of Confidentiality—as well as specific codified, and usually more restrictive, varieties in a number of American states. Springing to life more than 100 years ago, privacy began to grow under the tender hands of Justices Warren and Brandeis, and their now famous *Harvard Law Review* article from 1890, “The Right to Privacy.”²⁴ It germinated as a result of the authors’ horror at the way in which “[t]he press is overstepping in every direction the obvious bounds of propriety and of decency.” Justices Warren and Brandeis would surely turn in their graves in seeing some of what now passes for journalism—sensationalist reporting that is very far removed indeed from the somewhat tame reporting of dinner parties and weddings that they found sufficiently intrusive and prurient to warrant their privacy treatise.

To Sue or Not to Sue

Having one’s privacy invaded, as so many across both continents in reality do, does not necessarily mean that legally one has a claim in privacy invasion, or a claim that should sensibly and may successfully, be pursued. Meghan is a celebrity—and even if she and the Duke of Sussex have “resigned” from their senior roles, is now a member of the British royal family. While celebrities and stars of the screen, stage, and stadium are not usually backwards in coming forward when their reputations are falsely traduced, or their privacy unfairly invaded, even in England, litigating against the media is not a game that royal family members like to play too often. Rather, the royal family has traditionally refrained from sullyng its hands with legal action or drawing more negative attention by having its laundry—dirty or otherwise—washed in the public arena of open court. While the royal family has not rushed to the steps of the English Royal Courts of Justice to litigate when their regal rights have been infringed, legal recourse is not completely ignored.

In 2006, His Royal Highness the Prince of Wales controversially but successfully sued the *Mail on Sunday* over the unauthorized publication of extracts from his diaries produced during the handover of Hong Kong from the United Kingdom to China.²⁵ His diary, entitled “The Great Chinese Takeaway”—in which he referred to the Chinese dignitaries as “appalling old waxworks,” had along with other diaries, been given to fewer than 100 people in his staff, friends, and contacts “in confidence.” This dynamite diary, however, was published by one recipient in a book which was then serialized in the *Mail on Sunday*.

While there are no set definitions of what is private or confidential, domestic English and European caselaw has established that it can include the notable categories of health, medical, sexual and relationship information, while Article 8 of the European Convention on Human Rights²⁶ guarantees the right to respect for one’s private life, home and, notably in the cases of the Prince and the Duchess, correspondence.

As any lawyer worth his or her salt on either side of the salty sea knows, just because a cause of action exists does not, of course, mean that it will necessarily succeed. Regularly set against the right to privacy under European law in the red corner, is the Article 10 right to free speech²⁷ in the blue corner. A claim for privacy invasion or breach of confidence for one side of the bout is often met with counterblows of public interest, or public domain.

The defendant publisher in Prince Charles’s case came out fighting, arguing that publishing the diaries was justified in the public interest in showing the Prince as improperly meddling in political affairs. This argument did not, however, succeed. The court found that the diaries were private, not public, political offerings, and that they were given to their few recipients under the auspices of confidence. It found little merit in the argument that a public interest justified the disregard of the confidential relationship between author and recipients. According to the judge, Mr. Justice Blackburne, “the contribution that the ... journal makes to any public debate . . . is at best minimal.”²⁸ Further, their public domain blow failed to land. The limited extent to which the diaries had been exposed to their recipients did not amount to their having been put sufficiently in the public domain such that there was nothing confidential left to protect.

As a result, Prince Charles won his action; he retained the confidentiality in his other, unpublished diaries; and importantly, he was able to avoid the unattractive proposition of being laid bare in giving evidence in open court. While proceedings can be anonymized, that is not the norm and hearings are usually conducted in public, potentially generating significant media interest and publicity where the case concerns a matter of public interest, or is simply interesting to the public. A family

spat over the publication of a private letter where the parties include royal family members, let alone a celebrity actress, is bound to generate media interest. Whether the Duchess will be as fortunate as her royal predecessor in avoiding the requirement of open court evidence remains to be seen, as does whether any public interest or public domain argument for the Duchess will fly.

Public Domain and Public Interest

Arguments have been made in the media—and will be made in the litigation—that Meghan may herself be ultimately behind the exposure of the private letter in dispute, wanting the public to know that she had not turned her back on her dad, and that she had therefore communicated to a discreet number of friends that she had sent the letter to her father in the first place. Those friends in turn, it is argued, disclosed that fact and even the tone and some of the content of the letter to some in the media to dispel the myth that she is a cruel daughter unwilling to engage with her estranged father.

So far so complicated. In an additional twist, her dad, it is said, spoke about and disclosed the letter to the media in the U.S. in order to add some context to the story that her camp wanted out about her. This was not a “Dear Daddy olive branch” at all, he wanted the world to know—and the only way to show this to be the case was to disclose the letter.

Back in the U.K., the newspaper will seek to argue both that there is a public interest justification in the publication, and that there is a public domain argument to be made.

In the first case, arguments will be made that there is a public interest in the letter’s publication to prevent the public from being misled as to Meghan’s true relationship with, and communications to, her Pa. Will they succeed? Not necessarily. A claim in privacy invasion may be defended on the grounds that the disclosure contributes to a debate of general interest, and is thus in the public interest. Yet while the *relationship* between the Duchess of Sussex and her father has been widely written about and might be considered public interest fare, whether her *feelings* towards her father and her private communication of them to him amounts to a contribution to a debate of general interest and a matter for public consumption is something the court will have to deliberate.

Yet if such arguably private information is already in the public domain, surely then it is no longer private? In a misuse of private information case under English law the privacy bubble may not necessarily be burst simply because information, or some of it, has been put into the public domain. As the English Supreme Court accepted in *PJS*,²⁹ harm can continue to be caused by each new privacy infringement and thus, relief may still be granted. According to the Supreme Court, “a claim for misuse of private information can and often will survive when

information is in the public domain."³⁰ In other words, if the privacy cat is to some extent out of the bag by reason that it has in whole or in part been placed into the public domain, it is not necessarily impossible for the court to shove the privacy kitty-cat back in.

Public or Private

While being a duchess or a celebrity may impact the decision to bring proceedings, does such a status also impact any case that is actually brought? In America, undoubtedly. Far be it for a Brit to expound upon the seminal 1964 case of *New York Times v. Sullivan*,³¹ but it is noteworthy in this context for having effectively extended warm and protective arms around the representatives of the media and given greater latitude for publications when it comes to public figures, which assuredly Harry, Duke of Sussex, and Meghan—actress, Duchess of Sussex, mother to a potential future heir to the British throne, take your pick—would be considered to be.

Before this case, American law followed a similar path to that of its English heritage. However, in 1964, everything changed, the Supreme Court establishing that a public official could only succeed in a libel action where he or she could prove—and the burden is on the public official to do so—that what was published was knowingly false or that the publication had reckless disregard as to whether or not it was true. Why should a person in the public eye—who might have more than most to fear and suffer from false accusations—have in fact, to suffer them? According to the Court in *Sullivan*, “public men, are, as it were, public property.”³² There the plaintiff’s very notoriety, the status which allowed him successfully to argue that he was identified by the article, was his defamation-suit demise. “The constitutional guarantees require, we think, a federal rule that prohibits a public official from recovering damages for a defamatory falsehood relating to his official conduct unless he proves that the statement was made with ‘actual malice’³³—that is, with knowledge that it was false or with reckless disregard of whether it was false or not.”³⁴ With that, the actual malice standard was born, allowing the media to continue on its path of doing what the First Amendment was enacted to do, to hold Government accountable to the people.

The later cases of *Gertz v. Welch*³⁵ and *Philadelphia v. Hepps*³⁶ established that while private persons should not be burdened by the “actual malice” standard, but by a lesser, negligence standard, both must “bear the burden of showing falsity, as well as the defendant’s fault before recovering damages.”³⁷ In England, there is no such actual malice standard for defamation cases, and celebrated claimants in privacy cases start from the same position as anyone else, needing to show that they have a reasonable expectation of privacy in respect of the information at issue.

While American law formally draws a distinction between those who availed themselves of the public and the limelight and those who had stayed beneath the media radar, under the English system persons seeking reputation redress or privacy protection can face greater obstacles in practical terms than private person litigants. While the starting point for all claimants may be the same, defendants will often argue that a public interest justification for the particular publication is merited as a result of the public figure status of the claimant as the defendant newspaper—albeit unsuccessfully—argued in the Prince Charles diary case. Broader shoulders are generally required, for example, of politicians when it comes to reporting on matters that attracts criticism. Similarly, those in the public eye are often hoist with their own publicity petard where they have spoken out publicly about a matter—vegetarianism, drug use, or family values, for example, only to be “caught out” in a hypocrisy argument when they are found eating a burger, smoking a joint or having an affair. That information—true or false, arguably private or not—may, if responsibly researched and published, attract a public interest defense.

An equally seminal case to *Sullivan* appeared before the European Court of Human Rights in 2004.³⁸ It evidenced that one can be both public figure and private person, if not at the same time, then certainly within the same human being. The Duchess of Sussex’s current case brings into sharp focus, 15 years after Princess Caroline’s case, the boundary between private and public, professional personas and private individuals.

The case brought by Princess Caroline of Monaco drew a distinction between the activities of “Princess Caroline the princess,” fulfilling her formal official duties, and “Caroline the woman,” fulfilling a private role as individual, mother, and wife. Photographs of her out and about with her children, skiing or shopping did not, the court said, contribute to a debate of general interest, and did not amount to public interest justified fodder for the press to regurgitate to the public without the subject’s consent.

In England, the newspaper industry is self-regulated, and according to the industry’s preferred self-regulator, the Independent Press Standards Organization (IPSO),³⁹ “public interest” includes, but is not confined to, detecting or exposing crime or serious impropriety, protecting the public from being misled, and there is a public interest in freedom of expression itself. When it comes to Meghan, there may be plenty of story lines about this royal soap-opera family member to keep the press and the public thirsty for more—divorced, American, African American, daughter of a broken marriage, and having the audacity of being bold, beautiful, and black. That does not, however, necessarily make aspects of her private life, her home or her correspondence, fit for public consumption. Simply because her actions and attributes are enough to make the public interested in her, does not necessarily

mean that there is a public interest in the publication of her private letters. In the Duchess of Sussex's litigation, the court will likely be asked to consider whether the letters of controversy were penned not by "Meghan the Duchess," in which case greater weight may be given to a public interest defense, but by "Meghan the daughter," garnering greater privacy protection.

Prior Restraint—A Four Letter Word

A significant difference between the American and the English systems is the availability of the prior restraint remedy in media cases, and the possibility thereby of keeping the private cat in the bag in the first place. While reports of the vitality of the injunction in England has, as Mark Twain might have said, been greatly exaggerated, prior restraint is still a possibility in England and Wales for the right facts, against a media defendant. In the U.S., uttering the words "prior restraint" anywhere near a First Amendment lawyer is akin to speaking a four-letter word. In the U.S., an injunction preventing the publication of material by a newspaper is considered to be a direct governmental restriction on free speech and unconstitutional. The Supreme Court in *Near v. Minnesota*⁴⁰ found a Minnesota act enabling the authorities to close down "malicious, scandalous and defamatory newspapers"⁴¹ to be "an infringement of the liberty of the press."⁴² "Every freeman has an undoubted right to lay what sentiments he pleases before the public; to forbid this, is to destroy the freedom of the press."⁴³ Forty years later, the Supreme Court found in the Pentagon Papers case that the presumption against prior restraint could only be overcome in "exceptional circumstances."⁴⁴

Reputation in England, of course, is just as important as it is in the U.S. "Who steals my purse steals trash; 'tis something, nothing," says Shakespeare's Othello. "'Twas mine, 'tis his, and has been slave to thousands: But he that filches from me my good name robs me of that which not enriches him and makes me poor indeed."⁴⁵ Our reputations worldwide are perhaps even more valuable today—in a busy and competitive market place, and where libel can be published with the click of a mouse or the tap on a keyboard. As Benjamin Franklin said, "Glass, china and reputation are easily cracked and never well-mended."⁴⁶ That would suggest that the pre-publication injunction should be available to stop the reputation rot before it starts. Yet neither side of the looking-glass is enamored by that prospect. American law does not permit a defamation plaintiff to seek to prevent reputational harm by way of a pre-publication injunction; and in a seemingly rare commonality between the two countries, English libel claimants too—save in the most exceptional cases—are confined to seeking redress post publication.

On the other hand, injunctive relief is an available remedy in actions for privacy invasion in the courts of England and Wales. The view is that unlike in defamation cases where a reputation can arguably be restored by a

public judgment and a public award of damages, in privacy cases once the private genie is out of the bottle there is no getting it back in.

That said, it is generally the case that the English courts will not grant relief where to do so would effectively be requiring them to play the role of King Canute.⁴⁷ This was evidenced by the failed attempt to maintain an injunction by the former FIA chief Max Mosley, after a video clip of the private information at issue had been viewed on the defendant newspaper's website more than a million times.⁴⁸

A case that caused some considerable consternation, however—not to mention commentary and column inches—was that in the United Kingdom in *PJS v. News Group Newspapers Ltd* in 2016.⁴⁹ Here, the Supreme Court grappled with the issues faced by privacy injunctions in the modern technological world, where digital information refuses to respect territorial and jurisdictional boundaries. The court ultimately upheld a privacy injunction preventing disclosure of the identity of parties said to have engaged in certain sexual activity outside their relationship, notwithstanding rumor around the identity of the complaining parties had been widely published outside the Supreme Court's jurisdiction, including in America. The Court found that the reasonable expectation of privacy had not been outweighed by the newspaper's argument of "public interest," based on an argument that a false image of family life had been portrayed by the applicants, sufficient to justify the exposure of the information at issue.⁵⁰ Given the extent to which the matter had been talked about, and the extent to which the alleged identity of the individuals concerned had been mooted and rumored and reported upon elsewhere, it is not surprising that the newspaper felt confident in its appeal. Yet the Supreme Court upheld the injunction.⁵¹

Realistically, to do otherwise might have been akin to the turkey voting for Christmas—after all, had the Court decided the other way, it would likely have been criticized for condoning that pressure from the press, foreign publications, and some social media sites should weigh more in the balance than their own properly considered judicial view balancing the right to privacy, against the right to free speech. If that is the case, then arguably they would be out of a job and might as well leave decisions that should otherwise be decided by the judiciary to the popular vote.

Alright Copyright

One area where prior restraint may be tolerated in the U.S. is in copyright law where preliminary injunctions are expressly authorized in the U.S. Copyright Act⁵² by way of remedy. The applicant must show the likelihood of success on the merits, and of irreparable harm in the absence of the injunction, that equity tips the balance in its favor, and that it is in the public interest.

Back in England, a distinct legal claim in the Duchess of Sussex's case is that in copyright infringement. Whether copyright has been infringed under English law⁵³ is a qualitative, not quantitative test, the court considering whether a substantial part of the copyrighted material has been reproduced without consent. Interestingly, in Meghan's case the newspaper could have been damned both if it argued substantial publication and if it did not. An argument that it reproduced only part of the letter in its article—which is maintained by the newspaper—could be seen to add credence to the complaint by the Duke of Sussex in his public statement that the newspaper was deliberately selective in its quoting—indeed, publishing in an “intentionally destructive manner”⁵⁴—in order to fit its intended negative narrative about his wife. An acceptance that the letter was reproduced in its entirety without the copyright owner's consent however, would leave little scope for any defense to a copyright claim. Adopting a creative approach, the newspaper argues that the letter does not even rise to the quality of original copyrighted work; rather, purely an admonishment of her father rehearsing pre-existing facts, it is not an original literary work.

Copyright precedent close to home for Harry's wife can be seen echoing in controversy decades ago over private letters belonging to Harry's mother. Princess Diana had written to Major James Hewitt—whom she had later admitted, she had adored—which letters were reportedly later stolen from him and ultimately when offered for sale to a newspaper, sent by the newspaper to the estate of the by then deceased Princess Diana. Yet who owned the copyright in the letters, and thus the right to publish them?⁵⁵

The actual, tangible paper on which letters are written becomes the property of the recipient on receipt. However, the copyright in the words belongs to the author. In Princess Diana's case, the copyright in her letter to the Major remained hers and, on her death, that of her estate, whether they were in the physical possession of the recipient, the newspaper or any other third party. If the letter is copyrighted material, then Meghan owns the copyright in her letter to her father—albeit that her dad may hold the physical manifestation of his daughter's expressed emotions. Thus, it is she who should call the shots on any publication.

Hacked Off Harry

Hot on the heels of the Duchess of Sussex's privacy claim came news that her husband the Duke of Sussex was also taking on the tabloids *The Sun* and the *Daily Mirror* for invasion of his own privacy, via phone-hacking.⁵⁶ Readers may recall that shock and outrage ensued at the news that reporters for the *News of the World* had repeatedly and systematically tapped the cell phones of intended subjects of articles, and used the private and confidential information that they thereby obtained to stand up stories and publish exposes.⁵⁷ Indeed, the royal family

was first enmeshed in this scandal at its very inception after publication by the now defunct *News of the World* of information about a strain on Prince William's knee, said to be obtained via phone hacking.⁵⁸

That Harry is now bringing a claim eight years after the scandal brought down the newspaper may suggest that he is looking for a way firmly and publicly to support his wife in her horror at tabloid behavior, and certainly that he is quite prepared for them to fight the media on two fronts. He wants to send a clear and convincing message that this is a new royal couple with whom the media should not mess.

Approaches to the Media

Meghan is an animal lover and canine supporter; she is less of a friend of the British media hound, and no supporter of the bullying tabloid press. Is this an enemy on which the couple are safe to take? The Duke and Duchess of Sussex may in their dual litigation have cornered the “feral beast,” as English Prime Minister Tony Blair famously called the media on leaving Downing Street.⁵⁹ Yet the press can be a dangerous enemy with which to engage. It was perhaps for that reason that while bemoaning his wife's suffering during a ‘ruthless campaign’ of bullying to which he had been a ‘silent witness’, the Duke of Sussex did not condemn the media outright, but also referred to responsible journalism as a “cornerstone of democracy”⁶⁰ while taking time shortly thereafter, to engage more amiably with the media on a tour of Africa. The couple have shown their distaste for the tabloids by showing them the door to their future lives, and casting them into the darkness of “life outside Harry and Megan world.”

On this side of the Atlantic, President Trump is no friend of the traditional media at all, preferring to engage with the public via the modern medium of Twitter rather than through the microphone or the lens of reporters asking “nasty” questions, the alleged perpetrators of “fake news.” In the final stages of his electioneering when he was the then Republican Party nominee, Donald Trump was vocal in his distaste for his country's defamation laws. Demanding the removal of the online version of a *New York Times* article that was “reckless, defamatory and constitutes libel per se,”⁶¹ his lawyers threatened that absent this step they would be left “with no option but to pursue all available actions and remedies.”⁶² The problem for Trump as a public figure was that “all available actions and remedies” would not really have got him very far. Now that he is President Trump, he is no more enamored of the press than he ever was; becoming rather fiery and furious over the publication of Michael Wolff's *Fire and Fury: Inside the Trump White House*,⁶³ he announced that his administration would take a “strong look” at libel laws.⁶⁴ By this he might mean that while reporters look with envious eyes across the Pond at U.S. media laws, the President might be looking right back with his own eyes full of envy at more plaintiff-friendly laws across the ocean.

Approaching the Media

With the televising of the Queen's coronation in Britain in 1953⁶⁵—to which the monarch was initially reluctant to agree—the royal family began its dangerous dance with the press and broadcasters, extracting itself from its largely hitherto splendid isolation from media. This has been a dance with the devil; at times an elegant waltz with neither side putting a foot out of step and both partners getting something out of the encounter—positive public relations for the family and public appeal and revenue for the publisher; at other times, there has been a disastrous slip and trip, resulting in privacy invasion and reputational damage.

One can hardly operate in today's modern world without some access to the media. Engagement can be hostile, passive, or deliberate. None are ideal—and those lacking in experience, the ill-advised and those un-trained in the rules of engagement will likely exit from any such encounter with at best, their fingers burned. Princess Diana fared well in her interview with the BBC⁶⁶ over her relationship breakdown, albeit that some may have considered her decision to go public to be reckless, dangerous, or somewhat unfitting for a royal. The decision by his Royal Highness Prince Andrew to give an interview over his former friendship with Jeffrey Epstein, and to counter the allegations—robustly denied—by a young American woman, also televised on a BBC Panorama program, did not meet with such success. Presumably undertaken to set the record straight, it seemingly has done nothing of the sort. Rather it has given additional oxygen of publicity to the fire of rumor and speculation already blazing.

Would the traditional stiff-upper lip, some good old British reserve, and the more regal, distant approach exhibited by Her Majesty The Queen throughout her reign have been preferable? The media is—generally—not there to catch us all out but to report the facts and educate—and entertain—the public. However, deciding to get on the dance floor with a reporter in this somewhat dangerous dance is a decision best made after careful consideration and on proper advice.

In her interview with the BBC, Princess Diana publicly and explosively referred to the breakup of her marriage to Prince Charles: “Well, there were three of us in this marriage...” Well, there are three of us in any media story: the subject of the expose, the media organization that wishes to do the exposing, and the public who, to some extent or another, wishes to see the exposure. The manner in which on both sides of the Atlantic we consume the news and allow our media organizations to hunt and gather it for us differ. The most significant difference at the root of it all is the First Amendment. Marking Wikileaks' one year anniversary in 2014, Wikipedia founder Jimmy Wales referred to the First Amendment as: “One of the big differences between the US and the UK”⁶⁷ and called for a U.S.-style First Amendment in Britain, lauding it for its protection of whistleblowers.

“It seems very pretty,”⁶⁸ said Lewis Carroll's Alice in *Through The Looking-Glass*, when she had read the rather confusing poem, the Jabberwocky, “but it's rather hard to understand!”⁶⁹ Those practicing media law on the English side of the Pond might find the First Amendment rather hard to understand. Whereas, those on the American side, will assuredly find it “very pretty.”

Endnotes

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4. *Sussex v. Associated Newspapers Ltd.* [2020] EWHC 1058 (Ch).
5. *Murray v. Big Pictures Ltd* [2008] EWCA Civ 446.
6. Content from the News Media Association, <http://www.newsmediauk.org/Industry-Services/Royal-Rota>.
7. *Id.*
8. Included in the media statement on the Sussex Royal website, <https://sussexroyal.com/media/>.
9. *Id.*
10. Included in a personal post on the Sussex Royal website (January 20, 2020), <https://sussexroyal.com/about/>.
11. Lewis Carroll, *Through the Looking Glass, and What Alice Found There* (1871) 1.11.
12. Reported by numerous sources, including an official Statement by His Royal Highness Prince Harry, Duke of Sussex (October 1, 2019), <https://sussexofficial.uk/>.
13. *Duke of Sussex v. News Group Newspapers Limited Duke of Sussex v. MGN Limited* As reported by Byline Investigates, <https://www.bylineinvestigates.com/murdoch/2019/10/4/world-exclusive-now-prince-harry-sues-the-sun-and-mirror-in-war-on-tabloids>.
14. The story was picked up by a variety of newspapers, including: ‘*TMZ Catches Photos of Prince Harry in Naked Vegas Billiards Game,*’ *The Atlantic* (August 22, 2012), ‘*Prince Harry Naked Vegas Photos: Anatomy of a Royal Scandal,*’ *E! News* (August 24, 2012), ‘*A sleazy club, a nude blonde and the truth about those snaps in Harry's Vegas suite,*’ *The Daily Mail* (August 24, 2012).
15. ‘*Court awards Duchess of Cambridge damages over topless photos,*’ *The Guardian* (September 5, 2017).
16. Interview given to Emily Maitlis of Newsnight at the BBC (available via iPlayer), aired at 9pm on November 16, 2019, <https://www.bbc.co.uk/iplayer/episode/m000c1j4/newsnight-princeandrew-the-epstein-scandal-the-newsnight-interview>.
17. Reported by a variety of sources, such as: ‘*Prince Andrew to step back from public duties for ‘foreseeable future,’*’ *The Guardian* (November 20, 2019), ‘*Queen sacks Prince Andrew: Monarch summons distraught Duke of York to Buckingham Palace, orders him to step down from public duties and strips him of £249,000 ‘salary’ amid fall-out from his friendship with paedophile Jeffrey Epstein,*’ *The Daily Mail* (November 20, 2019).

18. U.S. CONST. AMEND. I.
19. U.S. CONST. AMEND. I.
20. *New York Times Co. v. United States*, 403 U.S. 713 (Black, J., concurring).
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23. Convention for the Protection of Human Rights and Fundamental Freedoms—Rome, 4.XI 1950, https://www.echr.coe.int/Documents/Convention_ENG.pdf.
24. 4 HARV. L. REV. 193, 196 (1890).
25. *Prince of Wales v. Associated Newspapers Limited* [2006] EWHC 522 (Ch).
26. Article 8—Right to respect for private and family life
 1. Everyone has the right to respect for his private and family life, his home and his correspondence.
 2. There shall be no interference by a public authority with the exercise of this right except such as is in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the country, for the prevention of disorder or crime, for the protection of health or morals, or for the protection of the rights and freedoms of others.
27. Article 10—Freedom of expression
 1. Everyone has the right to freedom of expression. This right shall include freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers. This Article shall not prevent States from requiring the licensing of broadcasting, television or cinema enterprises.
 2. The exercise of these freedoms, since it carries with it duties and responsibilities, may be subject to such formalities, conditions, restrictions or penalties as are prescribed by law and are necessary in a democratic society, in the interests of national security, territorial integrity or public safety, for the prevention of disorder or crime, for the protection of health or morals, for the protection of the reputation or rights of others, for preventing the disclosure of information received in confidence, or for maintaining the authority and impartiality of the judiciary.
28. [2006] EWHC 522 (Ch), para 132: ‘The conclusion from all of this can only be that the contribution that the Hong Kong journal makes to any public debate or to any process of informing the electorate about the various matters identified by Mr. Warby in the course of his submissions is at best minimal.’
29. *PJS v. News Group Newspapers Limited* [2016] UKSC 26.
30. [2016] UKSC 26 para. 17(ii): “concluded that “a claim for misuse of private information can and often will survive when information is in the public domain,” continuing (para 39).”
31. *New York Times Co. v. Sullivan*, 376 U.S. 254 (1964).
32. *Id.* at 268.
33. *Gertz v. Robert Welch, Inc.*, 418 U.S. 323, 332 (1974).
34. *New York Times Co.*, 376 U.S. at 279.
35. *Gertz*, 418 U.S. at 323.
36. *Philadelphia Newspapers, Inc. v. Hepps*, 475 U.S. 767 (1986).
37. *Id.* at 776.
38. *Von Hannover v. Germany* [2004] ECHR 59320/00.
39. 1. The public interest includes, but is not confined to:
 - Detecting or exposing crime, or the threat of crime, or serious impropriety.
 - Protecting public health or safety.
 - Protecting the public from being misled by an action or statement of an individual or organisation.
 - Disclosing a person or organisation’s failure or likely failure to comply with any obligation to which they are subject.
 - Disclosing a miscarriage of justice.
 - Raising or contributing to a matter of public debate, including serious cases of impropriety, unethical conduct or incompetence concerning the public.
 - Disclosing concealment, or likely concealment, of any of the above.
- Found: <https://www.ipso.co.uk/editors-code-of-practice/>.
40. *Near v. State of Minnesota ex rel. Olson*, 283 U.S. 697 (1931).
41. *Id.* at 728.
42. *Id.* at 723.
43. *Id.* at 713-14.
44. *New York Times Co.*, 403 U.S. at 713.
45. William Shakespeare, *Othello* act 3, sc. 3. 162-165.
46. Benjamin Franklin, *Poor Richard’s Almanack* (1750).
47. Canute (I), byname Canute the Great, Danish Knut, or Knud, den Store, Norwegian Knut den Mektige (died Nov. 12, 1035), Danish king of England (1016–35), of Denmark (as Canute II; 1019–35), and of Norway (1028–35), who was a power in the politics of Europe in the 11th century, respected by both emperor and pope. <https://www.britannica.com/biography/Canute-I>.
48. *Mosley v. News Group Newspapers Limited* [2008] EWCH 1777 (QB) Para. 32.

There are short clips from the video material available on the website, again with discreet blobs to cover private parts, but these only lasted for something like 90 seconds. They were available until the morning of 31 March, when the newspaper agreed to take them down until the outcome was known of an application for an injunction (to be made before me on 4 April). I declined the injunction and handed down my reasons on 9 April. The material was available elsewhere, but that displayed on the Defendant’s website was itself viewed hundreds of thousands of times. It was restored to the website very shortly after I refused injunctive relief.
49. *PJS v. News Group Newspapers Limited* [2016] UKSC 26.
50. *PJS v. News Group Newspapers Limited* [2016] UKSC 26 Para. 21: The Court of Appeal in my opinion also erred in the reference it made, at three points in its judgment (paras 13, 30 and 47), to there being in the circumstances even a “limited public interest” in the proposed story and in its introduction of that supposed interest into a balancing exercise (para 47(v)). In identifying this interest, the Court of Appeal relied upon a point made by an earlier Court of Appeal in *Hutcheson* (and before that by Eady J in *Terry*), namely that the media are entitled to criticize the conduct of individuals even where is nothing illegal about it. That is obviously so. However, criticism of conduct cannot be a pretext for invasion of privacy by disclosure of alleged sexual infidelity, which is of no real public interest in a legal sense. It is beside the point that the appellant and his partner are in other contexts subjects of public and media attention—factors without which the issue would hardly arise or come to court. It remains beside the point, however much their private sexual conduct might interest the public and help sell newspapers or copy. The matter is well put by Anthony Lester (Lord Lester of Herne Hill) in a recent book, *Five Ideas to fight for* (Oneworld, 2016), p 152: “News is a business and not only a profession. Commercial pressures push papers to publish salacious gossip and invasive stories. It is essential to ensure that those pressures do not drive newspapers to violate proper standards of journalism.”

51. *PJS v. News Group Newspapers Limited* [2016] UKSC 26.
52. 17 U.S.C.A. § 101 *et seq.*
53. Copyright, Designs and Patents Act 1988 c. 48.
54. Official statement published on October 1, 2019, <https://sussexofficial.uk/>.
55. Copyright, Designs and Patents Act 1988 c. 48 s. 11 First ownership of copyright.
56. *Duke of Sussex v. News Group Newspapers Limited*
Duke of Sussex v. MGN Limited
As reported by Byline Investigates: <https://www.bylineinvestigates.com/murdoch/2019/10/4/worldexclusive-now-prince-harry-sues-the-sun-and-mirror-in-war-ontabloids>.
57. Reported in numerous sources, including:
'Phone-hacking trial was officially about crime; but in reality, it was about power,' The Guardian (June 25, 2014).
'Q&A: News of the World phone-hacking scandal,' BBC News (August 4, 2012).
58. Reported in various sources, such as:
'News of the world closed following phone hacking scandal: how Prince's knee led to fall of a giant,' The Telegraph (July 8, 2011),
'Prince William's Voice Mails Led to Hacking Scandal,' Newsmax (July 8, 2011).
59. Transcript of Tony Blair's speech, as published by Reuters on June 12, 2007: 'Third, the fear of missing out means that today's media, more than ever before, hunts in a pack. In these modes it is like a feral beast, just tearing people and reputations to bits. But no-one dares miss out,' <https://uk.reuters.com/article/uk-blair-speech/full-transcript-of-blairspeech-idUKZWE24585220070612>.
60. Official statement published on October 1, 2019, <https://sussexofficial.uk/>.
61. Alan Rappeport, *Donald Trump Threatens to Sue The Times Over Article on Unwanted Advances*, N.Y. TIMES (October 14, 2016), at A15.
62. *Id.*
63. Michael Wolff, *Fire and Fury: Inside the Trump White House* (2018).
64. Michael M. Grynbaum, *Trump Renews Pledge to 'Take a Strong Look' at Libel Laws*, N.Y. TIMES (January 11, 2018), at A3.
65. Footage of the coronation can be found in many places, including the BBC, <https://www.bbc.com/historyofthebbc/anniversaries/june/coronationof-queen-elizabeth-ii>.
66. BBC1 Panorama interview with the Princess of Wales, broadcast in November 1995. Full transcript can be found at <https://www.bbc.co.uk/news/special/politics97/diana/panorama.html>.
67. Mark Townsend, *Jimmy Wales: UK Needs US-style First Amendment to Protect Whistleblowers*, Guardian (June 7, 2014).
68. Lewis Carroll, *Alice Through the Looking-Glass* 18 (1871).
69. *Id.*

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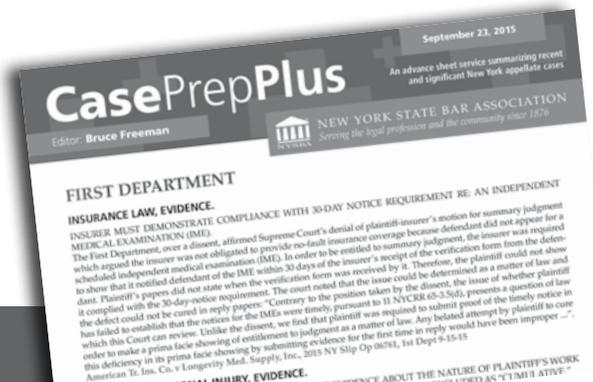


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CASE Act: Small Claims, High Hopes

By Michael B. Smith

It should come as no surprise to most readers of this publication that copyright litigation is expensive, time consuming, and littered with traps for the unwary. If one is a major publisher trying to combat piracy that is costing millions of dollars a year, that is the cost of doing business. Likewise, if a song just went platinum and someone else is taking the credit (and the profit), the potential reward may justify the cost—if the case is strong, one may even find an attorney willing to take the case on contingency.

Yet what if one is a freelance photographer whose work appears in an article or ad without attribution or payment of the \$3,000 license fee typically charged for that kind of use? Can a potential plaintiff afford to make a “federal case” out of the infringement? The cost/benefit analysis probably says no—even if this sort of thing happens to the freelancer all the time. Similarly, what if a nascent dance company is sued by someone claiming to have written the music for the performance that just premiered?

As the barriers between content creators and their audiences continue to break down, we have witnessed the ascendance of a growing and increasingly vocal “creative middle class.” They have always been there: freelance photographers, writers, visual artists, musicians, journalists, independent filmmakers—the footsoldiers of what we now call the “gig economy.” Many of them have benefited from the outgrowth of increasingly accessible ways to reach their audiences and profit from their works, such as Etsy, Twitch, Instagram, Twitter, Flickr, Bandcamp, Kickstarter, and Patreon.

The same forces that have empowered content creators to retain independence and control over their works and connect with their audiences with unprecedented scope and ease have made it easier for others to—intentionally or otherwise—infringe those works. Every day, unlicensed and unattributed images, songs, performances, prose, and software code appear in articles, ads, websites, YouTube videos, Twitch streams, video games, podcasts, live and recorded dance and theater performances, album covers, Instagram posts, t-shirts, mugs, and even car air fresheners.

For the most part, these works do not have great monetary value relative to those that become the subjects of federal copyright litigation. Yet for many of their creators, they are a critical source of income, and for many there is no cost-effective means of enforcement. These are the intended beneficiaries of H.R. 2426, the Copyright Alternative in Small-Claims Enforcement Act of 2019 (the CASE Act).

The CASE Act, which passed the House on October 22, 2019 in a 410-6 vote, was expected to pass easily in the Senate. However, Senators Ron Wyden (D-OR) and Rand Paul (R-KY) have placed holds on it, preventing it from being put to a vote. They are, apparently, working on alternative legislation.



If signed into law, the CASE Act would create a new deliberative body called the Copyright Claims Board (CCB) to hear copyright disputes involving damages of \$30,000 or less. Participation would be voluntary, and the process is meant to be substantially quicker, cheaper, and more user-friendly than copyright litigation in the U.S. District Courts. Although often likened to a small claims court, the CCB would operate more like binding arbitration.

The CASE Act has received widespread support from organizations that represent artists, including SAG-AFTRA, the Authors’ Guild, and the Recording Industry Association of America, who hail it as a much-needed way for the “creative middle class” to protect their intellectual property. The most vocal opposition has come from advocates of free speech and information, such as the American Civil Liberties Union, the Electronic Frontier Foundation, and the Berkeley Center for Law & Technology, who warn that, by making it easier to enforce copyrights, the CASE Act will stifle creativity and encourage “copyright trolls.”

What follows is a summary of the process contemplated by the CASE Act: how it is expected to work and how it might work (or not).

Who Would Sit on the Copyright Claims Board?

The CCB would consist of three Copyright Claims Officers, each with at least seven years of “legal experience,” serving six-year terms.¹ Two of the three must have “substantial experience in the evaluation, litigation, or adjudication of copyright infringement claims” and, between them, “have represented or presided over a diversity of copyright interests, including those of both owners and users of copyrighted works.”² The third officer must have “substantial familiarity with copyright law and experience in the field of alternative dispute resolution.”³

While proponents point to the benefits of having cases heard by individuals with copyright experience, critics note the vagueness of the qualifications and the absence of any formal selection or screening process. It is worth noting also that Claims Officers will be presented with claims and issues that go beyond the realm of copyright.

Where Would the CCB Sit?

The CCB would be located at the Copyright Office in Washington, D.C., but parties would not be expected to appear in person.⁴ Rather, proceedings would be conducted through written submissions and “internet-based applications and other telecommunications facilities.”⁵

Who Could Avail Themselves of the CCB?

The CCB would be available to any nongovernmental party with a permissible claim.⁶ Multiple claimants and/or respondents would be permitted so long as all claims arose out of the same allegedly infringing activity or continuous course of infringing activities and did not, in the aggregate, result in recovery that exceeded the limitations imposed by the CASE Act.⁷

Participation in the CCB would be voluntary. A respondent would have 60 days after being served with notice of a claim to opt out of the proceeding.⁸ If a respondent failed to timely opt out, the proceeding would be deemed active and would move forward—with or without the respondent, who would be bound by any subsequent determination of the CCB.⁹

On the one hand, this addresses due process concerns.¹⁰ On the other hand, it means better-resourced defendants could still use the high cost of litigation to deter plaintiffs from pursuing their claims.

Who Would Need a Lawyer?

Parties, both natural and corporate, need not be—but may be—represented by counsel.¹¹ Parties also have the option to be represented, pro bono, by a law student.¹²

Implicit in the “no-lawyer” provision of the CASE Act—and, arguably, essential to accomplishing the CASE Act’s central purpose—is the presumption that the process will be simple enough for a layperson to navigate without legal counsel. As discussed below, the process itself is intended to be highly streamlined. However, the CASE Act does nothing to simplify copyright law itself. Concepts like fair use, work for hire, *mise en scène*, and substantial similarity can be hard enough for experienced practitioners and jurists to wrap their heads around, and laypersons often have acquired overly simplistic or erroneous understandings of these concepts. With appropriate regulations, this may be something that could be taken into account by the copyright claims attorneys in determining whether to accept a claim.¹³

What Claims Would the CCB Hear?

The CCB would be empowered to hear claims for copyright infringement and declarations of noninfringement, as well as claims for misrepresentation in a Digital Millennium Copyright Act notice or counternotice.¹⁴

Respondents would have greater latitude in asserting counterclaims, which could include claims “aris[ing] under an agreement pertaining to the same transaction or occurrence that is the subject of a claim for infringement... if the agreement could affect the relief awarded to the claimant.”¹⁵ Thus, depending on the nature of the contract at issue, the CCB Officers could be presented with legal issues beyond their experience and qualifications.

What Law Would the CCB Apply?

The CASE Act is somewhat vague on this point, providing only that proceedings of the CCB “shall be conducted in accordance with this chapter and regulations established by the Register of Copyrights under this chapter, in addition to relevant principles of law under this title.”¹⁶

If faced with conflicting judicial precedent, the CCB would follow the law of the federal jurisdiction in which the action could have been brought—and, if there were more than one, the jurisdiction with “the most significant ties to the parties and conduct at issue.”¹⁷

Since final determinations of the CCB would be subject to limited review (not unlike arbitration awards under the Federal Arbitration Act), in practice—absent regulations addressing the issue more concretely—the CCB likely would have very broad discretion as to what law to apply. Some critics argue that this will lead to a lack of consistency and predictability that would make the process less attractive to some litigants.

Would There Be a Registration Requirement?

The CASE Act was introduced in the House on May 1, 2019, after the Supreme Court ruled that a copyright infringement suit cannot be maintained until the copyright has been successfully registered by the U.S. Copyright Office.¹⁸ Nevertheless, for the CCB, the legislature adopted the “application approach” previously favored by the Ninth and Fifth Circuits: Before asserting a claim for infringement before the CCB, a claimant need only have delivered a completed application and deposit and paid the required registration fee.¹⁹ That said, the CCB could not render a final determination until a registration certificate had been issued and the other parties to the proceeding had an opportunity to “address” it.²⁰

How Would a CCB Proceeding Be Commenced?

A putative claimant who complied with registration requirements would need to pay a filing fee²¹ and submit

a statement of material facts in support of the claim.²² The submission would then be reviewed by a Copyright Claims Attorney and, if the claim were found to be compliant, the claimant would be instructed to proceed with service.²³

The CASE Act's provisions for service closely track those of Rule 4 of the Federal Rules of Civil Procedure. Unique to the CCB would be the requirement that the complaint to be served with a prominent notice that failure to opt out would result in waiver of the right to take the dispute to an Article III court and to have a jury trial.²⁴ The CCB would separately send a similar notice to the respondent.²⁵

If the copyright claims attorney determined that the claimant's submission was not compliant, the claimant would have 30 days to file an amended complaint. If a second amended complaint was deemed deficient, the case would be dismissed without prejudice. The same procedures would apply to counterclaims.²⁶

What Would Be the Scope of Discovery?

The CASE Act contemplates written discovery of "relevant information" in the form of requests for production, interrogatories, and requests for admissions.²⁷ It does not provide for depositions. Within these general contours, the CASE Act leaves it to the Register of Copyrights to devise specific discovery rules.

The CCB would be empowered to draw adverse inferences from a party's failure to timely provide discovery, and could issue protective orders to limit disclosure of confidential information.²⁸ The CASE Act does not give the CCB subpoena power.

Would There be Motion Practice?

The CASE Act says that a CCB proceeding "may not include any formal motion practice," but also permits the parties to submit (*sua sponte* or at the request of CCB Officers) and respond to written requests "to address case management and discovery matters," and to "make submissions addressing relevant questions of fact or law, or other matters . . . and offer responses thereto."²⁹ This is an area where the rules promulgated by the Register would be of particular importance.

Would There be a Hearing?

The CCB could conduct a hearing to receive oral argument and/or testimony, but could also decide cases solely through written submissions.³⁰ Evidence could be admitted without application of formal rules of evidence.³¹ If a hearing were held, at least two CCB Officers would have to attend, and the proceedings could be recorded or transcribed.³² Expert testimony would only be permitted "for good cause shown."³³

Would There be a Written Decision?

The CCB must issue a written determination, subscribed to by a majority of the CCB Officers, setting forth their findings of fact and the legal basis for their claims as well as a clear statement of the damages or other relief being awarded.³⁴ Factual findings would be based upon a preponderance of the evidence.³⁵ Determinations would be made publicly available on a website.³⁶ However, no determination of the CCB could be cited or relied upon as legal precedent in any other action or proceeding before any court or tribunal, including the CCB.³⁷

All final determinations of the CCB would have *res judicata* effect—that is, claims or counterclaims asserted and finally determined by the CCB could not be relitigated by the same parties in any court or tribunal.³⁸ However, it does not appear that a CCB determination would preclude litigation of claims that *could have* been raised in that proceeding, as would typically be the case in federal court.³⁹

CCB rulings would *not* have collateral estoppel effect. That is, a final determination by the CCB would not bar a party from relitigating any *issues* put before the CCB.⁴⁰ The CASE Act specifically provides that a determination of ownership *may not be* relied on and *shall not have any preclusive effect* in any other action or proceeding before any court or tribunal, including the CCB.⁴¹

What Relief Would Be Available?

The CCB would only be empowered to award monetary damages, actual or statutory.⁴² A final determination by the CCB could include a requirement to cease infringing conduct, but only by agreement.⁴³ The inability of the CCB to award injunctive relief could render the CCB less attractive—and less effective—in cases where continued infringement would cause irreparable harm.

Statutory damages would be capped at \$15,000 per timely-registered work and \$7,500 per work (up to \$15,000) for works not timely registered under 17 U.S.C. 412.⁴⁴ The CCB could take into account mitigating factors, but not willfulness, in deciding the amount of statutory damages.⁴⁵ No proceeding could result in a total recovery of greater than \$30,000 exclusive of attorneys' fees and costs.⁴⁶

Would CCB Decisions Be Reviewable?

A party could move for reconsideration by the CCB within 30 days of a final determination if there had been a clear error of material fact or law or a technical mistake.⁴⁷ If reconsideration were to be denied, the party could seek review of the determination by the Register of Copyrights, which would review for abuse of discretion.⁴⁸

A party then would have 90 days to seek vacatur, modification, or correction of a final determination from

a U.S. District Court if “the determination was issued as a result of fraud, corruption, misrepresentation, or other misconduct” or the CCB “exceeded its authority or failed to render a final determination concerning the subject matter at issue.”⁴⁹

How Would CCB Rulings Be Enforced?

Within one year of a final determination, a party could move to confirm a CCB determination in a U.S. District Court if the other party failed to comply with the relief awarded.⁵⁰ If the moving party prevailed, the non-compliant party would be ordered to pay its attorneys’ fees and expenses.⁵¹

How Would the CCB Prevent Abuse of the System?

The CASE Act contains an analogue to Rule 11 of the Federal Rules of Civil Procedure that would empower the CCB to award attorneys’ fees and costs up to \$5,000⁵² if it determines that a party “pursued a claim, counterclaim, or defense for a harassing or other improper purpose, or without a reasonable basis in law or fact.”⁵³

If the CCB were to find that a party had violated this provision on more than one occasion within a 12-month period, that party would be barred from initiating a claim before the CCB for the next 12 months and any pending proceedings initiated by that party would be dismissed.⁵⁴ The CASE Act also would permit the Register to limit the number of proceedings that could be initiated by the same claimant each year.⁵⁵

In addition, the CASE Act also permits the Register to set the maximum number of claims that can be brought each year by a single claimant. This might help limit abuses, but it also may arbitrarily limit the utility of the process. This is significant because some content creators can face hundreds of (relatively small) infringements at any given time.⁵⁶

What’s Next?

It remains to be seen whether and when the CASE Act will make it out of the Senate, at least in its current form. However, it does have widespread public and legislative support and, for the most part, even the CASE Act’s critics agree that the “creative middle class” could benefit from a more accessible and efficient way to enforce their copyrights.

Whether this experiment succeeds or fails greatly depends on how it is implemented, and many critical details have been left to the Register of Copyrights to address through regulations. The Register will have one year from enactment of the statute to get the CCB up and running and it would behoove both critics and proponents of the CASE Act to participate constructively in the rule-making process.

Endnotes

1. Section 1502.
2. *Id.*
3. *Id.* With only three officers to hear all claims from everywhere in the country, there is a potential for them to become quickly overwhelmed and the Register may not have the means to staff up quickly enough.
4. Section 1502(a).
5. Section 1506(c)(2).
6. Some may argue that limiting standing to individuals and very small companies would help prevent abuses without compromising the goals of the program.
7. Section 1504(c)(6).
8. Section 1506(i).
9. *Id.*
10. Some critics have argued that an “opt-in” framework would be more consistent with due process.
11. Section 1506(d).
12. *Id.*
13. The Act calls for the hiring of at least two full-time Copyright Claims Attorneys” with at least three years of “substantial experience in copyright law,” to, among other things, review all claims to “ensure that the claim complies with this chapter and applicable regulations.” (Section 1502(b); 1506(f).)
14. Section 1506(c).
15. Section 1506(c)(4)(ii).
16. Section 1506(a)(1).
17. Section 1506(a)(2).
18. *Fourth Estate Public Benefit Corporation v. Wall-Street.com, LLC*, 139 S.Ct. 881 (2019).
19. Section 1505(a).
20. Section 1505(b).
21. The amount of the fee is to be determined by the Register, and must be at least \$100 but no more than the cost of filing a complaint in federal court.
22. Section 1506(e). Additional requirements may be prescribed in regulations established by the Register of Copyrights. (*Id.*)
23. Section 1506(f).
24. Section 1506(g).
25. Section 1506(h).
26. Section 1506(f).
27. Section 1506(n).
28. Section 1506(n).
29. Section 1506(m).
30. Section 1506(p).
31. Section 1506(o).
32. Section 1506(p). An absent Officer must be provided with a recording of the hearing. (Section 1506(p)(3).)
33. Section 1506(o)(2).
34. Section 1506(t).
35. Section 1506(s).
36. Section 1506(t)(3).
37. Section 1507(a)(3).
38. Section 1507(a).

39. Relatedly, failure to raise what would in federal court be a compulsory counterclaim would not effect a waiver of that claim. *See* Section 1507(c).
40. Section 1507(a)(1).
41. Section 1507(a)(2). Submissions or statements of parties or witnesses in CCB proceedings “may not be cited or relied upon in, or serve as the basis of, any action or proceeding concerning rights or limitations on rights under [Title 17] before any court or tribunal, including the [CCB].” (Section 1507(c).)
42. Section 1506(e)(1).
43. Section 1506(e)(2).
44. Section 1506(e)(1)(A)(ii).
45. Section 1506(e)(1)(A)(ii)(III).
46. Section 1506(e)(1)(D).
47. Section 1506(w).
48. Section 1506(x).
49. Section 1508(c). These provisions roughly correspond to the bases for challenging an arbitration award under The Federal Arbitration Act, 9 U.S.C. § 10(a), with the exception of “evident partiality or corruption,” which appears in the FAA but not in the CASE Act.
50. Section 1508(a).
51. *Id.*
52. More could be awarded in “extraordinary circumstances.”
53. Section 1506(y). Costs and fees would be capped at \$2,500 if the aggrieved party was *pro se*.
54. Section 1506(y)(3).
55. Section 1504(g).
56. *See, e.g.* Aistars, Sandra M., “Ensuring Only Good Claims Come in Small Packages: A response to Scholarly Concerns About a Proposed Small Copyright Claims Tribunal,” George Mason University Legal Studies Research Paper No. LS 1802 (ssrn.com/abstract=3129035) at pp. 1-3.

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Pop-Up Stays Up

By Tin-Fu (Tiffany) Tsai

When Kenneth Cole first showcased his new line of shoes in his friend's trailer under the guise of a production company during Market Week in the 1980s, it was meant to be a temporary alternative to a pricey showroom. Nowadays, displaying products in an unconventional store setting for a limited time period—a pop-up store—is more than a preliminary solution; it is a game-changing retail strategy. This is because pop-ups not only create a sense of excitement, but also help retailers reshape their real estate planning.

Maintaining leases is tricky for retailers, especially in the retail apocalypse era where they struggle to adjust to shifting shopping habits and exponential e-commerce growth. One of the take-a-ways from the recent bankruptcies of Barney's and Forever 21 is that expensive leases can drain a retailer, no matter at which end of the spectrum it sits. This is why more and more landlords and tenants are drawn to the pop-up concept, which provides greater flexibility in the retail network with lower costs and risks. Landlords see pop-ups as a revenue source for what could be vacant properties as well as a chance to vet tenants for potential long-term leases. Tenants are able to gauge market reaction towards their products and test the feasibility of the store locations. Bridging the gap between brick-and-mortar and online platforms, the pop-up arrangement, though not a brand new idea, has already become a pillar of the retail landscape.

Fashion brands are constant players in the pop-up game. Tiffany & Co.'s signature blue box just added a men's collection at its first men's pop-up on 5th Avenue. Chanel launched an all-red pop-up displaying limited-edition beauty products in midtown New York. Louis Vuitton's neon green downtown Manhattan store, presenting Virgil Abloh's Fall 2019 collection, was just one out of around 100 pop-up arrangements last year. While companies such as Appear Here, Storefront, and Popuphood facilitate the process, brands should factor the unique implications that come with pop-ups.

Lease or License

Two options dictate the legal framework of pop-ups: leases or licenses. Essentially, the difference between the two is that a lease grants the tenant an exclusive and irrevocable right to possess the premises, whereas the possession right is not absolute and can be revoked at will under a license. As a result, a landlord under a lease has to go through the often costly and time-consuming court proceeding to evict a tenant, while under a license, using self-help is usually sufficient. After the Housing Stability and Tenant Protection Act of 2019 was enacted, ousting a tenant with a lease will be even more difficult and unpredictable, as the court proceeding is prolonged and the

court has more discretions. Since pop-up deals tend to move fast, a license can be a simple way to document the legal relationship between parties, as compared to a lease. Nevertheless, both parties should be mindful that the court will look at the substance, rather than the name of the documents, when deciding the nature of the tenancy.



The Location

Instead of thinking about who their neighbors are, brands should focus more on their customers' lifestyles when selecting the store locations. Gucci's pop-up with Dapper Dan in Harlem reflected the recognition of the cultural significance of the region. A database that was created as a result of Introduction 1472, which was passed by the New York City Council in 2019 (also known as the "storefront tracker" bill), may be useful for storefront searches, as it provides information on the vacancy status, lease terms, size, and economic activities of the stores.

Term

During events like Fashion Week, brands face high competition when establishing a temporary store. Since time is of the essence, the delivery date of the premises should be detailed in writing. A tenant may wish to terminate the lease immediately without penalty when occupancy does not go as planned. Besides the right to terminate, the right to renew can be crucial from a tenant's perspective, should the business prove to be profitable.

Rent and Operating Expenses

Rent and operating expenses in a pop-up arrangement are usually fixed, as they are determined in advance. The purpose of this structure is to align with the short occupancy period since time is too limited for the landlord to reconcile expenses later. An alternative is for the rent to be calculated as a percentage of sales, which should be carefully defined. Additionally, the prepayment of rent upon the tenant's occupancy is fairly common as a way to mitigate the risk in rent collection given the quick time frame of pop-ups.

Permitted Use

The pop-up arrangements should set forth the permitted use in detail, like the hours of operation, so

that the tenant's intended use is well covered. A landlord should ensure that granting certain use to pop-up tenants will not interfere with the exclusivity rights of existing tenants, especially those of anchor tenants. Revisiting and modifying the use provision under current leases can be beneficial for landlords who intend to utilize the pop-up model more in the future.

Delivery of Premises

In addition to asking the tenants to accept the property "as is," given the short life cycle of pop-ups, landlords typically offer no tenant allowance. To maximize the time, it is recommended that the retailer starts the process of getting necessary approvals and permits as early as possible. The incorporation of certain indemnity language in the pop-up arrangement can be effective in balancing the risk of potential violations and the speed of pop-up deals.

Maintenance

Considering the limited resource it has under the pop-up arrangement, a tenant should conduct a complete inspection of the property or cap the repair costs before taking on the responsibility of maintenance. Furthermore, the landlord's representation and warranty confirming that a certain system is in good and working conditions will be helpful in limiting the tenant's responsibility for repair.

Conclusion

The retail apocalypse can be a chance for civic innovation and community reform. The pop-up model provides one solution, which bears a mission to attract customers' attention and help brands stay relevant. Creative use of real estate is the key component of the unique in-store experience that customers crave. Yet how to keep customers engaged without causing "information fatigue" will be another challenge, particularly when pop-ups become a common element of the retail landscape. Pop-ups can take various forms—stand-alone shops, department store booths, or even virtual pop-ups on-line—but no matter what the form, the brand who plays it smartest is the one to stay.

Tin-Fu (Tiffany) Tsai has in-house and law firm experience both internationally and in the U.S. Currently, Tiffany leads the legal department of Arris Properties Group LLC, a New York-based real estate development company, and advises on various transactional and litigation matters. Her practice concentrates on financing, acquisitions, leasing, licensing, as well as real estate litigations. She is a 2015 graduate of Columbia University School of Law and a 2008 graduate of National Taiwan University, the top one law school in Taiwan. As the new Co-Chair of EASL's Pro Bono Committee, she hopes to leverage her international background and connect art professionals with legal practitioners as well as law students who are interested in exploring the creative world.

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Annual Meeting January 2020



Photos credit: Barry Skidelsky



Brandon A. Zamudio and Jennifer Sherman, winners of the Phil Cowan Memorial Scholarship Writing Competition



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

ANNUAL MEETING

January 28, 2020

WELCOME, AWARDS PRESENTATION, AND INTRODUCTION OF PROGRAM

Section Chair:

Barry Skidelsky, Esq.
Jin and Koppell PLLC
New York City

Program Co-Chairs:

Judith B. Bass, Esq.
Law Offices of Judith B. Bass
New York City

BARRY SKIDELSKY: Hi everybody, and thank you for coming. For those who don't know, I'm Barry Skidelsky, the outgoing Chair of EASL—the Entertainment, Arts and Sports Law Section of the New York State Bar Association. I also want to thank those of you here today who are members of our Section. And I want to give a special shout of thanks to all of our colleagues on the EASL Executive Committee who have worked together to put together not only today's annual program, but also other programs throughout the year, all of which are part of our ongoing efforts to create real value and benefit for our fellow EASL members.

We urge each of you to get actively involved with EASL in any number of ways, rather than just passively coming to our Annual Meeting at the Hilton. For example, perhaps you might like to join a committee, help prepare or speak at a CLE program, or write an EASL *Journal* article or blog posting. To do any of these things, or to otherwise become more actively engaged with EASL, all you have to do is reach out to me or to any other Section officer. We are always open to new ideas and new faces.

I'd also like to give a special shout of thanks to the program planning co-chairs for today's Annual Meeting: Anne Atkinson, Sarah Robertson, and Judy Bass.

Marty Minkowitz, are you in the house somewhere? No? Well, in his absence, I'll give a much shorter version of what he was expected to say now: please support the NYSBA Bar Foundation. More info about that is on the Association's website. Thank you.

The next item for us to address is that, in accordance with our by-laws, we will now elect a new slate of Section officers, delegates to the House of Delegates (the governing body of NYSBA), and judicial district representatives.

That slate was attached to an email that was recently sent from me as EASL Chair to all Section members, but I'll remind you now, that EASL's Nominating Committee—which is open to all active former Section chairs—

has recommended, and EASL's Executive Committee has approved, that slate of Section leaders for a new two-year term beginning on February 1. Recommended new Section officers include Barry Werbin as the new EASL Chair. The Vice Chair would be Ethan Boardman. The Second Vice Chair would be Andrew Seiden, Secretary Robert Siegel, Assistant Secretary Carol Steinberg, Treasurer Kathy Kim, and Assistant Treasurer Cheryl Davis. Is there anybody who'd like to object to that slate or nominate themselves at this late date? Having heard nothing, can I please get a motion to approve that slate of new EASL Officers?

(SO MOVED). (SECONDED).

MR. SKIDELSKY: All in favor?

(AYE).

MR. SKIDELSKY: Any opposed? Unanimous. Congratulations to our new Section Officers. Next, we turn to election of our Delegates. As some of you know, if our Section has 1,500 members as of December 31, we are allowed to have two delegates from the EASL Section become members of the Association's House of Delegates in Albany. Unfortunately, as of December 31 2019, we were a little less than 50 members short of that goal.

Law students should know that they can be included in that 1,500-member count, and that they are able to join the Association and EASL for free. Law students, in particular, need to be aware of the opportunities for personal and professional development that EASL offers, also so we can mentor and bring up the next generation of leaders, as well as offer them opportunities to participate in our Phil Cowan Memorial Scholarship, the winners of which for this year's competition we'll be announcing in a few moments.

The point I would like to hammer home now is that each of you should please invite somebody you know to join EASL—whether he or she is a law student or already

a lawyer—and, preferably, for each of you to become actively involved or engaged with our Section. Let's also try and reach that 1,500-member goal by next December 31.

Because we were slightly short of that goal at the end of 2019, we will now elect just one principal delegate and one alternate delegate. The principal delegate being proposed now is Steve Richman. The alternate delegate is Barry Werbin. Each will begin his term on June 1. Can I get a motion on that?

(SO MOVED) (SECONDED).

MR. SKIDELSKY: All in favor? (AYE) Any opposed? Again, unanimous. Congratulations to you Steve and Barry, as Delegate and Alternate Delegate, respectively.

Last up for election now are our judicial district representatives. As most of you likely know, there are 13 judicial districts in New York State, which are different than the four appellate court divisions that we have. EASL currently has or rather now proposes for election district reps from all of the districts except districts 1, 5, 6, 7 and 12.

If any EASL member would later like to get involved as a district rep, please reach out to me, Barry Werbin, or any other Section officer. But for the moment, at this meeting now, the following judicial district reps are proposed for election: from District Two, Innes Smolansky. From District Three, Bennett Liebman. Four, Edward Flink. Eight, Les Greenbaum. Nine, Alan Barson. Ten, Amanda Dworetzky. Eleven, David Faux. And Thirteen, Dan Marotta. Can I get a motion on that? (SO MOVED) (SECONDED)

MR. SKIDELSKY: All in favor? (AYE) Any opposed? None. That motion also passes unanimously. Thank you all again, and good luck in your new roles. That concludes the election of new Section leaders at today's Annual Meeting.

I remind you that EASL has approximately two dozen committees. And as I previously mentioned, anybody who would like to get more actively involved with one, we are literally in the process of reorganizing and revitalizing several of those committees.

The EASL Executive Committee has adopted committee engagement guidelines, which in part say, please don't just put your name down on a list as a committee member and do nothing. Even worse is if you take on a role as a committee co-chair and then do nothing.

We are trying to get all of our committees, including their co-chairs and members, to be more active and to encourage more face-time not only for CLE programs, but also for things like—at least once a year—a brown bag breakfast, a brown bag lunch, a social or networking event, and committee meetings—one of which could take place just before the Annual Meeting, which is what happened here this morning with several of our committees. You can go find the list of EASL committees online at

our website, nysba.org/easl, but know that they tend to follow substantive sectors of entertainment.

For example, we have an active Music Committee, an active Theatre Committee, and an active Film and Television Committee, but there are other ways to get involved with EASL besides our substantive law committees.

One of those that comes to mind is our Phil Cowan Memorial Scholarship Committee.

Phil Cowan was a Former Chair of EASL who passed away. In his honor, EASL has an annual law student writing competition scholarship.

We solicit articles written by law students across New York State and at a couple of other law schools elsewhere. We give two winners each an award of \$2,500 and we publish their articles in the *EASL Journal*.

And so, I would now like to announce the winners of this year's Phil Cowan Memorial Scholarship writing competition. I invite both of them to please come up and accept their awards.

The first winner is Brandon Zamudio, and the second winner is Jennifer Sherman. Congratulations, please come on up. (APPLAUSE).

Brandon's article is titled "Characters in Captivity: Defining the Scope of Trademark Protection for Public Domain Characters."¹ He's at Columbia Law.

Jennifer, who is at Albany Law School, wrote "The Battle Against the Bots: The Legislative Fight Against Ticket Bots."²

We have prepared for each of you lovely certificates suitable for framing, and your checks are in the mail. Congratulations again, and thank you.

The CLE part of our program today is essentially two parts. In brief, Part One is about digital distribution, Part Two is about the roles of attorneys, agents, and managers.

After these CLE panels conclude, we will mosey on over to Bill's Burger Bar in nearby Rockefeller Center for our third annual consecutive joint networking reception with NYSBA's Intellectual Property Section. I understand that about 50 EASL members and about 50 IP members have already registered for that reception, but if any of you here now who have not already registered for that, you may register and pay at the door. It's a really fun time and a great networking opportunity. If you didn't sign up in advance for that, it's not too late. And, of course, if you're not already an EASL member—you can join our Section now and take advantage of the discount pricing members receive.

With that, I'll say thank you again for coming today, for being a member of EASL, and for letting me serve as Section Chair during the last two years. (APPLAUSE)

PART ONE: THE DIGITAL DISTRIBUTION REVOLUTION: LEGAL AND BUSINESS ASPECTS

As the streaming revolution accelerates, digital distribution of entertainment content is already beginning to surpass traditional distribution methods in certain categories.

Streaming services such as Netflix, Amazon Prime and Hulu have now been joined by Disney+ and Apple TV+; Warner Media's HBO Max, Comcast's Peacock Service and Quibi are scheduled to debut in the spring. To understand the rapidly evolving digital landscape, industry experts will update us on business developments in the delivery of film, television and other content, including podcasts, video games and esports. Leading deal-makers will discuss changes and trends in producing and licensing content for digital platforms and provide practice pointers for negotiating deals in these fast-moving times.

Film, Television, and Other Audiovisual Content

Panelists:

Peter Hamilton, Senior Consultant & Founder/Publisher/Editor of DocumentaryBusiness.com,
Peter Hamilton Consultants Inc. | Karen M. Robson, Esq, Partner, Pryor Cashman LLP | Ashley Tan, Assistant
General Counsel, BuzzFeed | Alison Wauk, SVP, Chief Digital Counsel, CBS

Thank you again. And now, to start our CLE program, please welcome my EASL Executive Committee colleague, and one of today's program planning co-chairs, Judy Bass.

JUDITH BASS: Hello. Hi everybody. Really great turn out, thank you all for being here. We have two, I think, really great panels again this year.

The first panel is about the Digital Distribution Revolution: Legal and Business Aspects. We know we're in the middle of, I guess, yet another revolution for some of us, but as we look at the Academy Awards that are coming out, and Netflix has more Academy Awards nominations than any actual major studio or distributor, we have to worry about signing up for different streaming platforms to watch TV. You know, where are we going to find "Star Trek Picard," I think that's CBS All Access, so we are now doing all of that. And that's not a paid political announcement. And then our whole life has changed in terms of, I think, listening to podcasts, you'll be hearing about that.

And what about video games and esports? You know, video games used to be something you bought in a box and brought home, and now there are all kinds of platforms for that. I have no idea what esports is, but that's why I'm here, to find out.

So that will be the first panel, the first of three separate panels. And we're going to be doing a very quick change of people getting up and getting down, and so we're going to try to keep this very tight on schedule, because we have a lot of material to cover.

Then we will then have Attorneys, Agents, and Managers: Changing Roles and Implications for Legal Ethics. And that is really about a continuing challenge that we

have. You know that we work—as attorneys, we work as managers, we work with agents, and that whole—those distinctions are getting more and more blurred.

We are lucky this year to have the general counsel of the Writers Guild of America East to talk to us about the lawsuit involving packaging fees.

We also have other panelists talking about what it means, registration, talent agent registration, and what—whether that affects us as lawyers in terms of procuring employment, which is also a whole different thing. And we have agents' and managers' representatives from both the entertainment industry and the sports industry. This is after all, the Entertainment, Arts and Sports Law Section. So we are trying to encourage more programming and more information about sports that we have not been doing so well at before.

Okay, so before starting I want to thank my wonderful co-chairs, for which I certainly could not have done any of this without them to complain to. That's Anne Atkinson and Sarah Robertson, who have done an amazing job. And we also want to thank—we've had three young lawyers work with us; Erica Ruff, Avita Delorme, and Mandy Estinville, who helped in researching and compiling some of the materials.

So I would like to invite the first panel to come up. I'll just say also that the format we're going to be trying—we have 20 panelists all together, so that's a lot of people to hear from and a lot of material to cover. Apologies that we're not covering everything, forget music, we didn't do that at all. That's another seminar, you had to go to that one in, November or so. And you can go again next November and learn everything possible. Right? Right, Diane and Rosemary? Okay.

So anyway, so we're going to be doing short presentations pretty much from all these wonderful people. Then the moderators will also direct questions to the panelists. And we will have some time for audience questions at the end of each panel, with a really limited amount of time, like five minutes. So again, bear with us, we'd rather get the material. You can always communicate with us. We're happy you're here, we're happy to have you involved. We're happy to have you sign up to be a member, to get involved, to run one of these programs. It's so much fun to do that, I can tell you.

So anyway, so I'm going to turn it over to Anne Atkinson, who will introduce this first panel on film and television, and other programming websites. Okay, thank you, Anne.

ANNE ATKINSON: Hi everyone, as you now know, I'm Anne Atkinson. I'm so glad you're here. We have an incredible panel. To my immediate left is Peter Hamilton. And amazingly enough they're seated in alphabetical order, so as I introduce them you'll be able to look down the line and know who they are.

Peter Hamilton and Karen Robson are the Aussies on our panel. Peter was an executive at CBS along with Judy Bass. And Alison is an exec at CBS. Peter then set up his consulting practice with the focus on the business of documentaries. A highlight was launching Discovery's international channels.

As executive producer, he created the special about Jonas Salk for the BBC and Smithsonian channels, and that Bill Gates hosted.

Peter publishes the weekly newsletter documentary-business.com. And Peter wants you to know that it is free, and that you should go online and subscribe now. Did I do justice?

PETER HAMILTON: Thank you. You did great.

MS. ATKINSON: Karen Robson is the head of my firm, Pryor Cashman's Los Angeles office, and a dear friend. She represents domestic and foreign motion picture and television financiers, investors, studios, broadcast and cable TV networks, and production and distributions companies on a wide range of entertainment matters.

Karen also advises individual content creators, including writers, directors, and producers.

Ashley Tan, whose bio is the briefest of all and the most punchy I think, is Assistant General Counsel Legal and Business Affairs at BuzzFeed, which is her third startup, and she enjoys how new media constantly surprises her.

She has previously worked in-house and at a law firm supporting various parts of the media and entertainment industry.

And Alison Wauk is SVP, Chief Digital Counsel at CBS, where she oversees legal support for CBS Interactive's online entertainment businesses, including CBS All Access, and she counsels the company on a broad range of strategic digital initiatives.

She joined CBS in 2006. Previously, she was at Bingham McCutchen. Our panel, Peter.

MR. HAMILTON: Thank you. Thank you very much, Anne. Judy also, and Sarah for inviting us. It's an honor for a wetback from Australia to be here before this august audience, and to find another Australian on the platform, it's really exciting.

So we're going to whip through this very quickly. I know we're going to be tight for time here.

So the format is that I'm going to ask the panelists to briefly introduce themselves with respect to a sentence or two, and what's the really big issue that's in their lives right now.

I'm going to present an industry overview of just what I see out there, and there's so much, I really had to cut it back.

Then Karen is going to share her overview of the industry with respect to independent producer deals. And then followed by Ashley and Alison. And we'll have a round between us, and we'll have questions at the end. And there will be a roving microphone, and please introduce yourself as I'll remind you, by name and where you work. So let's get the PowerPoint up. So just quickly, Karen.

KAREN ROBSON: Yes.

MR. HAMILTON: Big issue. Biggest issue in your life.

MS. ROBSON: Is really just keeping up with all the changes. I mean, right at the moment I guess we're—the biggest issues is second wave of streamers. All the new streamers on board, and all the new deal making with them. The Disney+s and Apples of the world. We'll talk about that.

MR. HAMILTON: And how about you, Ashley?

ASHLEY TAN: I think summarily, it's just keeping up with the latest developments in new media in particular. There are always new revenue models coming to the forefront. You want to be able to try them out and be the first one in if they're successful. On the other hand, you don't want to be parking a ton of your limited resources in them if it turns out, like most of them do, they're a bust.

MR. HAMILTON: All right, thanks a lot. And Alison.

ALISON WAUK: Mine is a similar point. It is keeping up with how business models are shifting and then trying to keep your drafting to keep pace, your right structures

need to keep pace. And so I work in television, so you're often dealing with quite older agreements and trying to figure out how to massage them to have them try to keep pace, to the degree they can. And then in your drafting, trying to future-proof for what's going to change next.

MR. HAMILTON: So, let's go back up here for a minute, and I just included these logos and it's amazing how many of them didn't exist in the way they did when I last spoke here two years ago. The change is really rapid, and that's what I'm going to get into in my presentation. But just quickly I wanted to refresh your minds about the VOD models. You know, what's video on demand, what's online video, and I've got a list of four key ones. T, transactional video. Secondly, subscription, that's the Netflix model. A, AVOD, advertiser supported, and that would be Hulu, which is of course a hybrid, because it's also a subscription model. And Free VOD, public television, BBC, iPlayer, and so on. And there are just lots of hybrids, and I know we're going to get into some of them during our discussions. But just remember, we're talking about four key models here.

What's been really critically the most powerful change since 2013 and '14 has been the rise of the VODs, the subscription video on-demand platforms. And you can see that the services have risen in that time to round about 75% of the market, and over 50% have two or more services.

So corresponding with that there is a severe decline in cable and satellite in homes, they've lost 200 million homes over the same period.

And then this is a snapshot I've got of the audience for the leading factual channels. And this chart focuses on people in the advertiser friendly 18 to 54 demographic. They've lost 16% of their audience over five years.

So this is important, but it's not falling off a cliff the way the music industry did a couple of decades ago. And it's very important to remember that the distributors, the cable and satellite distributors, they have internet, they have other services, they want to keep their online channels package robust even as loss leader for their rather profitable services. But let's put them together, you can see which way the curves combine.

There is wide penetration, rising steadily, and the cable and satellite universe falling with cord cutting, etc.

So Netflix is the story of the month, the story of the years. We can't stop talking about it, but guess what, within just weeks it seems, just a cascade of negative talk about Netflix. Netflix has peaked, Netflix's business model is questionable. And you can see from this chart that I went from almost a hockey stick to a plateau, and that has plateaued further in the recent report that was announced last week.

So why intense competition? We all know who's come onto the market, not the least Disney and Apple. And Netflix is losing its studio franchise content. So it actually had a degraded product offer compared with even 12 months ago, because these big super franchises are moving back to their producer homes or their integrated producer platform homes.

So I'm a specialist in the factual area, the documentary ranging from Academy Award winning documentaries to, at the low end, to reality.

So if we just quickly look at this pyramid, we get a sense of what's happening in my genre, which you can apply to other genres.

So we've got premium, blue-chip, signature programming. That would be your Attenborough series in the wildlife area. And then you've got in the middle, these character driven series that tend to be channel fodder, and I'm thinking, "Deadliest Catch," it's a bit of a classic, it's one of the old ones, but it still is; represents the best of that period.

Then we have popular formats like "MythBusters", and then below that, the universe of online video. And so the channels are cutting back in the middle and of course, the value is more or less evaporating in the free online universe of YouTube. But what's really fascinating that's occurred over the last two to three years is the evolution of what I call the super duper A-lister's right up the top. You know, they're the Oscar winners, they're the household names. And it's incredible that four out of I think 16 programs that were selected for the Sundance feature documentary program came through one micro studio that was funded by Laurene Powell Jobs. And then the Obamas are in the game. So how do you ask Netflix to shift their meeting because you're running late with the Obamas. The access issue is becoming really critical right now.

And then the second aspect is with the Oscars. It's very hard for even an award winning producer to compete with access at that level. But nonetheless, all of these platforms are building out so fast. They're building out their offer either aggressively, or defensively, or competitively that there is a super demand for unscripted programming right now, particularly because scripted is so much more expensive. And there's a glut of scripted series out there. I saw a number like 340 or 350 scripted series in production right now. I don't have the exact number, but it's a vast number. So the documentaries are at a fraction the cost and with big names attached, and often with backing from outsiders like Laurene Powell Jobs, why not?

So that's the quick overview from Peter. I just wanted to send some big ideas out there. So next is Karen. I'll welcome you and your focus on deals.

MS. ROBSON: Hi everyone, it's nice to be back in New York. I was here for 15 years and I am now in L.A. So I have an overview from starting from the New York indie sector, which is the first thing I wanted to talk about, is feature films and where they are; the old independent feature film model, rather than studio. Feature film model, you know, we're talking about digital distribution, which is sort of all distribution effectively these days. Even in cinemas it's digital these days.

So, the old model was, you made a film, you tried to sell it. You either did an all rights territorial deal to a studio on a global basis or you did a split rights deal where you tried to sell it to a theatrical distributor in the U.S. and Canada, and then split up the rights for the rest of the territories around the world. And you were looking for MG's, minimum guarantees or advances against backend. And from those minimum guarantees, because you never counted too much on the backend, you were looking to recoup the cost of making that film.

Media, as you might recall, was windowed in Europe and other parts of the world, sometimes legislatively windowed. Certainly, it was done by custom here, well understood, first in the theatres, when you used to have DVD, and video, and television. And television, a word that now covers an awful lot. But people went to film festivals and markets to sell films in that model.

The new model has a much wider variety of deals. And it's reflective of the rise in digital distribution, the rise of the streamers. Now we have—the Netflix, obviously the big elephant, but now increasingly many, many other choices.

So now people who are not looking to distribute their feature films, and that could be a documentary, but are primarily talking about narrative, are really looking at a wide variety of deals.

The old model still exists, and in fact, I just came from the Sundance Film Festival. And today in the trades was announced the biggest ever deal at Sundance at \$17.5 million for a film called "Palm Springs," which was sold to Hulu and Neon. Neon is a new theatrical distributor with a deal with Hulu, the streamer.

So those deals still exist, but it's no longer being sold necessarily to Warner Brothers or used to be 20th Century Fox, now folded into Disney. So that model still exists, but the fact is there are many more other ones.

Self distribution by a producer on a variety of digital platforms. And we're going to talk about different revenue models that are available there. I mean, you can still sell it globally to Netflix and just get a big payment and no backend, and no rights back, or you can use an aggregator to get your film out onto different platforms. They act as a distributor/sales agent, they take a fee off the top and make sure it gets out onto iTunes, onto Amazon, onto

different platforms, or you can still use a sales agent to try to sell in different territories in different media.

So the revenue models are changing. We're going to hear a lot, I think, about different revenue models that are available, but the idea that you're going to get back your money just by advances or minimum guarantees is now only a small subsection of the ways in which you might.

So you need to know all those different models. You need to know, how am I going to get paid by them? Am I going to get a certain amount every time it shows on a platform? Am I going to share in ad revenue generated on a platform? Am I ever going to make any money?

I want to cover a lot of territory, but I just will mention, Amazon is very interesting to look at, because they do have a Prime Video Direct model where a filmmaker can put up their feature film and license it to Amazon on a non-exclusive basis and get paid a royalty. The bad news is that that royalty has been going down rather than up. And so you can put it on Amazon, you can make it available to rent so people can just watch it in a certain period of time, or buy by download, or just view on Amazon Prime if you have a subscription or just on Amazon—if you don't have an Amazon Prime then it will be with ads. I think the current amount is like four cents at the lower end for an hour of viewing of your motion picture. So it can take a lot of time and a lot of viewers to make money, but it is a source of revenue. So that's through the soft distribution.

If you use an aggregator; one of the advantages of using some of the aggregators is they have preferred terms with some of the platforms. So even though you have to pay them a fee, you might get a better term, you might get better placement. We'll hear more about the revenue model soon.

On to television programming now. So limited mini-series and episodic series, I'm talking about primarily, not unscripted and docu-series.

Obviously, we're in the world of the terms we hear every day are peak TV, meaning enormous amounts of content being commissioned and created.

Streaming wars meaning all the new streamers fighting with each other for eyeballs. Disney+ is doing very well against Netflix, but there are many more and there's a lot in the materials about all these new—and the confusion of the audience is what to subscribe to, what to drop, how to view content. And then the financing of television is changing too. The old U.S. network television model still exists, but there are so many others now.

The idea that a big production company would make a television series, would license it to a U.S. network, and then might deficit finance that series, and then sell it territorially overseas still exists. And we're going to talk about backend, how that used to work. But now with the

streamers, some Netflix came in commissioning programming, buying it outright, not paying a backend, but—and bidding for all the A-list producers in the television world, those who used to have amazing deals at the networks. Some of them have migrated over to the streamers. And you've seen some of those new deals announced.

How a producer accesses financing for television is a very, actually important thing to understand, because I have so many people call me about this because somebody who is developing a television series, yes, if you have the access like Peter was talking about, you can go straight to Netflix. Access is difficult as you know, if Barack and Michelle have a meeting about their new series, it might be hard to get one for you. A lot of people therefore take their projects to a bigger production company, and that production company will then pitch these streamers, and so on.

So the financial model will differ as to whether you are dealing directly with a platform, or network, or with a middle man. And clearly, we can talk and go into that when we talk about the backend a little bit.

I don't think I need to talk too much about the Writers Guild issues, because it seems that we're going to have some talk about that later. But the dispute between the Writers Guild and the agencies has affected television more than anything else, because it's about packaging fees and television that are charged by the agencies and about the creation of production affiliates by the agencies. Again, it's about access to getting your television programming financed.

And last but not least, I wanted to talk about short form narrative content, which is an interesting area. It's got a lot more attention recently, I think because of two platforms. One is TikTok, and the other is Quibi. And TikTok is out there and enormously successful.

And is everyone—who is familiar with TikTok? Yeah, okay, so it's incredibly popular. But the idea of short narrative films, more like artistic narrative films and film festivals and so on, that's one thing. But short film content is really YouTube, TikTok, music—these sort of things. Quibi is another idea.

Jeffrey Katzenberg and Meg Whitman's company is enormous—is raising an enormous amount of money, and is making extremely expensive high-level short form content on a subscription model, and we're about to see how that all goes. Certainly, I'm sure there will be some interesting programming out of it.

MR. HAMILTON: Karen, if you read documentary-television.com, you'll read that it's going to be a crash.

MS. ROBSON: Yes, I thought it might say that, but I didn't want to bad mouth that, let's give them a go.

Anyway, they have been paying a lot—and the last thing I'll just say, because I know we don't have a lot of

time, is that as usual the A-listers and the high profile people, this has been fantastic for them, there's so many new and – Guillermo del Toro is making short form content for Quibi. So we don't need to have any tears for them. There is access, but as it always happens at first, like oh great, we can get all of our stuff up there, and then the gatekeepers step in it becomes more difficult to get the more lucrative version, but there are more opportunities. And that's that.

MR. HAMILTON: That's great. Karen, thank you for the summary, that was excellent.

So Ashley, what's the buzz—responding to Karen? What is the BuzzFeed model or what are your models, and what are the key issues that you face?

MS. TAN: Well, I think the model as a new media company is that we try very hard to be as diversified as possible at this point. A trap a lot of the starters fell into was that they became dependent on one platform, primarily. But then what they discovered in the last few years is that that makes you—puts you very much at mercy of their algorithm. One tiny change and your revenue from Facebook goes down by half, and you have no idea why, because the algorithm is a black box. Where—my creative people spend a ton of time trying to guess what things are actually going to go viral or not. And very little of that is actually about necessarily what is striking a cord with people, but more of what is striking a cord with the algorithm on whatever platform that they're putting it on.

MR. HAMILTON: Makes sense.

MS. TAN: Yeah. So the key there is that you really have to be on multiple platforms. You have to be doing multiple revenue models at the same time and you have to calibrate that very carefully.

I think in one interesting distinction there is that in that case, in a new media company like BuzzFeed, we don't speak about shows, we speak about formats. It's not about genre, it's not about romance, comedy, or whatever. When they say format, what they really mean is okay, we did a lot of content that essentially was around this one style of shooting. Like we have the "hands and pans" format that we didn't come up with formerly, but we made it pretty famous, I think I can credit BuzzFeed for that. That's the top down shooting of when you are assembling ingredients and everything. It's very low cost, very easy to shoot, seems to mesmerize people. You can just waste a couple of hours on your phone watching those videos. It also translates well to other situations. If you're assembling pretty much anything, that format works. And that is a format that's proven to do very well on a lot of the social media platforms, like Snapchat and Facebook, which are geared towards the shorter form videos that you have to—and also it does well because it's wordless, so you don't have to worry about translation issues.

So that to us is the key. Really figuring out—it's not figuring out which platform is going to make you rich, but figuring out which parts of your revenue you can park in which platform and what's the ideal investment mix.

MR. HAMILTON: And are you a producer of content as well as the platform that distributes content?

MS. TAN: Yes.

MR. HAMILTON: So you're both.

MS. TAN: Yes.

MR. HAMILTON: All right. So Alison, CBS All Access or CBS Digital.

MS. WAUK: CBS Digital. So I was going to talk a little bit about television models historically, which is in some ways quite simple. It's that the network, for digital distribution, the network gets the rights to streaming of current content, meaning this year's episodes. The studio gets the rights to prior seasons, and there's usually a window, so a certain amount of time before they can exploit that. So a certain amount of time before it can go onto cable syndication or to SVOD platforms, so like Netflix.

That window has been shortening, so things are appearing sooner and sooner. I'm sure you've seen that on Netflix. You know, you don't have to wait very long to get the most recent season of certain shows.

The other thing I was going to talk about was—that keeps shifting, and some of it you don't necessarily need to—you just to need to know which hat you're wearing when you're handling distribution.

So I was going to talk about some of the acronyms. We went through some of the VOD ones before. There's a lot in the industry, and I will freely admit that I am a total cynic when it comes to them, that a lot of people think they mean more than they actually do.

So let's talk about a few of them. For network streaming of current—talk about all the VODs, the SVOD, AVOD, FVOD. These are overlapping categories. If you're doing FVOD, how are you doing it for free? Usually you are actually doing AVOD, it's advertising supported, but if you're doing SVOD, you might also be doing AVOD. These are—and a lot of the new products coming out—I'll just talk briefly just because I know it the best.

CBS All Access is a combination of all of these. It's a subscription product, but we also have linear, we have the live streaming of all of our stations around the country. So is it SVOD, because it's not only VOD.

Throw out some other acronyms, virtual MPDs and MVPDs.³ So your MVPDs are your cable companies, your satellite companies, the ones that are regulated under the cable act. Virtual MVPDs are the new entrance that are multi-channel distributors.

Hulu with Live TV, YouTube TV, Sony PlayStation View for about two more days, Dish Sling, and these are replicating, but over the internet what are MVPDs doing? And when you're doing a deal with one of those it's as a network, because it's like you're doing a re-trans deal with a cable company. You're doing the live station feeds, and rolling five or a full stack of VOD current.

Some of the other terms you hear a lot are, my personal pet peeve is OTT, which just means, over-the-top. And in its most basic sense just means that somehow it's not being distributed through an MVPD. But some people refer to it as just all online television. It just is OTT. Some people mean it really narrowly, it's stuff that otherwise is on broadcast or cable, and is being handled directly from the network over the internet.

If I talk to my product folks, they just mean it as—they talk about their OTT apps, and they're just talking about our apps that are on television sets. It's just talking about going directly to a TV without going through an MVPD.

And then talking about some of these new business models are now total hybrids. I've had some wonderful "Who's on First" conversations about Apple TV Plus in particular.

So Apple TV Plus is an SVOD product available through the TV app. It is a channels product that sells a whole lot of different services, not just Apple TV+, but it is available via the Apple TV, it's a piece of hardware, and we're seeing that more and more. More and more, I think players are trying to think about how to build a so-called channels product where they just sell a variety of different models all in one place and deliver it through a single user interface.

MR. HAMILTON: So in all of that confusion CBS must have an extraordinary challenge in trying to manage its content and its brand in the most rewarding and brand appropriate way across all of these platforms.

MS. WAUK: Yeah. And it means you've got—in a large big media company like that, you've got a lot of different divisions handling different parts of the content life cycle. And a large part of my job is to make sure that all of those different divisions coordinate, so you don't have some backend division granting MFNs or exclusivity that are going to cause problems for another division.

And then of course, there's strategic business people who are making sure—there's conflict, there's genuine conflict.

MS. TAN: And I think that's not just at a large company, but at BuzzFeed too. You really don't speak about—they used to talk about first runs and that sort of thing. Product life cycle, I think that's a very useful way to look at it. These days, at BuzzFeed we're really trying to get the most money out of the same piece of content—and

the way to do that is often not to give exclusivity to one platform. You want to—you might give them first run exclusivity to the extent that first run still exists. But then you still want to keep the rights to rerun it elsewhere or to license out your archival content. Like our Tasty recipes, they're what we call evergreen content, they don't date themselves. You can always learn how to make a pizza, right? So, and we keep finding new avenues for them. Like when the internet of things came out like Google Home, all of those devices, those have actually been proving to be an interesting market to place some of the cooking videos on. And that's something that since we are a producer and we make those, we've had the opportunity to take content that we've originally made for Facebook, and then now it's coming up on Google Home, Amazon, Echo, that sort of thing. And we're getting multiple revenue streams out of the same video.

MR. HAMILTON: Alison, I was involved in the launch of the Food Network. And the Food Network took off and became a multi-billion dollar, I guess, business out of the Discovery family. And then "Hands and Pans" came in, just a simple new format, new genre, and stripped if not hundreds of millions of dollars out of the value of the Food Network, because they were relying on 30 minutes—

MS. TAN: —yeah, and it turns out a lot of people want to know how to cook Ramen in one minute or less.

MR. HAMILTON: Put me at the top of that list. So, Karen, what are your take-aways from this fascinating discussion as it relates to the independent dealmaker?

MS. ROBSON: Well, first of all, it's very difficult to get young people to watch feature films. And so just from what I was talking about, coming at it from the idea of a producer of narrative content, that is—the feature film business is changing so dramatically, so quickly, being a great lover of cinema, I hope we'll always have it. But even you mention—so what we were hearing here was a lot about short form content, rapid availability of content. We're also hearing a lot about non-exclusivity. The old models of feature film distribution were very much about exclusivity and windowing of different media, and so on. And there is still a position for perhaps a first run. Even if you're not going to theatrically distribute your film in cinemas, are you going to make it available for purchase first on the iTunes kind of model where you—transactional VOD and rental VOD, and then—but people are rapidly going to the profusion of non-exclusive models and trying to get revenue from multiple sources and internationally.

So I think that there's a number of take-always. One is just that long form content is more difficult.

MR. HAMILTON: So Alison, any further thoughts about the challenge for—

MS. WAUK: —it's interesting you mention transactional VOD. That is the one acronym that I use all the time is EST, Electronic Sell Through, I think is one of the few that has genuine meaning in the industry. It's a studio right—yeah, it's the permanent download rights, it's what you buy through iTunes if you actually buy a show.

MR. HAMILTON: So explain that to me a bit more.

MS. WAUK: So it is—so last night's episodes you could buy today. You could buy the right for—I don't even know, \$1.99. You could buy an episode of a show and you have permanent rights to download it or stream it from a cache. It's one of the few that I think, acronyms, that does have real meaning in the industry.

MR. HAMILTON: One of my interesting blends is SVOD disguised as TVOD. So I want to check out BritBox, but I know they have a very thin library, and there's very relatively few new programs in the genres that appeal to me. So I subscribe to it for a month, and I watch it, everything that I want to watch, and then I cancel the subscription. So that's becoming an increasing trend now, where subscription video is effectively becoming a one-month TVOD consumer controlled license.

MS. WAUK: Right.

MS. ROBSON: Yes. And I think that a lot of the Netflixes of this world are trying to keep that stickiness of their subscribers, as they like to call it, hanging onto people.

Like so many people subscribed to HBO to watch "Game of Thrones," and then when it was finished, dropped the subscription.

MR. HAMILTON: It's an incredibly fluid environment. So the next topic—we're going to discuss the death of the backend. And I know we touched on it before, but Karen, why don't you launch in with some further comments.

MS. ROBSON: Well, I think it sort of came from the fact that when the streamer started commissioning programming like Netflix, they were commissioning feature films, series, etc. They're increasing their global company, and so they started either buying or commissioning from inception, programs, and they would pay one amount of money, which is the cost of making it, and higher in many cases, fees for the participants, but there was no backend. They started something called the premium plus model. The premium plus model is basically, here's your budget: Let's add on 10%, 20% to it, and that's it, you'll never see another dime. So that is a no backend, well, it's sort of like a kind of backend or a buyout of the backend structure. And that is all over—I mean, that's where somebody is buying it exclusively, of course.

One way to create a backend for you as a producer or a creator is to retain ownership of your content and put it out on multiple different platforms with all these different

revenue models, and gather together those streams over time and hope to create your own backend, as it were.

So those are the two—I mean, the old models, the old feature film model with selling the territories with minimum guarantees, had a backend that maybe you rarely saw. It used to have box office bonuses when the film reached a certain amount at the U.S. box office, you'd get a bonus. Then they started putting in streaming bonuses if—and so on. So there were different varieties of that backend.

And in television it was traditionally called MAGR, or modified adjusted gross receipts, that worked very well, well I doubt very well, that worked in the old model with the U.S. network. And then it went to the different syndicated. And you had those number of shows. You could probably all name them, like "Seinfeld" or "Friends," that generated gazillions of dollars for all the participants, particularly the producers and so on, on those shows, because of the way that backend was structured.

Again, if you make a—now if you make a television show for a stream, is there going to be a backend, or are you going to be paid?

One of the problems that people are seeing now with the streamers, they want to have new programming all the time, and things don't go as many seasons as they used to go, even when they're successful, they go one or two.

So Disney+, which is the new streamer, their back-end model is currently, but this is a matter of changing, is geared to a bonus structure, a kind of point structure. And some of this information is in the materials where if a television series goes to a third season, you start to get paid an amount of money. You have a certain number of points. The points have an actual dollar amount attached to them. Depending how many points, you may get \$80,000, you may get \$100,000 and so on.

So—and there's a lot of discussion about how maybe we're going to go back to a backend.

MR. HAMILTON: Sounds like Norwegian Airlines here. Get a third season and you get an upgrade to what could be business. So Ashley, backend.

MS. TAN: Right. Well, for BuzzFeed, you know I tend to look at it a little differently in that the backend is just not what it used to be. There's still a sense of dividing up the revenue, but you're not talking about the same types of revenue. It was about selling seats in movie theatres and that sort of thing. Whereas, in the online space, you're talking about selling ad space to advertisers. And BuzzFeed is both a producer and also has its own platform, its own websites and apps. We have our own relationships with advertisers. We do direct deals with advertisers. Those relationships are incredibly important.

I don't think that I'd be wrong to say that, frankly, a lot of the times we think we can market our content better than a distributor like Facebook or Apple that we're selling the content to.

So we, in that case, we don't want to necessarily share in their backend when they're selling to the advertisers. We want our own sale rights so that we can essentially sell the backend directly ourselves, and then we can keep that revenue. And on top of that we can leverage those relationships, because if you have the relationship with the advertiser directly, you can tie in all sorts of other things. It's not just ads against the videos, you can offer to throw an event for them. You can hire out your influencers, your talent that appear in the content to do things for them.

You can do merchandise licensing. We have several very successful lines of physical product. And that line of business actually is starting to turn into, and we hope this is going in the direction that one of my former employers, Hasbro did where essentially you made the content that sells the merch that sells the content, you know. And all the revenue stays in house and you're not paying royalties to anybody.

MR. HAMILTON: The Hasbro model, that's great.

MS. TAN: Yeah, I think it's really honestly a different way of splitting up the revenue other than necessarily the—well, something is dying, a particular revenue model is dying, but there are other revenue models springing up to take up its place.

MR. HAMILTON: It's incredibly defused and very hard for an outsider to get a handle on.

MS. TAN: Well, hm, I think you can look—it depends. It's something you do have to learn, but a lot of people, a lot of starts have been attracted to the space because I think certain types of overhead are lower or non-existent here. You can do this without an agent. You can do this without a lawyer, although I don't recommend that, at least when you're starting to make a lot of money.

You know, you can do this with a very small team. BuzzFeed is a little over a thousand employees globally. And I think if you compare the size of BuzzFeed to a lot of the traditional companies, like you mentioned Food Network, and I think what we've been able to do in comparison to that size team, we wouldn't have been able to do that without the fact that digital allows you to exploit in multiple revenue streams at the same time with much less people.

MR. HAMILTON: Right. And they're all under 30. So Alison, the backend. And then we're going to go to Q and A.

MS. WAUK: So as Karen said, in broadcast television, there is still a backend. And then if you're selling your show, it's going to depend on who you're selling it to. And I think that the streamers or the SVOD or other

hybrid products, it depends on who you're selling to, and it is a risk shifting. You might get more money up front from Netflix, but less money if it turns out to be a highly successful show over time.

MS. ROBSON: Right, but if it's a flop, you were very well paid.

MS. WAUK: Right. You've been very nicely paid for a single season in the way that you wouldn't in the broadcast model.

The other major related issue is, as more and more companies are building new products with content that they own, they're having to figure out how to set up what is called imputed license fees. So fees that they're setting within the company, and no one quite knows how to do that yet, it's a major industry issue.

MS. ROBSON: Well, and that is a big reason why there's talk about getting rid of the backend because there have been so many lawsuits about the old model that they'd rather—

MS. WAUK: —yeah, not have the risk, yeah.

MS. ROBSON: It has a risk too, and just all these related exploitations, a lot of them weren't taken into account, greatly. And that would be just the last thing I'd say about it, because I was looking at it more from the point of view of the content creator. And I think from the point of view of BuzzFeed or somebody creating, you can see all those revenue models.

It's harder for the traditional content creators, those making feature films and television, but much easier for modern influencers or people because they see all these revenue sources and they can also make something for you, which creates their brand awareness, and they can do a hundred other things over here. It's no longer, I'm a television star, and the network owns me and I can't do anything else. So they're very entrepreneurial. So it's like the old model versus the new.

MR. HAMILTON: The new models.

MS. ROBSON: Models, yes. People.

MR. HAMILTON: So, we've got time for Q and A. Just stand up and yell out your name and yell out your question, yell out where you are from, and then sit down. Does anyone have any questions?

Fantastic panel by the way. I really enjoyed you. I feel like we're just getting started with my questions, but do any of you have a question please. Here's one over here.

AUDIENCE SPEAKER: Brian Logan. How does a company like BuzzFeed monetize the original content on social media? Is it by clicks? Do you have an agreement that's different from, let's say Facebook versus Twitter, something like that?

MS. TAN: Well, there's a lot of ways you can make money, is the short version. I think the easiest way to describe it is you have passive revenue versus direct deals.

So passive revenue is what's been getting in the news lately, where the platforms are doing all the ad serving for you. And anybody can go into the system and place a bid on an ad and it's all automatic, it's like the New York Stock Exchange, and all you do is you post the content and once you've reached a certain number of followers you're allowed to monetize, meaning you get to share the ad revenue. Those arrangements typically aren't going to be negotiated. You pretty much take whatever percentage the platform gets you.

If you're doing a direct deal, that essentially means that you've carved out your ad sale rights. And that platform may sell direct deals, but you are also selling directly to the advertiser, and those things are somewhat similar to TV, in that you're guaranteeing that the ads will run against certain videos for a certain window of time.

You also can guarantee exclusivity, like for one day you will see nothing but Chase Bank ads on this particular Facebook page, for example. In that case, the advertisers often are commissioning content as well. I'm sure you've all heard of branded content or native advertising, that's where that piece comes in.

You can also carve out merchandise rights. YouTube has several integrations at this point where if you're going to run a successful YouTube channel, they have plug-ins at the bottom where you can just click and buy merchandise tied to that channel. Or there's also the affiliate content link model, it's the same concept. Your viewers are given links about products that show up in your content. You click them and then we're getting a commission if the person who clicks through actually buys a product from the advertiser.

MR. HAMILTON: Everybody take notes. That's an extraordinary list for one content creator or group of creators to manage, and then to plan, and then execute.

MS. TAN: Well, that is the headache. Just trying to make sure that you have the rights to do all of this stuff. And it gets multiplied when you're trying to transfer content on multiple platforms, because the ideal would be—we do long form content. And the way that you fund that these days is that you make the long form content and then you make related short form content. But ideally, you're just doing one shoot, right? So all the production costs are one time. And then you keep making different versions for different platforms. And that's what I was mentioning earlier about the format. If you put something that's formatting for Facebook on Snapchat, it's not going to perform well. So you have to re-edit it anyway. But then you are doubling, tripling, quadrupling, you know, you're trying to get it on as many platforms as possible. And it's the same production shoot.

MR. HAMILTON: So I have a question about TikTok. TikTok is a 15 second format that has basically taken a billion or whatever downloaders by surprise. Let's say I'm making, in my world, a feature documentary on elephants. And I decide to drop several of them in a TikTok campaign, great scenes, 15 seconds, will that compromise the value of the feature doc?

MS. ROBSON: Well, I think it's almost advertising for the feature doc, in a way. I mean all—like Snapchat, I don't know about people using it on TikTok, but I've had a lot of experience where Nat Geo or the BBC, they do stuff for Snapchat. They do short form content that's related to their—

MS. TAN: —to try to drive the subscriptions.

MS. ROBSON: Yeah, they see it partly as promotional value for the show, and partly they do get some revenue from it. I don't know—I don't see their finances, so I'm not sure. And people are just trying out these new—I think that's what you were saying.

MS. TAN: Yeah.

MS. ROBSON: Clients come to me and say, hey, we want to do this deal, and then we get the deal and we go, well, the economics are terrible, but they say, but no, we need to be in this market. So they go in and they test it out and they see what it—so that's why people would experiment. It's just that it depends on who you are and whether you have the right to do that. Obviously, if you're the financier and owner of the program, you do.

So it can be more difficult for independent producers who sell certain rights to the X, and certain rights to Y, to know whether they can even do that. But if you're the people who make—Richard Attenborough is at BBC I guess. They own everything although they'd have to look at their contracts, but they can do what they choose, and they can try it out.

MR. HAMILTON: But even—and I guess the bottom line is that even if TikTok, a 15 second clip is going to require a fair amount of lawyering and a fair amount of strategizing before you execute.

MS. TAN: Absolutely.

MS. ROBSON: Yes. Especially where there's music, and there's—if there's a song—

MR. HAMILTON: —sure, that's—we all know that one. Another question. Lady here please, with you—yes please.

AUDIENCE SPEAKER: My name is Jaclyn (indiscernible). Do you think that the prohibition of packaging, which is again changing, will affect revenue for both the studios and the writers if the WGA is successful in their endeavor to prohibit packaging?

MS. ROBSON: Well, the argument of the Writers Guild is that the existence of packaging fees paid to talent agencies reduces the payments that are available to the writers and the backend payment.

There's no doubt that the percent—the backend portion or the fee taken out of the episode has to be paid. Does it directly affect the writers, does it not; is a matter great dispute between the two sides.

I don't think that the people paying the packaging fees to the talent agencies, which are the studios or the networks, they'll be happy not to pay them, but the money will end up getting paid one way or another in another category.

So I don't know, obviously we've seen more agencies sign up to the new Writers Guild position in the last week. But I think it's only really in my view affected television, anyway. And one other thing that is affecting packaging fees is the death of the backend, because most of the packaging fee, most of the value of the packaging fee for the agency was in the backend. Yes, they get a fee in the budget of each episode, but that doesn't usually make up for the loss of the commission on their writer, it's the percentage they get at the backend that does.

So if you set up a program at Netflix and effectively there is no backend beyond the premium, then that also effects what the talent agency can get in packaging.

So I think there's a lot of things stepping into affecting that. So I don't have a clear answer for you, but I think that we will see new models emerging.

MR. HAMILTON: Okay. Well, let me thank Anne and Judy for putting the package together. Thanks for those calls. (APPLAUSE). 7:00 a.m. on Sunday calls. And thank you, Karen, that was really fantastic. Ashley, so interesting. And Alison, great to have CBS back at the table.

Podcasts

Panelists:

Anne Kennedy McGuire, Partner, Loeb & Loeb LLP | Huma Khan, Lead Business Affairs Counsel, Luminary Media
Marissa Hurwitz, Agent, Digital Media, WME | Merlyne Jean-Louis, Principal, Jean-Louis Law, P.C.

ANNE ATKINSON: We're going to take a quick panel change to the podcast panel, so can the panels come on up. Thank you, guys, that was fabulous.

So now we're going to turn to the new world of podcasts. A whole other amazing new development, right? And some of the people on this panel have been involved in the invention of this business. Certainly, at WME.⁴

So I'm just going to introduce Anne Kennedy McGuire, who is going to moderate this panel. She is the head of the podcast practice at Loeb & Loeb. Who knew there was even a podcast practice at any of these firms now, but there is at some of them.

So I'm really going to just turn it over to her and then she can introduce the other panelists who we have, and they'll be introducing themselves as well.

ANNE KENNEDY McGUIRE: Welcome everybody. I'm going to let everybody introduce themselves first and then we can get a little bit into what podcasts are and also the business of podcasts.

MARISSA HURWITZ: I'm Marissa Hurwitz, I'm an agent at WME in our Digital Media Department, so we focus on both digital native talent as well as building out digital businesses for our clients, podcasting, which has become a massive business for them.

We rep everyone from Malcolm Gladwell, and Steven Dubner, to Crooked Media. We rep a couple of the podcast networks for their owned and operated IP from Cadence 13, to Mid Roll, to Slate, and kind of runs the gamut of setting up talent deals in the podcasting space for our clients, as well as thinking about podcasting as a piece of IP that we can then sell into derivatives into other areas.

HUMA KHAN: Hi, I'm Huma Khan. I've worked in film and TV for over 10 years, mostly at AMC Networks, IFC Films, and then most recently at Netflix. But I've spent a year here now at Luminary Media, which is a start-up that we just launched in April. And I've been doing structuring of production distribution deals with podcasts, so far over 40 podcasts that we launched in April.

MERLYNE JEAN-LOUIS: Hi everyone, my name is Merlyne Jean-Louis, I am the owner of Jean-Louis Law P.C., a business entertainment law firm based out here in New York.

I used to be a dancer, so I serve nontraditional entertainers, like podcasters, bloggers, influencers, dancers. I am also a commentator. I've talked about IP law as it

relates to choreography and influencers on Bloomberg, CBS, The Verge. I am a graduate of Duke Law School and NYU.

I've been a member of EASL for 10 years, I joined during my first year of law school. And I'm really excited to be on this panel, especially in front of some members who I see here who were so gracious and kind to provide some guidance to me early on in my career. So thank you.

MS. KENNEDY McGUIRE: All right, great. So, we're going to go into a little bit of background on podcasts, and then we're going to get into the state of the industry and legal issues around podcasts. But first of all, let's set the stage.

Who has heard of a podcasts? Hands? Okay, good, good, we got progress. How many people are currently subscribed to at least one podcast? How many people are listening on multiple platforms like Luminary, Apple? Good. And then how many people have worked in their lawyer capacity on a podcasts deal or a related deal? Okay, we're whittling it down, I like it. So that's our basis of knowledge.

I want to give a little history on a podcast, and some of you, since you're familiar may already know this. But the term originated in 2004, it was used by a journalist originally. And then the sharing of podcast grew out of blogging culture, that's why they're shared via an RSS feed and that's why the feed is public and open, well right now, hopefully we'll stay that way; to various different platforms.

In 2005, Apple added podcasting to iTunes, which led to the wider distribution of podcasts. And then in 2012 Apple launched the standalone podcast app that you guys have on your iPhone if you have an iPhone. And then in 2014, "Serial" launched and they've had over 175 million downloads. We refer to that as a gateway podcast. That's a podcast that a lot of people used to use to get into podcasts, now there's a lot of options, so you don't have to use that one.

Currently, the weekly audience is over 60 million and monthly over 90 million. The advertising revenue in 2019 was over \$700 million and it's expected to be over a billion in 2021. So as Marissa was saying, there's now big money in this area.

There's been a lot of big acquisitions, which I'm sure most of you are familiar with. Spotify last year acquired Gimlet for \$230 million. Anchor, which is a sort of back-

end advertising platform for \$100 million in podcasts, which had a huge library of podcasts, and is still creating new podcasts for Spotify. And then iHeart acquired Stealth in 2018 for \$55 million.

So our view at Loeb is—we originally got into this from the derivatives perspective because we're—my background is as a TV lawyer, mostly in the unscripted space. And there's a big market now for podcasts to TV deals and podcasts to film deals, so those are relatively straightforward to us. And since then we represent many platforms, some individual podcasters and some individual podcasters that are looking to create platforms. So we're all over the market on that. But our view is, and I'm sure you guys are seeing this too, is there's more money coming in at this space, there are more eyeballs on it, there are more people willing to sue, there's more attention to the legal issues.

So what started out as people recording audio in their basement and talking about whatever they want to talk about and using music, unfortunately, however they wanted to use it, we now are seeing the beginnings of lawsuits and certainly much more attention on the space.

So it's good to know the legal issues in this area, and continue to support and represent people in this practice.

So I was going to turn it over to Marissa first, because she's on the agenting side of all of this, to provide us a little bit of the insight info on the state of the podcast industry and what she's seeing right now.

MS. HURWITZ: So I think in the podcast space right now is sort of a creator marketplace as more sort of A-list celebrity talent are looking to get into the podcasting space. I think they're seeing it as an extension of their business where they can go.

There are sort of three types of deals that you can do within the podcasting space for the actual distribution of the initial podcast. There's the Spotifys of the world, which are sure to pay a premium because if you're exclusive to the Spotify window, you would essentially have a narrower audience, therefore, there's less upside to be made in the long run. There's sort of the traditional advertising based network deals, which are the sort of traditional ad networks where the main monetization is through the host read advertising on the podcast, and then there are the paywall apps, like Luminary, that have sprung up in the space to sort of fill a paywall gap where they saw a marketplace for a new way to distribute a podcast.

Slate in the last year, which was a big magazine, and then launched a big podcast business off the backs of that. They launched Slate Plus, which is where you can get your podcast content from Slate with a premium per month fee behind a paywall where then also you weren't running advertising against it. Stitcher, Mid Roll, Earwolf, they have like four different brand names, they also have

their Stitcher Premium network, where again, you have it behind a paywall where there's not advertising running against that. And so those are sort of the three I would say, main podcast deals in this space that you can do.

And I would say year over year we're seeing more talent and more IP come into this space from both people who you might be familiar with, but as well as, it's a little bit more of a democratic marketplace than the traditional television world, in that you can make and distribute a podcast without having name brand recognition. The marketing is a lot harder in podcasting now for discoverability. There are a lot more shows out there, so people have a harder time finding new shows, but it's still more democratic than television, so a lot more people are entering the podcasting space.

MS. KENNEDY McGUIRE: That actually came up in something I was reading the other day, that because the interest in podcast and the volume of podcast has grown there's over—now I think over 700,000 podcasts, that it's very hard to find ones that you like. We'll see if there's going to be improvements in platforms since there's several platforms out there; Overcast, Pocket Casts, others that I am forgetting. So we'll see if any are dominant. Oh, Acast, thank you.

Huma, Marissa made me think of something. She was talking about the celebrity focus, which I know—that's also been our focus on Luminary. So if you can give us a little background on Luminary.

MS. KHAN: Luminary is a startup that launched in April and it's basically a podcast network. And I think we think of it more as like a multi-media with like a film and TV bent, although it's like an intersection of film, TV, publishing, all these different creative voices that are A-list talent coming from those worlds.

We've got Leon Neyfakh, who came from Slate, who had done "Slow Burn" and now he's doing "Fiasco" with us, and it was considered on all the critical acclaim lists for last year. We've got—

MS. HURWITZ: —it's fabulous, I highly recommend it.

MS. KHAN: Guy Raz from NPR doing—he had done, "How I Built This," and now he's doing, "Wisdom" with us, "Wisdom From the Top," and he just talks with people in the industry. But we've also got A-list talent like Trevor Noah, and Lena Dunham, and Team Coco, Conan O'Brien's doing two scripted podcasts with us. Also "Frontier Tween," which is about pre-teen girls living in the frontier land, and kind of like the satirical kind of "Little House on the Prairie," if you will.

Then we've got that "King of Talent" coming in through the doors, so we're kind of modeling our stuff more like film and TV.

MS. KENNEDY McGUIRE: Well, that's a good question. Are all three of you seeing an increase in scripted podcasts, because originally obviously, or maybe not obviously, but podcasters were originally very much—I mean every podcast has a script, but very rigid nonfiction genre, either a talk genre, or true crime is obviously big everywhere, but also in podcasts. Are you seeing a push towards scripted?

MS. HURWITZ: There's definitely a push towards scripted. I think scripted is still hard to monetize in the podcasting space. When you have a shorter run narrative, this applies to non-fiction too, the "Serial" model is an example of that.

You have a shorter run time to monetize your audience on the traditional ad based model. That's where Spotify and platforms like Luminary have been more helpful in bringing money into this space to get scripted projects made. They have higher budgets, they cost more to make and you have less time to make back that money and recoup that. So it's just a little bit of a different model than the scripted space. I think you'll start to see more and more scripted projects come out.

You had Rami Malek's "Blackout." Gimlet had a lot of scripted series that they had done. You had the creators of "Limetown", who did a scripted podcast that was sort of one of the first to really break out, and then they were able to flip that into—

MS. KENNEDY McGUIRE: —Facebook Watch.

MS. HURWITZ: Facebook Watch with Jessica Biel. So I definitely think there are more eyeballs looking for a scripted series. It's again, figuring out—you have to find the right partner with the ability to monetize that audience very quickly.

MS. KENNEDY McGUIRE: Yeah. And we've seen, like with "Blackout", when there's big name talent attached to it, there can also be pre-sales of the movie rights, or TV rights of the derivatives of those podcasts, so that can be another part of monetizing it, so you may be less—if you pre-sell you're potentially less worried whether you're going to monetize over the life of the podcast, because you at least know there's more money coming in down the road.

MS. KENNEDY McGUIRE: Merlyne, I wanted to get to you—oh, Huma, go ahead.

MS. KHAN: Sorry, I was just going to make one point. One of the key points for Luminary is picking the right partner to be doing this deal with. And when you have this experience from, like I said, the TV and film world, they come from a discipline that they understand all the mechanics involved in doing production and what it takes to put out a series, it makes a greater experience, and it kind of is one of the reasons we're leaning in towards that kind of area.

MS. KENNEDY McGUIRE: Yeah, we've frustrations from our network side on finding producers that are producing for audio first, because there's a lot of TV producers that think there's much lower barriers of entry for a podcast, the budgets are much lower for unscripted, \$100, \$150 an episode or a season. It can be for an eight to 10 episode season, and then for scripted \$250, \$350 depending on the talent, and the writers for a season of eight to 10 episodes. So it's much lower than even making a TV pilot.

So we see a lot of TV folks saying, great, I'll just take this pilot that didn't sell anywhere else and I'll make it into a podcast, but that often doesn't make a great podcast that—writing for TV is very different than writing for audio. You want to be audio first, you want to be sound designed, there's a lot of moving pieces that go into that.

So we've had our networks—I don't know if you've seen this Marissa, but they've been frustrated with having producers that can produce audio first and take good content and make it a sellable podcast.

MS. HURWITZ: Yes. I've pitched a lot of podcasts that were failed television pilots. And the networks all know that, especially when the clients will not tweak the decks or the sizzle reels, that's very clearly made for television.

MS. KENNEDY McGUIRE: I like it when they say at the bottom, "Pilot," that's my favorite. We've had a couple of those.

MS. HURWITZ: But I think one of the other things too that has been helpful, there have been sort of podcast production companies that have sprung up in this space. I think Sony has acquired a few of the better ones over the last year. And so I think there are definitely people in the space who are getting into that and designing for audio first, and that's incredibly valuable.

I think we see value similarly to the TV space and packaging projects, and making sure that the elements are put together too, in the podcasting space of pairing talent with producers who have expertise in audio first, and then selling those to the networks, where we've had a lot of success around that. And that can be from anything of partnering them with say, like a Crooked Media, who has massive marketing and promotional against the various RSS feeds that they already have within their network. Partnering with them on a project, but then selling still to a third party platform where they don't necessarily have to put up the financing against it, but they're bringing value, and marketing and promotion. And what's been helpful in the podcasting space too, is thinking about it similarly to the TV and film world of how can you put the right elements together so that you can still get the best sale possible, which then benefits the networks as well, because you're coming to them with a sort of a fully big package where they're not necessarily worrying about,

well who is doing the audio production, and have they ever made a podcast before? Can they even make a podcast and will it sound great?

And then the other thing where we've seen a lot of success in crossing over is in playwright talent. A lot of times writers who write for theatre have a better eye and ear around writing for audio only, because when you're writing for the stage, you see a lot of the similarities between podcasting and doing setting for a theatre stage and that sort of sound design around it versus writing for television, that's so visual.

MS. KENNEDY McGUIRE: That's interesting. Oh, I don't want to leave you out. I know you represent a lot of podcasters. What are you seeing in terms of up on that side of it rather than the networks side?

MERLYNE JEAN-LOUIS: So, most podcasters start podcasting as a hobby. They have the interest, they've been doing it for years. It's not until they're approached by WME or Luminary that they say, okay, I need to get my affairs in order, and that's when they come up to me.

So I help protect them like any type of entertainment business. I like to say that I protect their assets, their brand, and their content. So this is sort of geared towards those who don't have an entertainment background or are trying to enter entertainment law.

Step one, protect your client's assets. The tools that you use would be entities and contract law.

I usually recommend that my clients form LLCs, they're usually—they have full time jobs or careers. I've met doctors, secret service agents, DJs, accountants, who are in podcasting, and so they don't have a lot of time. And so to best manage their affairs, I recommend that they form an LLC because it's easier to manage, you don't have to follow the same amount of formalities as compared to a corporation.

In terms of contracts, there are a variety of contracts for the podcasters that I see, the first being the LLC operating agreement, if there's more than one person who is a host on the show, licenses from music, they're starting to get serious about that now, they are.

Lots of podcasters like guests and so they need releases to make sure that they secure the IP of their guests.

NDA's. I've had clients come up to me and say, hey, I spent an hour, a couple of hours talking to this other person about a podcast idea. They took the idea and ran with it without me. So NDAs are actually really important for podcasting, and if you're getting on WME or Luminary request agreements, you just have to make sure that you have those as well.

Step 2, to protect your client, the brand, trademark law. Some trademarks associated with podcasting, company name, podcast title, the pseudonyms of the host.

Sometimes they have slogans. And so the steps to protect the trademark, you're going to first choose a strong protectable trademark. Suggest an arbitrary or fanciful, and now with the Supreme Court cases that passed recently, you can now trademark immoral, scandalous, and disparaging marks, which a lot of podcasts have, so.

Conduct a clearance search afterwards, make sure no one else is using something that's similar. So, to avoid the hint of confusion, register the trademark, and then make sure to enforce and maintain it.

And the last tool, protect the concept, which is really important, right, that's what everyone cares about. Copyright law and contract law.

The type of owners in podcasts are copyright owners, podcast hosts, their guests, anyone who creates artwork for them for their logo, that's some type of IP as well, and music.

So secure licenses and execute agreements to secure the IP. Also register—I definitely advise that my clients register their episodes every three months.

So most of the podcasters, they produce the episodes on a weekly, bi-weekly basis. It would be very cumbersome to every time they put out an episode, to actually register it. So I recommend they do it periodically, like every three months, for the owner to get statutory damages in case they're ever sued for copyright infringement.

And now because of the Supreme Court case last year, you have to register copyright in order to sue. So that's it.

MS. KENNEDY McGUIRE: Yeah, great. And you brought up an interesting point, which we've been seeing as well, which is ownership.

I know, if obviously you're starting and you're publishing it yourself, you're not going through a network, you would own it. But we see a lot of, in the development space, either ownership by the networks, or splitting ownership, or other sort of tweaks to those models. So what are you seeing, Marissa?

MS. HURWITZ: Yeah, I think each deal sort of varies with the network. It also depends on the leverage that you have with the network when you're doing the deal, but I think the high level really important points are obviously the underlying IP. Having the client own the underlying IP is incredibly important, especially as we're looking at it as a holistic sort of 360 business around the initial podcast distribution, but then also the film and television rights, the touring rights, the book rights, the merchandising and licensing rights, and thinking about all of those pieces of the puzzle, which if they don't own the underlying IP, then the client doesn't participate in that.

We think about the RSS feed, which is where your actual subscribers live on the back end, so even when

we move podcasts between networks, generally it's a fairly seamless transition on the front end for you guys as listeners. You don't realize if someone swaps from a Midroll to a Cadence13 to a Slate, because they retained ownership of the RSS feed. If the network owns the RSS feed, whenever they go to restart the podcast with a new network, if they're out of their deal or they don't want to renew with the network that they're currently with, they'll have to start from zero subscribers.

So then the network owns those subscribers. They can rename the feed, and they can launch a new show off the back of the show, off of the subscribers that your talent was the one who built.

And so that's sort of the big important pieces within podcasting, of thinking about when you're protecting clients. What the networks want a lot of times is the RSS feed. They know that's really where the value is within the podcast. The IP is important, the masters are important as well, but the RSS feed is sort of the tricky little hidden thing that a lot of the networks will try and slip in and people don't necessarily realize the value and importance of that when they're doing their deals.

MS. KENNEDY McGUIRE: I was having that fight this morning.

MS. HURWITZ: Yeah, it's a fight and a half.

MS. KENNEDY McGUIRE: It is. It's been a fight, yeah.

MS. HURWITZ: Some networks are better than others about it.

MS. KENNEDY McGUIRE: Networks are getting much more—I've found networks are getting much more aggressive about that for exactly the reasons you're talking about in terms of subscribers and not wanting to lose that base. Huma?

MS. KHAN: I agree.

MS. KENNEDY McGUIRE: Marissa, you brought up another thing that I was thinking about. Another unique sort of player in the market is Audible. They have—I don't know if you're all familiar, but they have rented a theatre downtown, and they're doing one and two person plays, and, with sort of like you're saying, you need playwrights who can write to that, and they're retaining the audio rights and releasing those as Audible Originals because they don't call them podcasts. And I think that's an interesting other twist. It's a way of sort of getting theatre to people that may not get theatre. It's also a way of getting celebrities to do shorter runs of plays that may not necessarily find a theatrical home. So it's sort of an interesting play on scripted podcasts, I guess. And we'll see if any of them go further than that.

MS. HURWITZ: And that's a whole other piece. A lot of times clients will take their podcasts on the road and

do tours of them, and then release that audio as the actual podcast for that week. So they'll double dip on the monetization of one piece of content, because they'll charge tickets for their fans to come see them live. And then they'll take that audio and distribute that and monetize against that initial audio of the podcast release. But that's just another thing to think about, of ways that clients can maximize the IP that they're using and how they can sort of monetize it in more than one way.

MS. KHAN: To that point, we don't mind the live events, because we see that as a marketing exercise. The more they're able to amplify their voice, and the more listeners that they're bringing in, that's just better for the service.

MS. KENNEDY McGUIRE: Yeah, I think a lot of the networks have different views on their participation in the touring too, so it can depend on which network you're negotiating with on that front, as well.

Another thing I wanted to get into was sort of the more technical issues around producing the podcast. So licensing, fair use concerns, and then obviously controlling derivatives.

So Merlyne, what have you seen in terms of licensing and making sure your podcasters were buttoned up on music licensing and clip—

MS. JEAN-LOUIS:—well, my clients, they do that, but I go to podcast festivals and conferences, and a lot of people do not do this.

MS. KENNEDY McGUIRE: We have done that too.

MS. JEAN-LOUIS: I've described in detail what fair use was and right afterwards someone said, but I heard if you use five seconds of a clip, that's okay. No, it's not, that's not how it works. So they just don't have the knowledge. And so a lot of what we're doing is just trying to educate podcasters about what IP issues are.

MS. HURWITZ: We've been seeing a lot of issues with music, less lately, which is good, but in terms of using music over credits, or using music as your theme when you haven't licensed it. There was a lot of that going on.

There's a lot of people who said, well I—they came on my show so I got a license to use their interview however I wanted.

MS. JEAN-LOUIS: Yes.

MS. HURWITZ: Maybe, but not something I would rely on, especially if you want to do anything else with that, or if you want to license out clips of your podcast. So we've been—I agree, that we've also been in these places where there's a lot of those questions like, how buttoned up do I have to be? Are we actually—do I have to really get a license? Do I have to get a release? So there's certain-

ly a learning curve on that that we work on. And fair use, in terms of not a lot of knowledge around that, and some missteps in that arena. Huma, what have you been seeing?

MS. KHAN: Well, a solution for that is time, like some of the legal payments to legal delivery of music licenses, insurance, some of those documentation things that we think that you still need. And you know, especially as we're exposed as a network, we're going to be more in line of any suit that's going to be coming our way. And even though they're going to be indemnifying us for it, we're the ones with the pockets, so, that's what we're—

MS. KENNEDY McGUIRE: —that is what we've seen on the networks too. A lot more hands on looking at—reviewing episodes, much more like TV. Reviewing episodes, having deliverables, having “legal rights bibles,” having insurance, which was not a thing that a lot of podcasters were thinking of when I brought up insurance, too. Some of our podcasters, they had no idea what I was talking about.

So there's certainly a push towards a much more formal process, especially when we see the big money that we're seeing. And that Marissa's seeing in this area. And I agreed with the networks with, like Endeavor Audio, and the sort of big pockets behind podcasting, they're certainly much more of a target than they ever were before.

The other thing we wanted to talk about were sort of trends, and there are trends that you're seeing in the industry, where you think it's going in the next year. Do you think this sort of buy, buy, buy sort of era that we've been in is going to continue or do you think we're sort of reaching a sort of tipping point?

MS. HURWITZ: I think it's going to continue. I think you guys saw the news this week, Apple for the first time is finally getting into the podcasting space through their TV originals. For Apple Plus, they're testing with a few of the TV shows, accompanying podcasts, HBO has done that as well. And I think you'll start to see more of that in this space. I think this is Apple's way of sort of dipping their toes into the water without—while still remaining an agnostic platform, because they can say that it's the TV content team that's buying the podcast, not the actual podcast team that's buying the podcast.

I think you're going to see Spotify continuing to make more acquisitions in this space. I think you're going to force more players to spend more money. I think you're about to see Sirius come back around and try and spend significantly more money to retain more people on the Sirius platform as opposed to flipping over into the podcasting space.

And so I think there's going to be a higher spend in the marketplace over the next couple of years as it continues to grow.

I think the radio business is a \$17 billion a year business. Podcasting is at a fraction of that right now. If you think about it, podcasting is on demand radio. It has a global audience, it's on everyone's iPhones automatically, you can't delete the app. It's on everyone's iPhones across the globe from India, to Indonesia, to China, to whoever else is using iPhones, South America. And so I think you're going to start to see the creation of a more global marketplace as well within the podcasting space.

There is—Spotify is seeing Germany become the biggest sort of boom in the podcasting space outside of the U.S.-U.K.-Australia marketplace. And there's been a huge advent of German language podcasts that had been performing incredibly well on the Spotify platform, as an example of that. And so I think you're going to start to see more of those start to trend and create sort of a more global marketplace around it where there are monetizing in these other areas at the same rate that they're sort of able to monetize them in the U.S.

MS. KENNEDY McGUIRE: Yeah, I've heard that about South Korea too, that it's also a huge market. And we've seen Wondery, especially, took the lead on dubbing a lot of their podcasts from English into foreign languages for the first time last year. So I think that—I think they did “Dirty John” or “Bad Batch,” one of those. And I think we're going to see a big increase in that too, to get the Netflixes of the world trying to take advantage of the international markets and making money that way.

MS. KENNEDY McGUIRE: Huma, what do you think?

MS. KHAN: Well, I mean we're getting pitched a lot of like potential podcasts from CAA and all the agents now, and it's like, Hollywood has really woken up to it. And you know, the numbers are probably in the same sort of neighborhood as some of these unscripted reality TV shows. I mean, or higher than that, but it's—we're definitely seeing this increase in volume in terms of the number of people who are reaching out to us.

MS. KENNEDY McGUIRE: Yeah. Merlyne?

MS. JEAN-LOUIS: I'm getting clients, podcast clients, so I think that's an indication—

MS. KENNEDY McGUIRE: —then that's a win.

MS. JEAN-LOUIS: Right. And I think—and it's interesting though, because we're at the advent of podcasting, right? We're experiencing what it would have been like to have been at the advent of TV and film, it's a new industry. So I'm just so excited to see how it's going to change in the next 10, 20 years.

MS. KENNEDY McGUIRE: I'm glad to see more money coming into the industry.

MS. JEAN-LOUIS: Yes.

MS. KENNEDY McGUIRE: That makes it a bigger deal, obviously more legal issues, which I guess is good for us, but more attention paid to it is always good.

Is there anything else you guys? I was going to take questions in a minute, but is there any other things you guys want to hit on? No, okay. Questions? Oh, all right. Go ahead.

AUDIENCE SPEAKER: Podcasting's new. What I haven't heard is whether there are any developing trends with respect to the Guilds.

MS. KENNEDY McGUIRE: Yes, there have been. Are you guys going to address this too? This has come up on a lot of the ones we've done. The WGA obviously hasn't so far come knocking, but we assume that that will happen.

SAG⁵ has made a deal with a couple of the networks. I know they made a deal with Pandora, because they've had a lot of talent that want to do podcasts, and want to be covered, and don't want to do it outside of their Guild agreement. So yes, that's definitely been an issue.

We haven't had DGA⁶ issues luckily because there's not a lot of directing, but I certainly think as scripted takes off, we'll have both more SAG issues, and more SAG covered podcasts. And definitely—even though the WGA hasn't done it yet, I can only imagine that they're going to come and they're going to set rates for this.

So we have been approaching—when we've been doing them we've been approaching it that way. We've been trying to make our writer agreements WGA friendly, so more structured, more similar to a WGA agreement, coming up with rates that we think are fair, given the budgets of podcasts, so that when they do come, we're prepared for that. We anticipate that they will.

AUDIENCE SPEAKER: Can you talk a little bit about the acquisition about the existing podcasts, as opposed to sort of the inventing a new one, and how—what trends you've seen in terms of the IP ownership and how that shifted?

MS. HURWITZ: I mean, yeah. So that's the leverage that you have if you have a pre-existing podcast with a pre-existing audience, you have significantly more leverage over the networks. A lot of times they would like access to that audience. They also—it's less risky for them. They know how many people they're going to be able to sell against. They know how many people they're going to be able to monetize against. So you, a lot of times, retain either the RSS feed and the ownership of the IP around that, just because you've already built an audience without that network support and help, so they have less leverage over saying that they're helping to build the business that you don't want them to participate in.

In terms of acquisition, I would say Spotify is the closest to that, acquiring Parcast, Gimlet, and even I would say the Spotify originals they're doing, the Joe Budden

deal, and the "Last Podcast On the Left" deal I can speak to sort of specifically. We had a lot of leverage over them wanting to capture that audience. And so knowing that they wanted access to the subscribers that were living on the RSS feeds and the audiences that they had, and knowing that Spotify wanted access to these audiences that they didn't think were necessarily users of the Spotify platform, so therefore you had a lot of leverage over what they were bringing to the table versus what a Spotify was bringing to the table.

AUDIENCE SPEAKER: Can you elaborate what you meant by access to Spotify actually getting to see a subscriber list and direct market?

MS. HURWITZ: Yeah, so they have access, so that we give them access to the downloads. We are the ones sending it through, so you can sort of share what you want, necessarily. You can make the numbers look as great as you would like for them too, with screenshots to back it up, but there are certain ways that you can tweak things.

Again, also you get a lot of analytics with podcasts. You get the geo data, you get back end analytics, you know what device they listen to on, whether they're listening to it on their computer or on their iPhone or on an Android. How long they're listening to, what cities that they're in. And then you also know sort of what their audience breakdown is, so you know what their fan base is. So like Joe Budden, as an example, he does a really famous hip-hop podcast. And so Spotify really wanted access to a more urban hip hop based audience to be an accompaniment to their RapCaviar Playlist, which is the most popular playlist on the Spotify platform.

So it was a natural sort of crossover for them to think about, this is an audience we want access to by acquiring the podcast as a Spotify original, and making it be an exclusive on the Spotify platform. They then gained access to his entire audience, and were then controlling sort of the marketing and promotion and advertising sales against that. That was something that they wanted.

So thinking about, you know, they have sort of certain buckets that they want to hit, and we have a lot of talent across the board that we can sort of serve to those buckets.

MS. KENNEDY McGUIRE: But to your point, they're not really direct marketing, because they're podcasts—the analytics are somewhat limited. You're not getting names, you're not getting, you know, any of that information.

So they can cross-sell, which is the number one way to promote any podcast, because if you're already listening to podcasts, you get the recommendations for other podcasts by listening to podcasts. It's harder to convert someone to podcasts in the first place, rather than convert a podcast listener amongst them.

The other trend that I forgot to mention is dynamic ad insertion, which has become a big thing. I don't know

if anyone was listening to Stuff Media podcast's before the iHeart takeover, but it was a dramatic change in the advertising once they took over, because they started dynamic ad insertion. They could do more targeted, they could do—like Spotify, they can do geo located ads in a way that they—no podcasts—I mean, podcasts originally had like four advertisers and we all knew who they were, and now there's a lot more advertising money in it, and the big difference is that they can now monetize back catalogs, which means that there used to be about a three to six month drop off if you get your CPM⁷ for the three to six months and then you sort of abandoned hope on the rest of your catalog with dynamic advertising, because a lot of podcast listeners will listen to the 65th episode and say, this is great, I want to go back and listen to one through 64. Now they can make money and actually get monetized against all of those back episodes in a way that they weren't able to before.

So iHeart's been making a lot—especially, by making a lot of different decisions in terms of what they'll purchase and what shows they'll invest in, because they know that they have that ability to monetize. So that's also definitely on the frontier for this year, and we'll see a lot more of that kind of advertising.

MS. HURWITZ: And that's the other thing too, I'd say that we've done more back catalog deals for monetizing the back catalog, whether it's on paywall platforms of putting them on different—the six months and beyond, but then also thinking about tech platforms like Lipson as an example, we'll also monetize the backend catalog so they can do six months and older that they're running

dynamic ad insertions, again, so if you're using Lipson as sort of your host platform.

AUDIENCE SPEAKER: Who is sharing in the advertising revenues in terms of the producer and the talent? Is there a share of those ad revenues with the platforms at this point, and what's the trend on that?

MS. KENNEDY McGUIRE: There is a share with the platforms for sure that you wouldn't—I mean, it depends on the platform. If it's Luminary, you're getting—obviously you can talk about this. Luminary or Paywall you're getting a premium similar to a Netflix deal on TV. But if you're doing an ad supported on, yes, there is a split with the platform, and it depends on your leverage as to what your split is.

As to talent, it also depends on your leverage. Yes, there can be hosts that participate in the ad revenue. There can be some that don't, but—

MS. HURWITZ: —and then for the producer, writer, talent deals, it will all vary. It depends on, for the most part, they're all offered some semblance of the splits, it sort of depends on the deal and what they're doing as well.

MS. KENNEDY McGUIRE: Yeah. What they're bringing to the—it's a very negotiable—and it's different than in TV, it's much more negotiable than in TV, there's a lot more splitting, and actually exposure to what the ad revenue is, unlike in TV.

MS. ATKINSON: So why don't as we transition to the next panel, maybe you can—

MS. KENNEDY McGUIRE: Yeah. Thank you, guys.



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Videogames and E-Sports

Panelists:

Jeffrey R. Cadwell, Partner, Dorsey & Whitney | Benjamin E. Golant, Chief Counsel for Intellectual Property Policy and Legal Affairs, Entertainment Software Association | Leo Wan, Senior Legal Counsel, theScore esports | Gerald Wang, VP, Business Affairs at Take-Two Interactive Software, Inc. | Stuart Goldfarb, General Counsel & Chief Operating Officer at Electronic Gaming Federation, Inc.

SARAH ROBERTSON: We're going to continue on now with the third part of our program. We've been lucky to have such a great quality of panelists so far, and we're on to our last panel for the Digital Distribution portion of this afternoon.

We're now going to shift from podcasts to video games. And in 2010 the revenues in this area were at \$20 billion. This year, they're expected to be \$152 billion. And the explosion in these areas due to the shift away from the console and title based properties to the digital and social realm. So we're going to cover some content, coverage, and competition in this area.

I'm here to introduce my colleague, Jeff Cadwell, who will be moderating. Together, he and I lead the creative industries group at Dorsey & Whitney, and Jeff focuses on the trademark and copyright area. And with that I'll turn it over to Jeff.

JEFFREY CADWELL: Thank you, Sarah. Without further ado, let me introduce my esteemed panelists. Sitting next to me is Stuart Goldfarb, who serves as General Counsel and Chief Operating Officer of the Electronic Gaming Federation.

He's an accomplished business and legal professional who has practiced for more than 20 years and represented prominent clients in the sports, media, and entertainment industries.

He's traditionally served as outside general counsel to his clients, and in doing so, has developed expertise in launching and operating leagues and teams in both the traditional sports and industries. And he'll talk a little bit about that expertise today.

Next to Stuart is Gerry Wang, who is Vice President of Business Affairs at Take-Two Interactive Software, which is a leading developer, publisher and marketer of interactive entertainment content for consumers around the globe.

Gerry leads, manages, and supports a wide range of commercial transactions for Take-Two's various game labels, including Rock Star Games and Two-K. He's deeply involved in transactions that relate to all phases of game development and publishing, including developer agreements, software technology agreements, intellectual property licensing, platform distribution, and so on.

Prior to Take-Two, Gerry was Senior Vice President of Business Affairs and General Counsel for Major League Gaming, and prior to that was in private practice.

Next to Gerry is Leo Wan, who is Senior Legal counsel at theScore, which is based in Toronto. TheScore is a digital sports media company, which operates a line of business specifically focused on news, scores, and fantasy information. Leo's duties involve providing legal advice and support on all aspects of the business. He also drafts, negotiates, and administers all types of agreements and privacy policies. It's probably better if I say what Leo doesn't do than what he does.

LEO WAN: Employment. I don't do employment.

MR. CADWELL: And Leo's going to talk a little bit more about theScore's efforts. And prior to theScore, Leo was Senior Legal Counsel at Blackberry.

And then finally, at the end of the table here we have Ben Golant, who is Chief Counsel for Intellectual Property Policy and Legal Affairs at the Entertainment Software Association in Washington, D.C. There, he represents the video game industry before policymakers at the state, federal, and international levels.

He started at ESA in September of 2015 after a long career in the federal government working at the FCC, United States Copyright Office, and the USPTO. He's an expert on copyright, free speech, online distribution platforms and digital media, and advanced consumer technologies.

Ben has also taught classes on a wide range of communications law topics at the Columbus School of Law - Catholic University, and currently teaches a video game law course at Georgetown University that all of us wish we could take when we were doing our planning classes.

BENJAMIN GOLANT: You're all invited. Really. Love to have you as special guests.

MR. CADWELL: So just to set the stage here, as before to kind of get the lay of the land, how many people in the audience play console video games? How about games on your mobile phone or other device? Oh, good, good. And how many people have actually watched content either on television or through a streaming platform? Okay, a few, so we're going to learn a little more about

that. And I'm going to kick it over to Ben to talk for a few minutes.

The agenda is for each of our panelists to take a couple of minutes to talk about what they do and kind of their main goals and concerns. And then we'll have a short discussion with some targeted questions, and then we'll close it up with audience questions at the end. So, Ben, take it away.

MR. GOLANT: Sounds good. So I have a slide deck. Looking across the room, I can see a lot of you are probably in the generation that you grew up with arcade games, probably in the 70s and 80s. Then you probably moved onto the Atari 2600, you can tell it's in television. ColecoVision, and then all the iterations of Nintendo and Sega, and then Sony's PlayStation, and Microsoft's Xbox. And believe it or not, ColecoVision is coming back next year, they're a member of ESA and we're going to have a family friendly platform, and so we're looking forward to having another player in the market, so to speak.

So I just want to let you know that whatever perceptions you had of the video industry or video games in particular, wipe that slate clean, all right. Let's start over with what we know about games today, but I'll have to go through the history of what we're talking about before we get into that point.

And this slide deck is pretty much my introductory class, and for two hours I'm going to put it down to 10 minutes, and that's not going to work, but I'm going to try.

So blips, we're talking about, like pong, right? You remember that game from 1972 with a paddle and a little dot, you go back and forth. But that wasn't the first game, really people are deciding whether or not this table for two goes back from the 1950s or from 1973, but that's another class entirely on the history of video games.

So now we have billions of pixels, we're talking about the quality of the actually content. Now things are almost as real as a movie, and that we like to call some video games "interactive movies," because it's just that. You might have heard from the panel too from this point that you have a lot of investments, you have a lot of people who are involved in funding games, a triple A game, which our friends at Take-Two make, and probably cost up to \$100 to \$200 million. They have script writers, they have screen writers, they have everything that a real movie has, it's just made by pixels. Or we have computer code and that would turn into art. And don't forget that point, that art is critically important here. People think of games as commerce, but they're really art as much as any other kind of cultural object; being a radio, a podcast, a movie, a TV show, so keep that in mind.

So technology, again, going from arcade machines and those little strips of film you put on your TV to play the old Magnavox. Now we have everything, everything that you can possibly imagine you can play. And we have

issues now that deal with almost anything that any high tech firm would deal with. And that would be from haptics, to artificial intelligence, to everything that you do in terms of software development in computer technology.

Platforms, remember back in the old days it was all TV screens, and again, arcades, and now we have streaming platforms online, whether it be from Sony, or from Microsoft, or from EA, or from any other big major players in the video game space.

So we now have an evolution, there were everything that you think of as an online service, as an online platform is the same for everything, from video games, to Facebook, to Google, etc.

Gamers, remember again, wipe your slate clean. It's not teens anymore, as it used to be back in the 70s and 80s, hanging out in your home playing some Frogger on the Atari 2600.

Now we have over 2.6 billion gamers worldwide. And I consider everyone who raised their hand a gamer, because even if you play on your mobile device, even if you play Candy Crush from one of our big members, Activision Blizzard, King, you are a gamer. Even if you play Dots on your mobile phone, you are a gamer.

So don't think because, oh no, I don't play a console game, I'm not a gamer, that's not the case anymore.

So legal, I want to point this out because back in the day, back in the 80s, most of the litigation was all about IP, whether video games were copyrightable, a lot of debates in the U.S. Copyright Office, a lot of litigation in SDNY, in the Ninth Circuit, about what a game was. Now there's no question that video games are IP, and they're fully protected as any other kinds of IP that can be registered by the Copyright Office.

And now we have more issues than any before. Before we had copyright, trademarks, patents, free speech, and First Amendment stuff, and we also had some issues with dealing with media violence.

Now you can talk about privacy in §230 of the Communications Decency Act, you have the FCC, and you have everything related to broadband and net neutrality. You have all the issues with microtransactions,⁸ and loot boxes,⁹ and the World Health Organization, and digital health. The issues we deal with at ESA on behalf of our 40 members is broad and wide. And I hope that most of you in the room understand that. And we'll move onto the next slide. I'll give you some more ideas about why it's important.

Here we go, that's why it's important. In 2019, the U.S. video game industry generated \$35 billion in software sales. Now compare that—I did some research, the music industry in 2019, \$19.6 billion. The box office for movies, \$11.3 billion.

So the video game industry, more revenue generated by twice the amount. So that should give you some idea about why you should be starting your practices in video game law right now.

So—and that’s as we heard from the intro, that’s just the U.S. Across the world, some totals of \$120 to \$140 billion about—depending on who you’re talking to.

So next slide, I’ll give you some more ideas. Mobile is critically important now. How many people had played Pokémon Go and know a relative or friend who played Pokémon Go? Oh, great, we have some in the room. I noticed that when I was playing here, there are three Pokéstops just around the hotel. So imagine that, one mobile game downloaded one billion times, just one game.

And \$3 billion in revenue generated by this one game over three years. Again, blows your mind, right? Different from what you ever thought of when you started just 10 minutes ago.

So next slide we’ll talk a little bit more about things. Okay, so 75% of Americans have at least one gamer in their household. Here’s the one point I really want to stress, the average gamer is 33 years old. It’s not 18, it’s 33. And you can see by age group there, that of course, the 18 to 35-year bracket is the biggest, but it’s not teenagers mostly and that’s important, because a lot of policy issues we deal with was, how do we protect the children? The point is only one-third of households in the U.S. have children under 18.

So the majority of people who play and live in the U.S. are in the majority, and that’s over 18, and so we have to think about that as we develop policies in the future.

Next slide, here’s another thing, the average female game player is 34. The average male game player is 32, and there are 46% of woman who play games.

So again, it’s not the teenage boys in the basement with their friends drinking Mountain Dew and eating Doritos. This is a really big business and it has a lot of modernity to it, so it’s—the majority are older, majority are still men, but still you have 46% who are women. So keep that in mind as you think about things and how things are affected.

Next slide. So I just want to give you this snapshot about—I was talking about graphics and the capabilities. So we start, of course, with Pong in 1972, and then of course you know the other ones there I hope, with “Pac-Man,” it’s going to celebrate his 40th anniversary this April, and we hope to have a big party at ESA.

Then 1981 was “Donkey Kong,” ’85 “Super Mario Brothers,” ’91 was “Sonic the Hedgehog”. And at the bottom half, you can see how each slide represents an evolution in bits and graphics. And it’s not only that, it’s

the evolution of game play. So we have more interactive elements added.

You have downloadable content that makes a game as we call it, a living organism, as opposed to a movie, for example. You watch a movie, you love the movie, you remember the movie, but with games, there are constant downloads of new content over and over and over again.

So “Grand Theft Auto 5” for example, has been updated over and over again since 2014, and is one of the biggest online games, now with millions and millions of people playing it. And the popularity is because it gets refreshed almost every week. And so it keeps on going, and because of that it keeps the audiences engaged.

So I just want to put 2019, “NBA 2K,” great game, mobile, great game. Sports are incredibly important. How many people know that every September “Madden” comes out, and everyone at the NFL looks at their phones, they want to see what the ranking is. If you’re a player on the Dallas Cowboys, the New England Patriots, or even the New York Giants, and you say, oh man, yeah. I’m ranked—I’m 99%, I am it, and they rag on their friends, and that other player saying, you’re not good, you’re not good at all.

So anyways, next slide. So video—this is just an offshoot. I just want to present this because games are not just games anymore in terms of revenue generators. It’s all because of IP that now we have licensing opportunities.

So check out video games and movies, and how the licensing has ramped it up. You can see, I just pinpointed “Rampage,” “Warcraft,” which was huge in China. “Ace Attorney” in Japan, “Ready Player One,” \$582 million made in that movie.

And then the Pokémon franchise. Again, I bring up Pokémon, not only because I love it, because—take a look. Of the 16 movies that came out, including “Detective Pikachu,” which is a great movie from last year, we’re now up to \$16 billion in that movie franchise alone.

And the fact is, more and more people watch these movies, they play the games. And now there’s a new product called Pokémon Home, where you can collect all your Pokémon from mobile, and the Nintendo Switch, and from all other platforms, and you have them all stored. And I think they are now over 900 Pokémon that are out there in the wild. But again, it just refreshes and it gets really exciting for players to keep on engaging.

Next slide. So now we have music. Not only have movies become a core part of the video game business, also in music, there are also concerts like the National Symphony Orchestra at Wolf Trap in Washington D.C. every summer, has video games live where they play soundtracks of the popular games, like from “Minecraft”

or from any other game that you know of, and they'll turn it into a symphony, and they sell out all the time.

And you can see again with Pokémon, with the first movie soundtrack, peaked at number eight on the Billboard Top 100.

Next slide. Video games and fashion. Again, very important for people here who might represent designers in New York, you can see there are all sorts of tie-ins. There are the new sneakers from Saga for Sonic. And trending – “Sonic the Hedgehog Movie” and teeth,” and you'll see what I'm talking about, because it was a really big controversy about how the CGI was rendered, and I don't want to give the story away, but see that online. But also, Moschino, Louis Vuitton, you name it, UNIQLO, all these designers see there's a catch, a really important audience that people who grew up in the video game generation keep on keeping on. They love to wear the T-shirts, they love to do everything related to how, play it, wear it, listen to it, watch movies, etc.

MR. CADWELL: All right, thanks Ben. Gerry, talk a little bit about Take-Two generally, and the licensing partnerships that you guys do. And take it away.

GERALD WANG: Sure. Thanks everyone for having me. I've got to thank Ben first for plugging some of our titles. At Take-Two, we make and publish games. If you haven't heard of Take-Two, you maybe have heard of some of wholly owned studios.

So on the left there, Rockstar Games, one of our biggest studios. You've probably heard of “Grand Theft Auto,” most recently read that “Red Dead Redemption Two” is one of our biggest titles.

2K Games, we do a ton of different games. “NBA 2K” is probably the most visible one of them. And then Private Division is a third label that we were very excited to launch recently. It's a smaller independent studio. And then we do smaller indie titles, as opposed to the huge triple A titles that are more traditionally involved in our company.

Next slide. So you know, as Ben mentioned, we're talking big big bucks in this industry. But I think one of the really exciting shifts in the industry is not just about the sales of our games, it's about how the entertainment medium is actually being consumed.

We talk about playing, but as a developer where we've seen a big shift is people actually watching the games as spectators. It sort of really impacts the way we market the games and also make the games. So that's kind of what I'm going to go over here on this slide.

Ten years ago, the way we were marketing our games was really in the traditional ways that you think of marketing. So you're talking about advertisements, TV commercials, live activations, partnerships of retailers. But these days, you know, social media and influencers

have become a huge, huge part of how we push out our games. And especially, what's unique to the video game space is, with social media, is not just the Instagram and the Facebooks of the world, we're talking about the video streaming platforms. Twitch is a huge player here.

What people do is they—when they're able to play, no longer are you just playing in your living room, everything's connected these days. And as you're playing you can just stream out your video, you can cast over what you're playing, and you're pushing it out all over the place on the platforms, with Twitch being the prime example.

Just this week, just to sort of an underscore how big the space is, YouTube announced an exclusive partnership with one of our competitors, Activision Blizzard. But it's an exclusive partnership deal to stream competitive games for certain big titles; “Call of Duty,” “Overwatch,” “Hearthstone.” So that just gives you a sense of how important the space is to us as developers.

At Take-Two specifically, just to give you some examples of how social media has been really important to us, “Borderlands,” which is one of 2Ks most recent triple A title launches, when we launched it at E3, which is sort of the annual electronic entertainment expo, in addition to the live activation space, we engaged many, many different social media influencers to come and play the game and push it out on YouTube, push it out on Twitch, sort of livestream just to get the buzz going for the game.

Social media is huge for creating this pre-release buzz, not just a pre-release buzz, but also for continuing the excitement over the game even after it's launched.

So “Grand Theft Auto 5” came out in 2013, but as Ben mentioned, it continues to be a huge part of our business. And the big reason for that is we continue to engage people online through influencers, and social media, and live streams to keep the interest going on these games, in addition to the regular content drops we do.

Next slide. I'm going to segue a little bit into something—a specific project we've gone into. So, one of our big titles is “NBA 2K,” and as spectatorship and watching the games has become bigger, it's not surprising that a new development in the space is professional gaming, or esports, as you guys know it.

So we obviously work very closely with the NBA on the basketball title, but in 2017 we partnered with them to create a joint venture, which now is known as the NBA 2K League.

The NBA, what better partner can you find in terms of finding somebody with experience to run a professional competitive sports league? Competing in games is not a new thing. You start to think of the dudes in their basements and their living rooms, sort of playing on their couches, but with the technology today, we are able to

have online competition platforms. We are able to, from the comfort of your home, just compete with each other at the highest levels.

Next slide. You might be wondering what the NBA 2K League is. I guess the best way to describe it is literally to think of it as the NBA, which hopefully you know generally how that works. But the competition medium instead of a hoop and an actual basketball is the NBA 2K title.

There's a lot of overlap with the traditional sports. You're dealing with player issues; for example, we had a player draft every year where the teams are just like the NBA draft at Radio City—sorry, at Barclays Center—last year. People are drafting the top players for “NBA 2K.” In our inaugural season, 17 of the actual NBA teams were bought into this 2K League and they actually own the division of their team.

You're looking at different venues. For the 2K League, most of our competitions are taking place online and they're taking place at our live studios in Long Island City. But we're looking into opportunities and expanding it into actual big live venue space.

League ops, where there's a commissioner's office, there's rules, their formats, everything that the NBA would otherwise do too. You're thinking about content distribution, how you get your content out there, on what platforms are you distributing your matches and tournaments and things like that.

And of course, there's monetization. How do you actually make money off this stuff? And typically, you're looking at advertisements and sponsorships around these tournaments.

One big difference, which I'd like to highlight between esports and traditional sports, is the—I call it the aspirational element. There's—it's all participatory. There's a lot less barriers to entry, to get into space, if you're talking about real life basketball, only the top 200 people are making the NBA. But with esports, you can be a 16-year-old kid in your basement and really step up to be at the top of the game.

MR. CADWELL: And you can probably be 5'6" and be a pretty good “NBA 2K” player, right.

MR. WANG: Yeah, Right.

MR. CADWELL: Next I'm going to kick it over to Stuart. Stuart is going to talk about the Electronic Gaming Foundation and some of the licensing that he does in setting up esports leagues for high school and youth.

STUART GOLDFARB: Great. Well, so we're relatively new and only have two slides, so we'll keep it sort of quick.

So my background is in traditional sports. I got involved with esports just over a year ago and knew really very little about it, but what I saw was mostly focused on the professional leagues that were just discussed.

Mostly, those leagues focused on one title that was owned and operated for the most part by the game developers and the publishers.

What we've done with EGF is to develop a platform that focuses on the amateur side of it, and particularly, the collegiate space. So we operate through three verticals: collegiate, high school, and youth.

Our model is much more focused around the traditional sports revenue model, because we engage with Division One schools, particularly those in the power five conferences. So anybody who's used to turning on a TV and watching Michigan, Ohio State in college football, or Duke, North Carolina in college basketball, can now see those same schools compete in all of the video games, because the federation is title agnostic.

So we'll be dealing with folks like you and others, to negotiate license agreements for the use by our participants across the country and ultimately internationally in a national championship competition. So think of it as college basketball, college football, with a national championship at the end that looks very much like March Madness.

Where we start to see all of the issues that have been previously discussed outside of even the specific licensing arrangements are those related to how we monetize the competition. Again, going back to traditional sports, we monetize through commercial rights.

So media, sponsorship, licensing, data, and anything else that you can think of, but we're also navigating that through the collegiate space. So you can imagine taking all of the video game issues that you have to deal with and then on top of it trying to navigate licensing arrangements with each of the Division One schools that are part of the competition. And many of those already, as I'm sure you know, already have deals with the IMG leader fields of the world and others around their commercial rights.

So it's – there's a complexity to what we're doing that hasn't existed in the past. But if you think of us as more of a cross between the NCAA as a governing body, and obviously there's a whole NCAA issue as to whether they're going to get into the space, which may happen now that they've started changing their perspective on the idea of players being compensated.

For us we think of it—think of the hypocrisy between the Star Rocket League player at Michigan who can generate revenue from his or her competing in the space by virtue of selling jerseys with his or her name on it, or even streaming through Twitch or otherwise, versus the star

quarterback at Michigan who obviously, at this point, is prohibited from receiving any compensation.

But the NCAA plus—basically, plus professional sports leagues, like the NFL or the NBA, and that we own and operate the competition, plus an IMG leader field in the sense that we monetize the competition. And then on top of it we deal with creating our own content.

High school is a little bit different, we're much more focused on membership. We have a partnership, a global partnership with Walt Disney Company to develop high school leagues, again, across titles. So while we're not navigating the legal issues of college, we're certainly still dealing with our partners in the video game developers and publishers. And of course, we have to be sensitive, as Ben discussed early on, about are we fielding titles in first person shooter games, something clearly that Disney would not allow us to do.

So we're trying to bring some order to the chaos through a platform in the amateur space that seeks to capture every esports player from age 10 to 25.

And you can see a little bit from this slide just about how we're organized and how we operate. Again, going back to some of the legal issues that we face beyond what I've mentioned, obviously part of our monetization strategy is through the media rights that we're assigned through our collegiate participants.

So while we're in discussions with all the digital and OTT players, like YouTube, Twitch, and others, we're also dealing with major media companies, like Comcast, Fox, ESPN, for linear and also digital.

MR. CADWELL: All right. Leo, tell us a little bit about theScore and esports.

MR. WAN: All right. So I'm coming in here from a little bit of a different perspective. So, a little bit of history on the theScore and the theScore esports.

So you're probably familiar with theScore as a sports app, which originated as a specialty sports channel in Canada that was sold a few years back.

Under theScore we have theScore esports, which was launched initially in 2015, and the idea was to cover esports like we cover sports. So we cover the leagues, the teams, the games, the players, and so on.

We started with written articles, and we've since transitioned to more in video content that we do post on YouTube.

One stat that you can take a look at, I checked this morning, so we launched a YouTube channel in late 2017, and as of this morning we are at about 1.11 million subscribers for our channel. We hit the one million mark, got a nice little plaque from YouTube back in November. So that's where we are right now.

The dichotomy that I see in reporting esports and comparing it to the other side of the business that I help support is the—when you're reporting on traditional sports, the organizations are a lot more, you know your leagues, you know your teams, you know your broadcasters, you know who owns what right.

With esports, it's not as obvious right off the bat when from a media reporting perspective, you have game publishers, you have streaming platforms, you have event organizers that are not game publishers that are separate. You have streamers who are also players who belong to an organization, but on their off time they stream on their streams on Twitch or on some other platform to make money.

So when you are looking at covering all of these different players and organizations, the question of who owns what, when are often questions that I lose sleep over every night.

So in terms of that, it's a lot of striking up relations with different teams and organizations, as well as at the streamer and player level, so that we are reporting on everyone and everything in kind of the more I guess, a wholesome manner, because the way we see it, esports isn't necessarily just the competitive scene. Yes, we have events like EVO,¹⁰ like the internationals, like—I'm going to say words and letters that are going to confuse a lot of people, like the NACS for Legal Legends, and the International for DODA, and all the other leagues like Rumble 6, and depending on whatever game you want to play.

And so in addition to covering all the games and all the events, we also cover the players as individuals, and as streamers, because what we found is not only is the industry itself complex, but the audience is also very complex.

You have hardcore gamers, following each individual game, and they only really care about a game. And everything else is nothing. But then you also have your casual audience who just want little bits of everything, but they may be more interested in their personalities, the players, how the Tfue become who he is.¹¹ How did Ninja become signing with Mixer¹² for like a multi-year \$30 million deal to stream exclusively on Mixer, being kind of poached from Twitch as this 28 year-old with blue hair. So they want to learn about that as well.

So to us, esports is not only the competition, but also the culture, the sub-culture that goes with it. And when you get into trying to cover all of those individuals and all those events, it gets very, very messy, very quickly.

MR. CADWELL: So I think in the interest of time, we had a couple of discussion topics, but I'm going to start with one that I think is most interesting to think about, because I think you can all weigh in. And that's what one or two key enforcement issues are, do you guys regularly encounter on a daily basis, either intellectual property or

otherwise? And I think we'll go down the line, because Leo has a great story for starters on that.

MR. WAN: Yep. So I mentioned we also cover streamers. So one enforcement type of nightmare that I have is, have you watched "Inception," "in a dream, in a dream, in a dream." So this is the scenario I was presented with late last year.

We did—in one of our video series, the story of esports in which we covered players and streamers in the space, we did a story of xQc, who is a streamer, and we put it out there on YouTube. And then about 24 hours later we've discovered that xQc is watching our video of the story of xQc on his livestream and reacting to it.

So here we have xQc on livestream on Twitch watching the story of xQc, which contains footage of xQc's stream, xQc's game play, and xQc's kind of discussion point, and what he talked about, and then you throw that in there. In his own stream he plays music, he talks about other stuff, he may watch other TV or video on demand stuff while the game is loading, and other guests who are participating. So, individuals who are watching this stream and communicating with him via chat or on the microphone talking to him. So that is the hornets' nest that I absolutely won't wish on anyone in this audience.

MR. CADWELL: Gerry.

MR. WANG: So I'm not involved in our enforcement space as much, but certainly have many colleagues who have shared funny stories about it, one of which I'll share here today.

A number of years ago—so "GTA 5" we talked about, "Grand Theft Auto," it's a game, it's a parody of real life. There are no actual real life elements in the game, but we make references to things which may have some parallels in real life.

So, in "GTA 5," one of the subsidiary characters in the single player mode was a struggling young actress in a city that may resemble Los Angeles. She's blonde, pretty, but she's sort of on the decline in her career, may have some substance abuse issues. And low and behold a few years ago we receive a suit from Lindsay Lohan, saying that we preempted her name and likeness and character.

That case has been—we won a motion to dismiss very happily. But that's the sort of thing which we may face from time to time.

Another interesting litigation we're involved in right now is with the NBA game, which we take great pains to make sure that we're lining up all the license or rights that need from the league, from the players, etc. And right now, we're in the midst of a litigation with a tattoo artist who says, the way we've depicted some of these players, and we recreate them to be as real as possible including their tattoos, so we're in the middle of a litigation with a tattoo artist who says, hey, you didn't get rights from me to rec-

reate this tattoo. So obviously that raises very interesting issues over what constitutes somebody's actual name and likeness. Does the tattooist actually get a say in that? So of course, we would like to say no, but we will—it remains to be seen. So we shall see.

MR. CADWELL: I think that tattoo issue has caught a lot of people's attention, because in another part of my career I work with a lot of musicians, and we actually—one of my musician clients had a Funko doll made and we licensed—we got a license from the tattoo artist for one of the tattoos that appears on the musician's arm, just out of an abundance of caution. So the whole tattoo thing has really gotten a lot of attention.

Stuart, what about—

MR. GOLDFARB: Well, fortunately we haven't really had any litigation issues yet to deal with. But one area that I think is related, and everyone can sort of jump in on, is from in-game advertising.

So, as I mentioned, we work with brand partners in particular, who are looking to sponsor our competitions because they're either interested in attaching themselves to this demographic, or already have an interest, or involvement in sponsoring traditional collegiate sports. And what we're finding is these sponsors are really thinking out of the box in terms of looking at how to engage their brand, not just amongst the players of the competition, you know, the typical sort of what you see in advertisements on screens, or along boards or what not, but actually inserting their products into the games.

And so we've had discussions with one developer in particular, because a national drink sponsor has wanted to come to us. But interestingly, the developer already has a relationship with another drink sponsor.

So there's a lot of—I think what I'm finding, again, not being an expert in the esports in a particular space, but in this whole area of IP, but to navigate whose rights are whose and how you monetize. Something that you've gone through even beyond just tattoos, and I'm sure you've seen as well.

So I think that's an area that's going to be the source of potential litigation going forward. Certainly, it's a brutal world to navigate at the moment.

MR. WAN: And one thing I might add is a lot of the players, especially the people who run the teams or the streamers or the players, are quite young. So they don't have the same level of sophistication as your traditional clients, whether it's a movie industry or TV industry or music. So they think they are indestructible, they think they own everything, and whatever they do, it's fine. And a lot of them, believe me, wrongly, the thing that was brought up earlier in the first panel, playing that five seconds of music is going to be all right, no it isn't. A streamer

singing, “Let It Go,” on his own stream is actually a violation of the right for “Let It Go.”

So with that kind of jumbled up rights and clients and actors who are not necessarily familiar, or they have their own sense of what they think IP or what they think copyright is, it’s very tricky when you’re advising, whether those individuals, or even like me working for a company that covers those individuals.

MR. CADWELL: So as promised, we’ve got a few minutes left, if you have questions.

AUDIENCE SPEAKER: Do you guys have errors and omissions insurance like we do in the motion picture and TV world, and procedures for clearances that come from that?

MR. WAN: E&O is a very big part, even just in the media and the reporting space, whether it’s traditional sports or esports. So we do, we carry insurance to make sure that all of our reporting, everything from rights to stuff like libel and slander, and so on. As a media company, we’re covered for that.

AUDIENCE SPEAKER: But is it—for motion pictures, TV, usually there is a project specific errors and omissions policy that requires a lawyer to ensure that clearance procedures were signed off on, and that either everything was cleared or it’s fair use. Is that a practice in the industry?

MR. WAN: Well, at least for media it’s more of kind of overall our company covering the news for sports and esports, and then we do have internal policies and journalistic guidelines for our writers and our content creators to follow. And when they are kind of touchy or unknown subject matter, I sit out in the open, so they all walk to me and ask me questions.

BENJAMIN GOLANT: From my perspective, to answer your question, we, as a company, we have broad commercial insurance coverage, but we don’t—we haven’t taken the approach of doing it project by project.

MR. GOLDFARB: And we’re more in the same boat. We are still so early on, and we’ve got 40 Division One schools signed up, including several from the power five in the discussions around monetization, are as early on as they are with the schools themselves in trying to convince athletic directors that esports is in fact a worthwhile pursuit, versus the university president who recognizes it as an opportunity for engagement.

So I think part of my job in navigating this and growing this as a league is going to be the same as any traditional sports league. We will have insurance, because I don’t want to step on anyone’s toes.

MR. CADWELL: At the microphone, one last question.

AUDIENCE SPEAKER: So I have an observation and possible prediction for Mr. Goldfarb, and a question for the whole panel. And I hope the prediction doesn’t come true, but you know the collegiate institutions have esports competitions and scholarships, so one prediction is you might be hearing from the NCAA. And then there’s the National Federation of State High School Athletic Associations, who govern all of high school sports. So I don’t know if you’ve had any interaction with both of those entities.

And then my question for the panel is, how are you dealing with the Child Online Protection Act given that—and parents—because all you’re talking about is a lot of young people helping make a lot of money for a lot of folks, and I’m wondering if there are any lawsuits that you’ve seen or what you are anticipating with respect to children’s rights and online privacy?

MR. GOLDFARB: Why don’t I address the NCAA and the NFHS, and then I’ll turn it over to you guys to address the other.

So from an NCAA perspective, the NCAA made it clear last year, Mark Emmert, the President of the NCAA, made it clear that the NCAA is not getting into esports. Now that may change, as I mentioned earlier, because the rationale for not getting involved with esports, I think it’s first and foremost, the NCAA is controlled by a group of athletics directors. Our experience with athletics directors is that they don’t believe that esports is a sport.

So part of our job is being able to demonstrate to them that there are significant revenue opportunities that can be derived from esports. And what we’ve seen including in our relationship with the Big East is that the opinion of the athletics directors is almost irrelevant, because the university presidents want to pursue this as a means of engagement, student engagement and recruitment.

So now that the NCAA is faced with this California legislation, the whole issue of amateurism, you’re absolutely right. Could the NCAA come out in two or three years, four years, whatever it may be by the time they finally get their heads around this issue, and it’s going to take that long; there’s going to be significant litigation. This is not happening overnight. Can they come out and say, hey, we want esports to be a part of the NCAA, particularly when they see the esports revenue possibilities? Absolutely.

Our league is structured so that the schools own the league together with us. So our view is that once we have 150 to 170 schools signed up, and we’ve got 40 divisional schools, and we’re not talking about the smaller ones, but we’re talking about our most recent event, included LSU, Old Miss, Washington State, Florida State, and the University of Illinois, and we’re just in discussion with several of the other power five schools, ultimately given the perception of the NCAA, we’re hoping that the schools will obvi-

ously view this as their own league, and we'll deal with it when it comes.

As it pertains to the National Federation of High Schools, the fact is that they have absolutely no authority whatsoever to make any decisions regarding esports. And where the schools—whether it's at the national level or at the state association level, where those schools play.

There is a competitor in the space that has gone out and bought those endorsements, and is telling everyone that they are the official high school esports league, and all of the schools have to play within that league. And they have a waiting list of 13,000 schools. And while we wish them very well, that is absolutely bologna.

So it—because those associations—the decisions for high schools are generally made at the district level as opposed to the state or national level.

MR. CADWELL: I think 30 seconds on children's privacy, so we can wrap up.

MR. GOLDFARB: I can quickly weigh in on the COPA question. As a developer and publisher of games, we take marketing and practices with children very, very seriously. Even though Ben says the age group for gamers is increasing, the fact is there are a lot of minors who consume our games.

Just quick thoughts. Ben is part of the ESA, there's a ratings organization and a system for all titles, which have to be rated just like any other movie does. So we work very closely to make sure that we're assigning the correct rating for each of our titles to make sure it's all age appropriate.

And the second thing, as aside from buying physical copies of the game at a Best Buy or a Game Stop, more and more games are being sold online through digital platforms. And for us that's a boon from an enforcement, from a ratings policing point of view, because we can

actually age-gate when we're making these digital sales. So that's been a really positive development for us.

MR. WAN: And from our perspective, the content we put online, whether it is for esports or sports, we actually are apps and our channels are actually rated 17 and above on the app store, and on YouTube we make it very clear that our content is not designed or geared towards children.

As much as I would like to yell at my content creators not to swear on camera, that's impossible. So we take very clear steps to make sure that we are not creating graphics, or thumbnails that are especially appealing to a younger cohort. We may not necessarily cover games that may appeal to a younger cohort. Like for example, "Minecraft," which kind of skews to a younger audience. But we cover games that like—if an 18-year-old or a 16-year-old goes and plays "Ciesco" or "Rainbow Six," where a first person shooter killing, shooting, all that stuff. That's really at home, and the rating system of video game themselves will cover that game, and what's happening with that game, but we make sure that when we do post a content and we publish it, we make sure that it is very clear within the platform's capability to say that this is not meant for children. And you'll never see our content on YouTube Kids, basically.

AUDIENCE SPEAKER: It's interesting to me that members of EASL, Entertainment, Arts and Sports, when we think of some of our clients, and being minors, there's the whole issue of judicially approved contracts for minors, and then the distinction between 21, 18, and 13 under COPA, those are various age limits you have to consider when you're talking about minors.

MR. CADWELL: So I think unless there's any house-keeping from the organizers, I can send you on your break.

(BREAK)

PART TWO: ATTORNEYS, AGENTS, AND MANAGERS: CHANGING ROLES AND IMPLICATIONS FOR LEGAL ETHICS

In the entertainment industry, attorneys often work with agents and managers who represent screenwriters, directors, talent, and other artists in transactions and projects.

In the sports world, attorneys, managers, and agents also work together representing athletes in negotiating with leagues and doing endorsement and other deals.

In this program, we will examine how the roles of attorneys, agents, and managers in entertainment and sports are complementary or overlap, how they can create business opportunities for each other, and how these roles are changing as these industries evolve. We will also discuss the pending litigation by the Writers Guild of America against the four major talent agencies over the use of packaging fees and its impact on attorneys, agents, and managers. We will examine as well the applicable licensing requirements for agents in New York and California and the consequences of not being licensed. Finally, we will discuss the ethical implications for New York attorneys who wear different hats and may be found to be acting as agents and/or managers. Our panelists include attorneys, agents, and managers involved in film, television, and sports, as well as a Writers Guild general counsel and a legal ethics expert.

Panelists:

Pery D. Krinsky, Principal, Krinsky PLLC (Moderator) | Hal Biagas, Executive Director, NALCS Players Association | Ann Burdick, General Counsel, Writers Guild of America East | Jack Greenbaum, Manager, Producer, The Arlook Group | Marc Jacobson, Principal, Marc Jacobson P.C. | Liz Orr, TV Literary Agent, Buchwald | Jill Pilgrim, Founder and Managing Attorney, Pilgrim & Associates

JUDITH BASS: Hi everyone, we're getting started. We have quite a crew here and it's our honor to introduce them. I think this will be fascinating, and the timing could not be better.

SARAH ROBERTSON: We're going to take turns. I'm just going to do it in order of people, okay, not in alphabetical order.

So, Pery Krinsky is the moderator of the panel. He's a principal at Krinsky PLLC, he focuses his practice on ethics-based defense litigation for attorneys in law firms. He advises members of the New York State Judiciary in matters before the New York State Commission on Judicial Conduct, etc., etc., etc.

He is an expert in ethics and will be leading us as to where we are, where we should be going, and how we handle all these things here.

ANNE ATKINSON: Next to Pery is Ann Burdick, who has served as Senior Counsel of the Writers Guild of America East for going on 10 years. Prior to that, she was in-house counsel at the American Federation of Television and Radio Artists and at the New York State United Teachers. She is an adjunct faculty member at Rutgers University School of Management and Labor Relations.

MS. BASS: Jack Greenbaum is a Talent Manager Producer at The Arlook Group, where he founded and heads the New York office. In addition to managing transitional screen writers, he represents playwrights and comedians, transitioning them into the entertainment landscape.

On the producing side he develops projects for film and television.

Prior to joining Arlook he worked at the Weinstein Company, Walt Disney Studios, and The Gersh Agency.

Next to him is Liz Orr. She's a TV Literary Agent at Buchwald who has signed on to the WGA in terms of, I guess, you could call it code of conduct.

Prior to that she was involved at UGA Talent. And prior to that she worked at various other capacities, ranging from prop design to being a dramaturge in the entertainment industry, which I find fascinating.

MS. ROBERTSON: Jill Pilgrim is next to Liz. She is the Founding and Managing Attorney of Pilgrim and Associates. She focuses on business and sports law, as well as arbitration and mediation.

She's had various distinguished positions in the world of sports. She was General Counsel and Director of Business Affairs for U.S.A. Track and Field, General Counsel of the Ladies Professional Golf Association, and I think she was on the tennis tour, right?

She began her legal career as a Tax and Corporate Associate at a New York City law firm. Jill is currently a Co-Chair of EASL's Sports Law Committee.

MS. ATKINSON: And next to Jill is Hal Biagas, and he's the founding Executive Director of the NALCS Players Association,¹³ a trade association that represents the

100 plus professional players in the “Riot Games, League of Legends.” Talk about tying into our last panel.

Hal is also the President and founder of Sideline Sports Management, a sports management agency representing 35-plus coaches, broadcasters and executives in the NBA, NFL, and NCAA basketball, baseball, football, and volleyball areas.

Hal has a long career in sports, including among other distinguished positions, serving as Assistant General Counsel of the National Basketball Players Association.

MS. BASS: And last but not least, Marc Jacobson, who is the Founding Chair of this Entertainment, Arts and Sports Law Section. The principal of Marc Jacobson, P.C., he has a unique practice focusing on his two main passions, music and film. He handles all legal aspects of filmed entertainment for a variety of films. He’s had Senior Executive positions at several internet companies. He’s testified before Congress and WIPO regarding the Digital Millennium Copyright Act, and was an adjunct professor of Entertainment Law at Fordham Law School, CUNY, and The New School.

So we’re going to turn it over to Pery and I think we should have a very interesting discussion. Thank you.

PERY KRINSKY: I’m just going to stand up for a couple of minutes just to talk and then I’m going to sit back down and turn it over to this amazing panel that we have.

Just briefly, by way of introduction, and it’s interesting, when we talk about EASL, entertainment, arts, sports law, how do we combine all of the world of ethics as we know it within these areas of practice, because on one hand it all goes together, on the other hand, the areas of practice are very unique, very individualized, very specific with respect to the rules that we’re required to abide by. And yet, there is an example, and I don’t use it in any sort of flippant way, but as I was thinking about what was the intersectional of all of these things, and what is an example of a person, or an area, or a team or something that sort of brings all these things together, I thought it was timely to mention Kobe Bryant for one reason.

When we think about his life and the amazing life that he had, I was thinking about all of the different nuances. He was 17 years old when he was coming out of high school, he was a minor, therefore, you had all sorts of issues with respect to who is the client; him, his parents, right? Who do you actually sign a retainer agreement with? Who can speak on his behalf?

Then all of a sudden he turns 18 years old, now he’s the adult. But yet at the same time they were setting up corporations and LLCs to ensure that his assets were protected. And again, under the Rule of Professional Conduct 1.13, you had questions of a corporation representing the individual versus the corporation. Then you

had agents, and you had managers. And then all of a sudden he got married, and then he had kids, and there were questions of how to structure his estate to protect that which he was building. And then all of a sudden, it wasn’t simply his sports—his contracts as an agent, but all the promotional things that he was doing, and did that fall underneath the same umbrella, and who was negotiating those things for him?

Then all of a sudden, fast forward ahead, now he wins an Oscar for something completely different, but again, sort of entertainment, arts, and sports law.

There it is, the man encompassed everything, and achieved everything, and unfortunately his passing was all too soon. I use that as the sort of starting-jumping point for today, because we are talking about ethics within the context of EASL, the different areas of law in which we practice.

The ethics are the ethics, right, whether it’s Rule 1.2, Scope of Representation, or Rule 1.5 governing attorney’s fees, or 1.6 on confidentiality. The Rules are the Rules, it’s simply a question of how they’re applied.

And you can take just about any area of practice and you can cite a Rule, plug it in and that’s what you’re supposed to do. But of course, it’s easy to say, thou shall not lie, cheat or steal, those are the easy ethics rules, but it’s all of the grey areas in between.

The most commonly heard answer when it comes to ethics is, “it depends.” And we know that’s so, because every single situation is unique and fact specific, and fact driven. And that’s what this panel is going to talk about today. All of the uniqueness that comes behind each area of law that we’re going to talk about, and the different hats that different people wear, whether it’s agent, manager, sports, entertainment, arts versus the lawyer hat that all of us in the room, by and large are stuck with, in a sense. And the question of what hat are we wearing, sometimes what jurisdiction are we in, cross-border practices, and those types of issues. Questions relating to not only cross-border practice and what hat we’re wearing, but what are our relationships, in terms of, are we united with a law firm that permits non-lawyers to own part of the law firm versus a management company, which may exist of also non-lawyers? And this whole idea of although we’re situated, by and large here in New York, many of our practices certainly extend outside of New York, and we have to be cognizant of all of those sorts of issues that arise in cross-border practice. And certainly, we know when it comes to fee issues and what hat we’re wearing, and when are we taking money as a lawyer versus when are we taking money as agent/manager, right? All those nuances that come into play.

Of course, the Rule of Professional Conduct 5.7, Governing Non-legal Services that are offered by lawyers. And the nuances that come into play when we say all of a

sudden we want to take off our hat. As a lawyer, we don't want to provide law services anymore, but now we want to provide consulting services and other types of services, perhaps because there's a better financial structure, or because all the legal work is done. But nonetheless, how do we reconcile the multiple hats that all of us in this room often have to put on?

How do we reconcile our roles, both inside and outside our law firm practice or our business offices, because this is the one unique area of law that is different than just about anything else out there in terms of not only multiple hats that you wear, sometimes simultaneously, but this idea that this industry, putting them all under one roof is so business driven as opposed to other areas of law that are legal driven in terms of a case by case, so business driven that when we look at the rules of ethics and how they impact our practice, we have to look at them in and of itself with two hats.

It's not only the practice of law, but the business of law, and how we merge together and square business practices with ethics practices within the practice of law.

So, with that said, I'm first going to turn this over to Marc. Speaking of cross-border practice and this idea of just because you're here in New York, it doesn't mean you're stuck here in New York practicing, in a sense, to talk to us about all of those sort of issues that come into play, and some of the dual roles specifically that lawyers play within this field.

MARC JACOBSON: Well, I think what I'm really going to talk about is how talent agencies and theatrical employment agencies are defined and how that may affect a manager or a lawyer in their everyday work.

So, since the 1970s and possibly before, the issue of whether a lawyer was acting as an agent without a license, or a manager was acting as an agent without a license, has been litigated repeatedly, both in New York and in California.

Until recently, actually until 2011 it was fairly well thought that an individual has a private cause of action against a manager to disgorge the fees that were paid previously and get them to stop collecting commissions on the contract, because 98 times out of 100 the manager is not licensed as a talent agency.

There's a case in the materials that I did in 1985 called *Price v. Niederlitz & Steele Ltd.* The case found that a manager was acting as an agent without a license, but because my client, who was a very young woman and she was very impatient, she fired me, she went and settled the case with the manager and didn't tell me. So the decision came down with her getting a complete 100% victory. So one of our Former Chairs of this Section, Howard Siegel, and I did a stipulation vacating the judgment because there was no dispute anymore.

So the case basically went away, but the argument that the court used was simply this: New York State Supreme Court Justice Maresca stated that Niederlitz & Steele had failed to demonstrate that the company's activities on behalf of Price, apart from alerting her to the auditions, were merely incidental, because if you are a manager and you secure employment on an incidental basis to your managerial duties you have an exemption.

Now, anyone who's practiced in this industry will know that there are very very few managers who actually take the time to teach you how to be an actor, to teach you how to be a singer, to teach you how to write songs, they don't do it.

What they do is they look for the opportunity to generate revenue, because as Justice Maresca said in this case, 100% of their compensation came when the actor got work. So the sole incentive is to get work. So that was the basis of the decision. We won that case.

Then the Appellate Division First Department in 2011 held, no longer would there be a private right of action. It said: "We hold, and indeed not for the first time, that article 11 does not provide either an express or an implied private right of action against licensed or unlicensed employment agencies or their agents. Accordingly, plaintiffs first, fifth, sixth and seventh causes of action, premised on violations of article 11, were properly dismissed."¹⁴

So now the individual no longer has that cause of action. So what does that mean? That means in New York City, only the Department of Consumer Affairs can bring an action against someone acting as an agent without a license, the individual can't do it. The individual has to complain to the DCA and the DCA has to decide whether that case is worth bringing.

Outside New York City it's the Department of Labor, because they're the ones that issue the agency licenses outside New York City.

So we look for a minute to California. There are many, many cases of the Talent Agent Commissioner, the Labor Commissioner, decided in California, which caused disgorgements of hundreds of thousands of dollars from managers back to talent. Roseanne Barr was a very famous one. There are many music artists who managed to disgorge the payments made to their managers in California by the Labor Commissioner.

The issue with those cases is that they are generally not considered precedent in court. They are only considered precedent before the Labor Commissioner.

So later on, there's a recent case in 2013, I think it is, called *Solis v. Blancarte*,¹⁵ where a guy asked his then lawyer to negotiate on his behalf for his renewal of his sportscaster contract; to your point that this covers everybody. So it's an entertainer on television doing sportscasting. He calls his lawyer up, he says, I want you to do the deal,

I'll pay you 5%. And then what happens is the company comes to him and says, we have to pay you less money, and so the lawyer does his job again, and the talent says, I don't want to pay you the 5% anymore, I'm going to go to the Labor Commissioner and say you're acting as an agent without a license. Lo and behold, the Labor Commissioner agrees.

So the lawyer who was merely doing his job as a lawyer, was found to be acting as an agent without a license. Well, at the Executive Committee we got a little paranoid about that.

In your materials you'll find proposed legislation that we drafted. And I went before the Executive Committee of the State Bar, and I had prepared this memorandum, and I did a much shorter presentation than I just did, and the vote was, all in favor. And I got unanimous approval from the Executive Committee to propose this legislation to the legislature, which we did. And the Association of Talent Agencies came back and said, we don't think that's a good idea.

So—and then naturally, because New York's legislative bodies are incredibly dysfunctional, the legislation has not been introduced since. And this year, the Chairman asked sections to propose legislation that was of import to them, and we proposed this legislation and I never heard back from them, so I assumed this legislation is not of import to them.

Now in a current sense, what we're looking at is what the Writers Guild of America did with the agents. My understanding of the lawsuit, and Ann will correct me I'm sure, is that the agents got upset, you heard mention before about the packaging fees, because what happened, there are two reasons. One is it reduced the amount of money available to pay the writers because the agents were taking a packaging fee. But more fundamentally to me anyway, was the notion that because they were taking a packaging fee, they no longer could act as a fiduciary to the writers. They were inherently conflicted. For me that makes an awful lot of sense. But when the lawsuit was filed, the Guild said, you can use your manager or you can use your lawyer to negotiate your deals in the face of the prior decisions.

So Ann and I were talking about this before this conference and I said, just because the WGA thinks it's a good idea, and if the talent decides not to pay the lawyer his or her fee, the WGA will pay the fee, doesn't mean that the lawyer isn't acting as an agent without a license.

And I was asked to ask one more question here, and that is, does the Talent Agency Act apply to athletes? And in my opinion, the answer is yes in New York, because, and this will be obvious to you, "theatrical employment agency" means any person who procures or attempts to procure employment or engagements for an artist, but such term does not include the business of managing en-

tertainments, exhibitions or performances, or the artists or attractions constituted in the same, where such business only incidentally involves the seeking of employment therefore.

So that's what the agency does. But an artist is an actor or an actress rendering services on the legitimate stage in production of motion pictures, radio artists, musical artists, musical organizations, directors, motion picture and radio productions, musical directors, writers, cinematographers, composers, lyricists, arrangers, models, and other artists and persons rendering professional services in motion picture, theatrical radio, television, and other entertainment enterprises.

So simply because someone is an athlete and he gets an endorsement deal to appear in a commercial for Nike, doesn't mean because he's mostly an athlete, doesn't mean he's not covered under the statute, and therefore can only be represented by a licensed theatrical employment agency. I can tell you the language in California is nearly identical to the language in New York.

So I posed the two questions. One to Ann, what about the Writers Guild, does their imprimatur make the lawyer no longer liable? And then to the sports folks, do they actually negotiate these deals with a theatrical employment agency?

AUDIENCE SPEAKER: How about games being telecasted? You play a basketball game and baseball game and it's telecast. Now is that entertainment or—

MR. JACOBSON: —I don't know. I don't know, but it's rendering professional services in television enterprises.

I think that the—I have no idea. But the answer to me is that they're rendering it principally to play the game.

ANN BURDICK: Thank you, Marc for your words. I'll get to your question in a little bit. I want to get a little bit more background for the audience to understand why the Guild implemented a code of conduct and what the litigation looks like right now.

First, I want to thank Anne and Judith for asking me to speak about this topic, and for the Section, for picking agents, managers, and attorneys as a topic.

As you'll see in my presentation, this is something that's been at the forefront of the Guild for over two years now. And so in preparing my words I could talk for about an hour, and I had to truncate everything to 10 minutes. So I'm happy to talk to anyone after the panel, about any questions or things that you've read in the press.

I can say professionally, this has been a very different experience for me, because normally when we negotiate, Writers Guild West and East negotiate their collective bargaining agreement, there's a press block out for the two-week period that we negotiate in Los Angeles.

This has been a very long negotiation process where everything has been very public and in the press. So I'm sure some of you have read some articles and have been a little confused or had some questions about that. So again, happy to take those questions.

I just want to say briefly for those of you who might not be familiar with the above-the-line guilds that, unlike the Directors Guild and SAG, after the Writers Guild, writers can be represented by two separate guilds. So if you're a writer in television, new media, and film, largely you become a member of the guild in which you obtained your first employment. Guild members can transfer back and forth.

I bring that up because we are two separate guilds in a campaign together, and so that also adds more dialogue to this conversation.

I want to do a shout-out that we do have a member of the Guild in the audience that I didn't know was going to be here, so I'm going to waive over to her.

So, as I mentioned earlier, Writers Guild West and East engage in negotiations every three years on a national level. We used that negotiating structure to attempt to renegotiate our old agency agreement called, the Artists' Manager Basic Agreement, also known as the AMBA.

So when I refer to the Guild, I'll be referring to my Guild and when I need to point out Writers Guild West, I'll say Writers Guild West.

So the AMBA was negotiated in 1976, therefore the parties involved in the details of how the Guild delegates negotiating terms and conditions to agents, has not been looked at for 43 years.

It goes without saying, even the parties at the table were different 43 years ago. The Artists' Managers Guild was the organization that the Guild negotiated with. That organization has essentially developed into the ATA, as Marc pointed out, the Association of Talent Agencies.

Again, for those of you who don't know all the players as far as agents within entertainment, since 43 years we now use the term of the Big Four, which didn't exist 43 years ago.

The Big Four, the Big Four Agencies represented by William Morris, WME. Creative Artists Agency CAA. United Talent Agencies, UTA, and International Creative Management Partners, ICM. But the ATA also represents smaller and midsized agencies as well in these negotiations.

Again, as I mentioned earlier, because the Guilds are the exclusive representatives of writers under Federal Labor Law, talent agents represented individual writers to negotiate above scale deals only pursuant to the Guild's delegated authority under the AMBA.

The provisions of the AMBA then regulated arbitration processes, the commission rate, and also packaging, which we're all here to talk about.

Before I get into the details of what packaging actually is, I want to be forthright that in the 1976 agreement, packaging was permitted. The parties frankly, agreed to disagree. There was a little bit of litigation back then, as well as sort of led to the resolution of the AMBA, which again is outside the topic of today's discussion. But the parties agreed to certain fences that would be implemented when agents package deals on behalf of writers.

The 10% commission would not be permitted if a television series or pilot was packaged. Agents were required to provide notice to writers if their deals would be packaged. It prohibited agents from conditioning their representation of writers upon the writer's agreement to participate in packaging. And it established a fund paid by agents that packaged to essentially pay the fees for a WG negotiator for writers who wanted assistance negotiating packaged terms.

I can say that these fences were not followed by agents. In the course of the past couple of years when I've had conversations with hundreds of writers, many of them didn't even know that their project was packaged, didn't know even what packaging was, until they found out they just didn't pay their commission, which led to a very large education campaign on the part of the Guild as to what packaging was and its impact on the earnings of our members.

For those of you who are not familiar with the concept of packaging, packaging is when an agent demands to be paid directly by the studio employing its client who is also a member of the Guild.

The formula is a 3%, 3%, 10% formula. The first 3% is from the network licensing fee, an amount that is negotiated or imputed, and it is paid directly out of the series's budget.

The 3% is usually \$30,000 to \$75,000 per episode, and it is often more than what the agent would get from the 10% commission of members.

The packaging fee, as Marc pointed out, just lowers the overall budget to hire writers, and it lowers the overall budget for those writers to get even greater than over scale compensation.

The second 3% is also from the network license fee, but is deferred until net profits, if any. The agency then gets 10% of the show's modified gross profits for the life of the show, even if its representative role may have been finished at the end of the pilot.

Although recouped on a minority of shows, these payments amount to hundreds of millions of dollars per year for the Big Four agencies.

The implications of this system are enormous, both economically and ethically. The agents' interests are structurally aligned with the studios and not with their clients. Once the packaging fee is negotiated, agencies are no longer directly incentivized to continue to advocate for writers. And the agency revenue on a package show is, in fact, mostly about studio profits and not compensation for talent.

Now, packaging obviously has been around since 1976, but the proliferation of this practice has increased dramatically in that 43-year period. Now, 90% of television shows are packaged, in which 80% are packaged by two agencies: WME and CAA.

There are other trends that instigated the Guild's requesting a reopening of the AMBA. One is also that the major agencies, as I've pointed out, have become an oligopoly in the past 43 years. And more recently, three of the largest agencies have sold equity stakes to private equity funds, WME to Silver Lake Partners, UTA to Invest Corp. and CAA to TPG Capital.

These investors seek higher than usual returns on their investments and they increase the agencies' focus on their own bottom lines.

Additionally, the Big Four started to engage in affiliate production where they, in some cases, became the employer of the talent that they were representing.

WME started Endeavor Content. CAA works with Whip Productions, and UTA works with Civic Center Media.

These factors created, as you can imagine, a widespread concern among our leaders in the Guild that despite diligent efforts of individual agents, the agencies were failing due to these conflicts to adequately represent writers with respect to over scale compensation.

These trends directly impacted AMBA negotiations in 2014, and in 2017, where the Guilds found themselves negotiating options in exclusivity language and span language to address over scale compensation, because these concerns were not being addressed by agents.

The Writers Guild West also engaged in a late penalty campaign between '14 and '17, because a lot of agents were non-advocating for their members to request late penalty compensation.

And finally, the entertainment landscape also required that many members had multiple representatives that they didn't have beforehand, that would be an agent, a manager, and a lawyer, which would equal about 20% of their compensation just to get in the door.

So the goal in reopening the AMBA was threefold. Obviously it was to ensure that agencies represent writers free of conflicts of interest inherent in the current practices including packaging and affiliate production.

It also required agencies to work with the Guild to enforce writers' contractual rights under both the AMBA and the terms of the writers' agreement. And three, which has been lost in the press, to ensure that agencies support anti-harassment and inclusion and equity goals.

The code of conduct, which was implemented in April of 2019 after several months of unsuccessful negotiations with the ATA, was implemented after an approval of over 95% of our members. And within two weeks of the implementation of the code, over 7,000 Guild members terminated the representation.

Before I transition to the litigation, I wanted to do a shout out to Buchwald and Liz, who is here representing Buchwald, that they have signed the code of conduct, have been a part of the Guild's efforts for several years now. So thank you.

In the packet that you have there is an article that discusses the other mid-size agencies in addition to Buchwald that have signed on. They include APA, Abrams, Gersh, Kaplan Staler, Pantheon, Rothman Brecher and Verve, Verve being a non-ATA represented agency, but the rest were represented by the ATA. And yesterday we signed Innovative as well.

We have, in addition to those agencies, over 80 other smaller sized agencies signed to the code of conduct as well.

So the litigation. There's been a lot of press as well about conflicts of interest and anti-trust, and how does that relate to the implementation of the code of conduct. I'm probably running out of time here.

I can say when the code of conduct was implemented in April of last year, the Guild, in addition to seven individual Guild members, filed in California court various federal and state court claims against the Big Four.

In June of 2019 only three of the Big Four, WME, CAA and UTA, filed federal litigation against the Guilds, alleging that the Guilds abused their union authority in violation of § 1 of the Sherman Act by coercing members and non members alike into a network of anti-competitive agreements.

Additionally, CAA and UTA argue that the Guilds engaged in an unfair labor practice under § A, B, 4 and B, by forcing CAA and UTA to cease doing business with Whip and Civic Center.

The Guilds, and again the seven individual plaintiffs, decided strategically to remove or withdraw our cases in California state court and we answered in counterclaim in federal court on 14 different claims. And I'll summarize them. Not surprisingly, that packaging violates state and federal antitrust laws, both the Sherman Act and also the California Unfair Competition Law. Agencies violated their fiduciary duties they owe to their clients, and de-

prived them of conflict-free representation when engaging in a packaging under California state law.

Agencies committed constructive fraud when engaging in packaging under California state law. Agencies violated the California Unfair Competition Law when engaging in packaging.

And finally, a RICO Statute claim—actually three separate ones, were initiated in our litigation that we didn't introduce in our state litigation, so that was a new addition to our litigation that we didn't have back in April.

So where are we right now. Both the consolidated complaint and answer are in your packet so you can review them. The Guilds' motion to dismiss was denied in January. The Judge heard the agencies' motion to dismiss on January 24th, so obviously it's only been a few days and we're waiting for that decision.

The parties have agreed on a discovery schedule, and a trial will begin in March of 2021 unless we can successfully come to some type of resolution. Thank you.

MR. KRINSKY: So just the mere existence of the WGA code of conduct and the fact that we needed another code, in a sense, to govern conduct of those wearing multiple hats sort of highlights the different roles that lawyers play throughout the industry itself. And so, I'd like to turn this over now to Liz and Jack to talk about the different roles between agents, managers, and attorneys specifically within the writing, directing, and acting talent itself.

LIZ ORR: Well, I'll start. I work for Buchwald, we are a licensed franchise. We are members of the ATA. We have to abide by the code of conduct with the WGA, we also abide by similar codes that I am not too familiar with because I am just a TV, motion picture, literary agent. I strictly represent writers and directors, but we also are compliant with SAG. I do work with the DGA and SAG.

So yeah, we as agents, we are only allowed to take a commission of 10%. Our agency is a mid-sized agency. We've been around since the 70s and we do not have a public business model, so we don't have any affiliate companies, we don't have any public investors.

So signing something like the code of conduct for us had very limited—it didn't really—we—our business model didn't involve those conflicts of interests for our clients. So we didn't have too many issues there, thankfully.

We did write in a few things to protect our clients in terms of information that the Guild had us turning over, in terms of financial information and timing of that information, demographics, etc., but for the most part it's the exact same agreement.

I also want to shout out to Cheryl (Davis), who is not only a member, but one of my clients. So it is a relatively

small community in New York with writers and representation, mainly because a lot of that development has historically taken place in California.

And with the way that an agency compensation is structured, we actually—our function is a little bit dictated by our revenue streams and lack thereof. So we very much focus on staffing, filling open writer assignments, filling writer needs, like staffing needs on shows, and then also filling director needs on shows.

We do not do a ton of development necessarily, and that's when you usually bring a manager who can produce onto the team.

Historically, we've been the only ones that legally can negotiate for our clients, and so we do focus on deal-oriented business. And when we—whenever we can we find a manager who may be able to step outside of deal-oriented business and do some development that is appropriate to be compensated as a producer on, and then you'd have a manager like Jack. And yeah, so that's a little bit of what I do, and then how I would work with Jack would involve him telling you what he does.

JACK GREENBAUM: Yeah. And so I think similar, in the case that Marc was talking about, where an actor sort of felt like her representative wasn't actually teaching her how to act. In some ways, managers, not that they teach writers how to write, but it is sort of conditioning them for the marketplace of the industry. And that's where I think managers can actually be really helpful and work in tandem with agents, where we sort of help figure out what the needs of the marketplace landscape look like, and then oftentimes are identifying voices early on and then helping them sort of dictate what they should be writing to get the attention of agents, and then the industry at large.

So a lot of the way that Liz and I work together is that I might see a comedian out somewhere. Liz might read a play or something and we each sort of will share material and information about up and coming talent in the writing space. And then talk about different ways that we can potentially strategize about her relationships and my relationships, but also specifically in terms of development, whether I as a manager who can produce and involved with or simply things that we just want to get that material out and sold in any capacity.

So it's a constant flow of information going both ways, and talking about, you know, we might have a client who has a new pilot that we're going out with and saying, oh, well, here are the 10 producers that I know and here are the 10 producers that you know, and I think it's really about establishing a pace. And I oftentimes see a manager as the one who is sort of the pace car for the team, whether there is a lawyer involved, an agent involved, a manager involved, or just one of those. And saying that these are the people that I am committed to

reaching out to, and this is what I'm committed to doing for the client, and then kind of using that as the way to say, okay, and I expect you to do as much if not more for that client, and just propelling each other forward and being someone who kind of is continuing to stir the pot, and say, hey, this client is not thinking about these ideas, and what do we think about this sort of stuff. Being in a lot of ways a conduit with a little bit more of a closer relationship to the client in the sense that agents oftentimes have a much longer list than managers do, because managers spend a lot more time sort of forming that voice or having conversations about every idea that the writer might have. Whereas, an agent might only hear about the top three that then we've decided on.

MS. ORR: Yeah, and then when you have a writer who is doing developmental work in a space that maybe we don't specialize in, or maybe it will take a long time to have to negotiate on, we'll bring on a manager to help develop those ideas or sometimes vice versa, a manager brings us somebody that they need help negotiating for.

Then sometimes I have clients that have managers and attorneys, and sometimes I have clients that just have attorneys, and that usually happens more at a producer level client.

I do have a client who is a producer, and he has a wonderful entertainment attorney. And we don't as general practice and in our general service agreements, we don't take commission on things that we don't negotiate on or on opportunities that we don't bring to the client. And sometimes when you have an upper level producer, they bring their own queries. And there have been times that I know of that that client has referred over to his attorney as opposed to me in those deal structures and to kind of not have to pay the 10% and the 5%. Most of the time, however, I do—our agency does negotiate all of our clients' deals and whether or not the attorney is involved, and in what level is up to the attorney, though we work in full transparency with every member of the team. I'm trying to think of what else would be helpful.

Yes, it's true that 90% of shows are packaged. That is—it's tricky for a mid-sized agency like us, because we don't do packaging necessarily and most of the Big Four do retain the clients that are at the level that would constitute what the claim is for a package—the "greenlight."

So there have been situations where we have brought—we have paired one of our clients with a showrunner or an executive producer level talent at a different agency, and that showrunner from that agency has developed a show with one of our writers, and there has been a package on that requested by the other agency, of which we would then be required to—well, not required, but you know, in previous years when that had happened we would ask for a part of that. Half of the reason is because we would represent an IP holder or a critical aspect in the project. But another reason is because

sometimes you'll have a writing team where one writer is a part of the package and the other writer was not, and then they're paying commissions, and it's a tricky thing that we always had in the past consulted our clients on, although that's not a part of our business structure. And I think those are the biggest ways that we interact for our clients in negotiations.

MR. KRINSKY: And keeping in that same direction though, I'm going to turn it back to both Hal and Jill this time.

In terms of—talk to us a little bit about the different roles that are being played in terms of in the sports world of coaches and athletes, the different roles between managers and agents versus lawyers, and how perhaps it is different within the sports world than it is within the talent world that we've just talked about.

JILL PILGRIM: Well, let me just preface what Hal and I are about to speak about and say that Hal works in a rarified world that you all are familiar with, with male—traditional male team sports, some individual sports, highly compensated.

There's a whole other world out there of athletes who need representation. I work with Olympic athletes and grassroots athletes. So we're going to talk a little bit about some of the distinctions related to that.

When we were preparing, one thing we both agreed on was that agents for athletes are highly regulated.

HAL BIAGAS: Absolutely. So, as Jill said, my background has mostly been working at the Players Associations. And I worked at two large agencies where at the agencies we, in various forms represented, a golf practice, a baseball practice, a basketball practice, a football practice, an Olympic group, and a soccer practice.

So with regard to those sports, we had agents who typically focused on one sport. And within that sport, for any of those sports that has a Players Association, that's sort of the first level of regulation.

All the Players Associations in the major American sports, the NFL, the NBA, the Major League Baseball and the NHL, have—the Players Associations all have regulations governing the conduct and the form and the allowance of agents. Under the National Labor Relations Act, in order to be an agent in any of those sports, the Players Associations have to confer that authority upon agents, so that then allows them to manage and control the actions of the agents. They all have a booklet that contains all the regulations governing the agents, and the agents are subject to educational requirements in a couple of the sports. And there's an entry point, aside from basic qualifications of having to pass some sort of written exam or other testing method, and then once you're an agent, you are required to adhere to all the rules. You're subject to regu-

lations on how much you can charge your clients ranging from 3% in the NFL to 5% in Major League Baseball.

So the agents are heavily regulated by the Players Association. And then in addition to that, they're also subject in most states to the Uniform Athlete Agent Act, which I believe now is present in 42 or 43 states, as well as the District of Columbia. And there's also a Federal Act called SPARTA¹⁶ which is the—I don't recall, Sports—

MS. PILGRIM: —the acronym.

MR. BIAGAS: Yeah, I don't recall the acronym, and it doesn't matter. And SPARTA is—agents in the primary sports are subject to SPARTA as well.

The NCAA also tries to regulate agents in some form, particularly in the basketball and football world, but they haven't as a non-governmental authority, they have no real ability to regulate agents. The UAA has done, in conjunction with the NCAA, or they advised on some of the regulations that are under the UAA, which by the way is solely a state act. And some of you may have read recently that the NCAA tried to impose regulations on athletes recruiting basketball players. That was shot down and many of the Players Associations pushed back because they don't want the NCAA poaching on their territory. So the NCAA, as much as they would like to be involved, has so far been shut out of direct regulation of agents.

Many states obviously have requirements that agents have to adhere to, including not violating NCAA regulations in order to maintain their standing as agents, but generally the NCAA is not involved.

Then, of course, we have various state laws in requiring registration and compliance. And also for lawyers who were acting as agents, rules under the State Bar and ethical conduct.

MS. PILGRIM: So let me qualify a little bit about what you said about the NCAA, because I was on the NCAA Committee on Infractions, which is the disciplinary body for the NCAA. And while they do try to regulate agents, and the way they try to do that is through their regulation of the athlete, of the student athlete. And then they say that it would render a student athlete ineligible if they were to sign with an agent. So that's how they get around it.

Olympic sport and grassroots sport have been the Wild Wild West. And when I started working with USA Track and Field over 20 years ago, the Olympic governing body for track and field, there was no regulation of agents. And I started to see things that were happening, which was generally that an average young person who has Olympic talent, and by the time Olympic athletes were allowed to get paid, someone in their universe would come forward to be their agent, whether it's a family member, an uncle, a friend of somebody. And there were people who were true track and field people who

knew their stuff, many of them lawyers who were acting as agents, but it was very random.

So I was explaining to Hal that I started to get alarmed as general counsel for USA Track & Field, because I started to see that individuals who didn't have the knowledge about our sport of track and field were becoming agents of athletes and risking certain of their competition opportunities.

For instance, if you don't know track and field, you don't know that your agent has to have cash on them while you are competing all around the world, because if there's some kind of problem in the middle of the competition and you trip and fall, and you want to file a protest, you have to pay cash to file the protest. And usually your agent or your coach does that.

So if you have somebody who doesn't know that representing you, and by the way, if you would have run that race you would have won a huge amount of money, and they don't know how to file the protest, that's a problem, right.

So, while I was at Track & Field 13 years ago, I convinced the leadership that we needed to regulate agents. I went and met with some of the male professional league Players Associations to get some ideas about regulating agents. But the thing about track and field, and swimming, the individual team sports, it's different, right. We're not individual athlete sports. We're not team sports, and we don't have owners who have employees who are the players, so it's a whole different ball game.

But long story short, I put in the materials, the regulations. They have evolved over time, but we created a set of regulations for track and field agents in the United States that required them to register, get education, prove that they knew the rules, domestic and international, of the sport, go through background checks, various things like that that are very common for agent regulation schemes in other sports. But not all Olympic sports have that.

So I was looking in preparation for this panel to see if swimming had agent regulations, I couldn't find them.

So in golf and tennis, a lot of the athletes—I had some professional tennis players meet with me this summer over some issues that they were having, and I asked them, well do you typically all have agents, and she said, no. The very wealthy well-known people who make a lot of money, do. But the rankings in tennis go down to—they used to go down to 1,000, depending on the women or the men's side, but there a lot of players in tennis who are trying to make a living professionally, and a lot of them don't have agents, they just have lawyers.

So all that to say is that it's a very different scene in other sports that are not the big traditional sports. And there is a need for lawyers often to help these athletes

navigate, but it's really up to the athlete to reach out and ask for that, because particularly as it relates to Olympic individual sports, they're not all sophisticated like track and field is, and they don't necessarily sort of have top of mind protecting their athletes in that way, they're more focused on the competition side and developing the athlete.

MR. BIAGAS: And just to add one thing to what Jill said with regard to tennis players and pro golfers. The reason most—the players who haven't established themselves yet don't have agents is because the agent's commission is not on winnings, but on endorsement deals.

So if you're representing a player who is not at a point where they're making any money from endorsements, you're basically working for free. So most established agencies won't represent that level of player.

MS. PILGRIM: And also, in individual sports it's success-based earnings, right. You win, you get scaled money based on winning separate from the endorsements and sponsorship.

So, if your athlete that you're representing isn't doing well, then you don't have guaranteed money.

MR. KRINSKY: Jill, in that respect, we certainly know that lawyers are always concerned, whether it's a grievance committee, a court, or any other administrative body, we're always concerned about lawyers taking advantage of clients who perhaps are more exposed than others.

What is the biggest challenge that you see with respect to student athletes being taken advantage of within the industry and how are lawyers trying to combat that?

JILL PILGRIM: Okay, well let me just point out that in the materials we did put the New York State athlete agent registration information, and that deals with the registration of agents who are going to negotiate on behalf of student athletes.

There's a big issue happening now, you've probably read about it. I think New York State is also one of the states that either if they haven't passed it or are about to pass legislation that is going to allow student athletes to earn money from their name, image, and likeness. And that is going to be a game changer. And I have really big concerns that traditional male sport agents are going to swoop in and sort of take control of that situation, as opposed to intellectual property lawyers.

In my personal opinion, Hal is a very respectful honest guy—not all traditional agents are. And I feel like the student athletes are going to be in a better position if they hire lawyers to handle name, image, and likeness, rather than agents. Of course the agents are going to want to do it because they want to have a relationship with student athlete after they finish their collegiate eligibility.

MR. BIAGAS: Or they may already have a relationship with the student athlete.

MS. PILGRIM: Right, which they're not supposed to have under the regulations, right, which is—but maybe you have a different take on it.

MR. BIAGAS: Yeah. Certainly, agents are going to want to be involved in the name, image, and likeness. The whole point of being an agent is to represent your client. And you want to minimize the other people who are involved in that. There's always a threat of somebody else is working with the client, taking the client from you. And so agents are very—

MS. PILGRIM: —what about the best interest of the client?

MR. BIAGAS: Well, there is that, but most of the agents think that they are the best interest of the client.

You talked about what do I think the biggest issues are, and the role that lawyers and agents can play. One thing I think that is important in terms of interactions with the NCAA is leveling the playing field. And agents often—their ability to help their clients navigate the field and determine whether or not they should turn pro, or they should return to college, or they should go to college at all, I think is important.

You particularly see it in the baseball context where players are drafted. The NCAA allows the teams to negotiate with the players, but does not allow them to have a representative or an agent negotiate on their behalf. So there's a real imbalance of equity there.

MS. PILGRIM: Let me just say that I disagree with you a little bit on the agent scenario there. I have seen some disasters where agents looking out for their best interests, which is revenue, have convinced student athletes not to go to college. And I'm not talking about male professional sports per se, even though that does happen in that realm, and there's a debate about whether that should be a concern. But I've seen agents cause, particularly track and field athletes, to go pro too early, not get the benefits that they could have developed their talent as a track and field athlete in the college setting. And then burn out real fast, not have gotten their college scholarship to help finish their education. They're injured and not successful as a professional track athlete, so they've lost out. It's a bad situation.

MR. BIAGAS: We can agree to disagree.

MS. PILGRIM: Yes.

MR. KRINSKY: But following up on that for a second, Hal, you know some of us have seen the show, A-Rod's new show, right, dealing with individual athletes who have unfortunately at one point in their life done significantly well, but then found that either they've been taken advantage of or they've found in one way or

another all their funds have been depleted and they're having financial problems.

What do you attribute those types of scenarios to, and how both as a legal but also a non-legal community are those problems being addressed?

MR. BIAGAS: First of all, the Players Associations generally do a pretty good job of trying to assist players throughout their careers in terms of providing educational opportunities. Providing background checks, and checks and balances to make sure that they're being represented by agents who are qualified.

A couple of the Players Associations also have financial manager advising programs, like the NFL. So I think that's probably the primary way that athletes are being protected.

The Players Associations have also spent a lot of time and resources developing programs that provide for retirement income for players. They all have pensions, they all have 401Ks, they all have post-retirement health benefits. So they're trying to create a transition period where there's money for them at some point later in their careers, guaranteed income.

Beyond that I think it's—we always, both as an agency, and at the Players Association, we always advise players to make sure that you have checkers checking the checker.

So if you've got a financial manager you need somebody who occasionally comes in and makes sure that that person is living up to the fiduciary obligations to the athlete.

You can't force people to do things, and unfortunately there are a lot of unscrupulous people out there. It's usually not agents who are doing it, it's usually financial managers who are the ones who are causing players to have financial difficulties down the road. And steering them towards bad investments, and other—and often-times blatantly stealing their money.

MR. KRINSKY: And if I can turn it back to you for a second, the whole idea about the WGA deputizing lawyers and managers, we can come back to that full circle, and if I can throw that back to you.

MS. BURDICK: I guess I was acting like a lawyer, that I didn't answer Marc's question. So, I just want to read from the delegation letter itself, and what again, what Marc is referring to is that Writers Guild East and West in March of 2019 prior to the code of conduct being implemented delegated the power to procure and to negotiate over-scale agreements to managers and lawyers. So again, it was outside of what had been negotiated in the AMBA.

And you asked me how the Guild was working around the statutory obligations in both California and

New York? And the letter states, "the Guild is invested"—although it says, Guild singular, it should say the Guilds, "are invested with the exclusive right to bargain over wages, hours, and terms and conditions of employment on behalf of writers. The Guild, in its sole discretion, may delegate its exclusive bargaining authority on terms that it establishes. The Guild authorizes you to procure employment, negotiate over scale terms and conditions." And it refers to the provision in the AMBA.

The reality is that for decades, attorneys, and I'm sure many of you in this room have been negotiating over-scale contracts for writers; I can't speak for managers and maybe if you want to opine on that, I'm not a manager. Since we've had this delegation letter, there have been no concerns raised by our Guild members. There have been no concerns raised by lawyers. I think the intent in part was to provide opportunities for lawyers to get involved in a new business model that maybe they were not in.

Most of the feedback that I'm getting from writers is that in fact, I was at a mixer in L.A. last week and someone was talking about Buchwald. They have found agents that have signed the code of conduct, or they're using their lawyers in the same fashion in which they used them prior to the implementation of the code of conduct. Because frankly, a lot of lawyers are not in the business model of procuring employment, they're in the business model of negotiating the terms after it had been procured.

So we'll see if there's a case that comes up. But we're secure in our delegation, and we're secure in how the business model, in fact, has been working for decades.

MS. ORR: I would love to jump in just because very recently I had—well, I have a client and they have a best-selling novel, and that best-selling novel was packaged by a management company, a big management company. And it was in development with a couple of big producers and went to a network and over time, the rights all reverted. It didn't go forward, rights reverted and then we had the rights again. And they actually came to me and said I was managing—or I was representing them on a different project all together. As far as I knew, that was all tied up. And the management company—no, this wouldn't be Jack's managing company, but in this particular instance this management had kind of stonewalled all information to the writers throughout the option period. And we had—they had another offer from a producer and they actually needed help negotiating terms that the manager did not previously negotiate, because they were a producer on the project.

So because that management company was a major producer on the project, which is very common in television, they were concerned about their deal. I looked at the deal, I was unconcerned about the deal. And when we moved forward, I had no pushback from that manager in my negotiations, though I was very glad that the rights reverted and we were able to renegotiate.

Now there is, in the business model of management, there were inherent conflicts. Most managers produce, it's the way that they are able to develop. And it's not a necessarily bad thing, but it's a—it was certainly a decision I made when I actually started a lit department at a very small agency.

I came from a writing background, so I had WGA writers, and it was my first goal to be a WGA signatory, which I, alongside an entertainment attorney, achieved through Ann and—well, actually through Rochelle. And then when I left that company I came to Buchwald, who is also a signatory. We made our decision with that agreement, and I don't know why I went down that rabbit hole.

Basically, I had that choice, do I go to Buchwald or do I become a manager? And financially, it's a little bit more lucrative or can be potentially to go into management. They are just very very different business models. I didn't feel as though I would build my relationships as usefully to my clients by going into management, although I could see there are advantages there, and a lot of them lie in your ability to produce.

That's why I think it can be tricky to have managers negotiate television or film deals as a book agent—as tricky as it would be for a book agent.

I also similarly had a situation where a New York book agent was taking 15% commission, which is much more than we are allowed to take, and they did not get anywhere close to the best deal, mainly because they don't have the same network of relationships in the buyer's market. And so they had kind of gone with the first buyer, not shopped in the way we should have shopped. And when I looked at that deal I was concerned. And luckily the same thing happened, where it was dropped by the producer, the rights reverted and now we're able to re-shop it for a—what we've gotten comparable compensation, but also credits for.

So you know, it depends. Packaging is a word that, I think, can mean a lot of things. And I think that we're regulated pretty heavily to not act against our client's fiduciary best interest. And I am pretty certain that I can say that we do hold that up.

MR. BIAGAS: If I may, I wanted to go back to Ann's thing for a second. The writers delegate to the Guild the exclusive right to negotiate for them. And in turn, the Guild then delegated that to lawyers or managers. In doing that though, that doesn't obviate their regulatory structure of the various states so that the lawyer and manager who procures employment may still be found to be acting as an agent without a license, despite the Guild's blessing, is what I think.

MS. BURDICK: Well, I guess like Jill and Hal, we are just going to agree to disagree.

MR. BIAGAS: Okay. Good.

MR. KRINSKY: So before—I talked about one or two small things. Questions from the audience, just so that—the worst thing that can happen is you walk away from one of these programs and either your question isn't answered, or you don't feel that you've walked away with a practical answer to something. So, if there are questions from the audience?

AUDIENCE SPEAKER: Thank you for time. I'm just curious since this is a panel on attorneys, lawyers, and managers, I'm curious on your thoughts. We find often, and I'm surprised by even A-list talent who, instead of having their own entertainment legal counsel, use their agency attorneys to represent them. What are your thoughts on this in the fact that there could be conflicts?

MS. ORR: Well, I find that most—I actually prefer when my clients additionally have an entertainment attorney, whether or not they have a manager is a little bit more dependent, it depends. But for the most part, because usually with writers and directors, you're being paid in very large sums, and it usually makes sense to have them incorporated. And a lot of those steps require legal supervision that are outside of our purview.

And so for the most part, for most of my high working clients, they do additionally have entertainment attorneys. And usually we in-house have two different entertainment attorneys as well that act as in-house counsel essentially and guide a lot of our negotiations. A lot of whom have been with the company for like 30 years, so they've seen every version.

We have—I have a lot of transparency with the entertainment attorneys who work with my clients. I also don't have a vast client list. We are curated in our—and very personalized in our approach to agenting. And usually there is a conversation with the entertainment attorney. And usually we are the ones that take the lead, but usually there is a little bit of dialogue, because we do want to make sure everyone is on the same page about what's in the client's best interest.

Yeah, usually it's additive, usually there's both. I don't know specifically who you're seeing that's A-list that doesn't have both, but in my experience usually there is.

AUDIENCE SPEAKER: It seems like when you are an attorney you are under ethical—it's your ethical duty to represent your clients zealously. And if I was working at an agency, my client would be the agency, not exactly the client. And so I can foresee situations when there is a conflict.

MR. KRINSKY: But I think the conflict can also go the other way, where I've seen situations where a writer might either have a lawyer or doesn't have a lawyer, but the producer has a lawyer that maybe—maybe the writer

shares a lawyer with the producer, right? And the producer makes more money for the law firm, and so therefore the client is then concerned that maybe the lawyer is not going to negotiate as hard as the agency might, and maybe the agency isn't involved in any way with the affiliate, in any affiliate packaging with the particular project.

AUDIENCE SPEAKER: Pery, are you aware of any instance where an agent has been slammed, sued, complained about in unauthorized practice of law?

MS. BURDICK: Can I say really briefly about that question that was just posed. That it was pointed out by Hal that the athletic agents are regulated much more—in a much more detailed way than entertainment agents. And a lot of the concerns that you raised are addressed in the various different levels in which agents are regulated, hence, the effort of the Writers Guild implementing a code of conduct in the same fashion that as far as the agencies have to address the general question that you just asked, as far as making sure that agents are directly representing their client and not some other conflict, so thank you.

MR. KRINSKY: And to come back to your question, it's like you were reading the notes on my page. The notes on my page read, "conflicts, money, discharge, discipline." Right? Sort of those words that everybody hates to hear. It's this idea that—and if you sort of roll together all the concepts and ideas that we briefly touched upon today, so what are some of the practical takeaway points? And I'm trying to boil it down to the very very essence of it, because in this sort of big world of entertainment, arts, and sports law, the nuances, obviously are everything, but there's some general concepts at least in terms of how it impacts, how these rules, whether it's the rules of ethics or managers, agents, lawyers, how these concepts all come together.

The place that I've seen representing dozens, if not more, of lawyers within this practice area, the thing that keeps coming up over and over and over again, are just that, conflicts of interest. Where all of a sudden you have a conflict between one member of a band versus the other three members of the band. Or where you have the conflict between agent manager, manager agent, talent manager.

Again, conflicts of interest that come up where someone is wearing two hats simultaneously. What does that lead to, conflicts of interest, most importantly then, money questions. How much money can I keep, how much money do I have to give back. What happens when a client all of a sudden gets upset because they believe there's a conflict of interest, and by the way, it only usually comes after they've hit the big deal and they realize how much they're paying out from that big contract now they've hit. Now all of a sudden there's a little bit of buyer's remorse in terms of the way it was structured, or what the lawyers receive wearing multiple hats, etc. And lastly, leading to what? Discharge. And more often

than not you won't read about it, more often than not, you don't read about it in the *Law Journal* or the *New York Times*, sometimes you do, but more often than not those matters end up being settled confidentially because we know as lawyers, wearing sometimes multiple hats, but certainly as lawyers, when all of a sudden we have an upset client, a client who is upset with us where they're having been paid what we should be paid, but the idea that we're being paid as much as we are, that having that front and center in a *New York Times*, or a *New York Law Journal* or anywhere else, is not exactly how we want to be known or the type of press that we're looking for. So more often than not, those types of situations are settled confidentially.

But when we think about the world of ethics, again, just to pull it all together, this whole idea is about more often than not, the multiple hats that we're wearing, and fights over money.

Make no mistake, the question in the back about A-listers and whether or not they have lawyers, sometimes they do, sometimes they don't, but that question about money, that's the key to a lot of these issues that come up, because it is ultimately about a fight about money. And how to avoid those fights—that all starts from the beginning of the relationship. The sign up, the relationship from the beginning, and letting the client first and foremost understand what your role is, defining your role and ensuring that as you go through the life of the relationship, the life of the client's entertainment, arts, sports world that you are growing with them, always defining who you are in their life as you move forward so that relationship grows over time. And so you stay with that client to avoid the types of conflicts that result in money disputes and ultimately discharge type issues.

With that said, I'd like to thank the panel.
(APPLAUSE).

ANNE ATKINSON: Judy and I both thank the panel and Pery tremendously.

Thank you, guys, so much for your attention. I think this is fantastic. And don't forget to come to Bill's Bar and Burger, 16 West 51. The panel is all invited.

Endnotes

1. See page 99 in this issue of the *EASL Journal*.
2. See page 94 in this issue of the *EASL Journal*.
3. Multichannel video programming distributor.
4. William Morris Endeavor.
5. SAG-AFTRA, the Screen Actors Guild.
6. Directors Guild of America.
7. Cost per impression.
8. "Microtransactions, also known as in-game purchases, are small, online purchases made within video games to access game content and purchase virtual items and in-game virtual currency," <https://www.jdsupra.com/legalnews/video-game-industry-responds-to-87298/>.
9. "A loot box is an in-game purchase where the virtual content is revealed only after purchase and may contain a "valuable" virtual item based on random chance," <https://www.jdsupra.com/legalnews/video-game-industry-responds-to-87298/>.
10. Evolution Championship Series.
11. Tfue is Turner Ellis Tenney, a live streamer, professional gamer, and YouTube celebrity.
12. Ninja is one of the most popular gamers.
13. North American League of Legends Championship Series Players Association.
14. *Rhodes v. Herz*, 84 A.D.3d 1, 2 (N.Y. App. Div. 2011).
15. *Solis v. Blancarte*, Case No. TAC-27089 (Cal. Lab. Comm'n Sept. 30, 2013).
16. Sports Agent Responsibility and Trust Act, (15 U.S.C. §7801-7807).

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The Battle Against the Bots: The Legislative Fight Against Ticket Bots

By Jennifer Sherman

I. Introduction

In the age of online ticket purchasing, concerns that tickets to a concert, show, or other event will sell out in minutes, not merely out of popularity, but due to a massive use of robots controlled by scalpers, have become the new normal. The Office of the New York State Attorney General issued an investigative report on the topic, due to the high volume of complaints received from New Yorkers regarding ticket purchasing.¹ Fans have attempted to purchase tickets at face value only to face the harsh reality that their must-see show sold out almost immediately, while available tickets could be found on scalper websites for many times the original price.²

In New York, legislative attempts to combat scalping began in the late 1800s.³ Scalpers lined up at Broadway box offices early to purchase large percentages of tickets for resale on the secondary markets at much higher prices. Laws changed to limit scalpers' access and penalize offenses. The existence of a secondary market actually provides purchasers flexibility in buying tickets, which allows for an increased incentive in purchasing, with the comfort of having the ability to resell the tickets if the original purchasers are unable to attend the event.⁴ Additionally, customers are provided with more options in purchasing at prices that could even be less than face value if they wait long enough and the secondary market becomes saturated with excess tickets. However, online ticket sales have changed the game. The amount of tickets that can be acquired through ticket robots have left customers at an unprecedented disadvantage and legislative efforts both federally and statewide have sought to match this new age of scalping.

II. A Brief History of Scalping in New York State

New York State has a particular interest in ticket scalping issues because of Broadway and other large forms of entertainment that fans come from far and wide to experience. The issue with scalping, especially in the theater industry, began far earlier than the internet.⁵ In the 1870s, it was common practice for theater staff to thoroughly check physical tickets at the entrance of each theater in attempts to prohibit entry to anyone possessing counterfeit tickets.⁶ However, it was often difficult to tell, without today's technology, if a ticket was real or not, leading to confrontations and problems for ticket holders, either as good faith buyers or as individuals falsely accused of counterfeiting.⁷

Today's problems are not of counterfeit tickets, but real tickets acquired at an unfair advantage. While fans log on promptly and wait patiently for tickets, scalpers are using computer technology to acquire a substantial number of tickets before the average fan has a chance to purchase any.



III. A Brief History of Ticket Bot Scalping

A "bot" (short for robot) is "a program that is installed on a system in order to enable that system to automatically (or semi-automatically) perform a task or set of tasks typically under the command and control of a remote administrator (often referred to as a 'bot master' or 'bot herder.')." ⁸ Interested scalpers who are not technologically savvy can even purchase the bots from others online.⁹ The software is actually quite simple; it bypasses the CAPTCHA system intended to verify human users and allows users to conduct multiple searches and tasks at once to reserve tickets.¹⁰

The emergence of the modern "bot" issue likely originated with scalpers at the firm of Wiseguy Tickets, known as the first company to develop a computer program used to bypass security measures on online ticket selling platforms in order to resell the tickets from its own website.¹¹ Federal authorities in New Jersey charged four men involved in the Wiseguy enterprise in 2010.¹² However, lead Wiseguy, Ken Lawson, frequently escaped liability in the early days of ticket robot scalping, because of the lack of statutory law covering this conduct and the argument that not all tickets are available to the public during typical sales, anyway.¹³ Buying multiple tickets at once was not analogous to hacking because it did not involve infiltrating the system other than acting as hundreds of impossibly quick individuals.¹⁴ When Ticketmaster updated its terms and conditions to prohibit such conduct, the update fell short of prohibiting any such enterprise.¹⁵ Since then, the battle against the "bots" has continued, as others have developed and utilized ticket robots to purchase mass amounts of tickets, mostly from Ticketmaster, to resell at much higher prices on additional websites.

IV. Ticketmaster's Struggle

Ticketmaster is globally known as the leading online ticket distributor.¹⁶ Live Nation Entertainment was created when Ticketmaster and Live Nation merged in 2010.¹⁷ The battle against the ticket robots has been a public struggle for Ticketmaster, which introduced its Verified Fan program, advising fans that by participating in the program they can beat the “bots” by buying tickets first.¹⁸ Ticketmaster describes its Verified Fan Program as “a really big robot to protect fans from the thousands of little scalper bots trying to scoop up tickets,” assuring its customers that the company is committed to defeating these “scalper bots” that are known to bypass Ticketmaster’s security systems and result in tickets winding up on external websites, often at inflated prices.¹⁹

The program has been met with mixed reviews, giving fans access to high profile shows, but not without effort.²⁰ Through the Verified Fan Program, fans of Taylor Swift, Bruce Springsteen, Ed Sheeran, U2, and other artists partnering with Ticketmaster, register for the program before tickets go on sale.²¹ Fans are “verified” as being human fans instead of robots from activity on the website, such as watching videos, buying merchandise, and participating in certain promotional activities of the artist or group on connected social media accounts.²² Once the program closes, fans receive a presale code and date based on their participation.²³

The exertion being unfavorable to fans may have been recognized by Ticketmaster. While Taylor Swift’s reputation tour utilized the program in 2017, Swift’s upcoming summer 2020 tour used data from the previous Verified Fan Program, allowing fans to “RSVP” for the presale, but each fan’s standing was based off previous participation in the program. Therefore, fans did not need to put forth additional work into the program if they are already “verified” as a fan instead of a “bot.” This leads to the conclusion that Ticketmaster sought to avoid complaints regarding fans’ experiences from participating in the program previously and having put forth countless hours of effort just to reserve a spot in the virtual line for the presale.

Ticketmaster also apologized to fans for technical difficulties that fans experienced using the Verified Fan Program on October 3, 2019, to purchase concert tickets for Billie Eilish’s highly anticipated tour.²⁴ *Billboard* reported that Ticketmaster posted on Twitter: “Billie Eilish Fans: We sincerely apologize for the issues during today’s [October 3, 2019] presale. We will ensure that all Verified Fans are able to purchase tickets prior to tomorrow’s public onsale.”²⁵ Better alternatives that address these issues are yet to be implemented. However, it is clear that “bots” produce ongoing challenges for Ticketmaster in trying to satisfy its customers.

V. Recent Litigation

The battle remains ongoing for Ticketmaster after settling, in early 2018, with Prestige Entertainment West, Inc. and Renaissance Ventures LLC, large “bot” producers.²⁶ The lawsuit initiated in 2017 when Ticketmaster alleged 13 causes of action based on the entity’s ticket “bot” enterprises, in the U.S. District Court for the Central District of California.²⁷ Before settling, the court denied the defendant’s motion to dismiss for failure to state a cognizable claim with respect to the plaintiff’s claims, which included copyright infringement and violation of the Digital Millennium Copyright Act, the Computer Fraud and Abuse Act, and the California Computer Data Access and Fraud Act.²⁸ Recent regulations on ticket resellers, through legislation, may have an effect on similar litigation in the future by limiting the need for Ticketmaster to sue these “bot” enterprises. In the final judgment in 2019, an injunction was granted to prohibit Prestige Entertainment West, Inc. and Renaissance Ventures LLC from creating and using ticket “bot” technology, which is illegal under the federal Better Online Ticket Sale (BOTS) Act, discussed below, to search, reserve, or purchase tickets through Ticketmaster’s website and mobile application. Nevertheless, no damages were stipulated.

VI. Federal Legislation

Congress passed the aptly named BOTS Act²⁹ in 2016. Lin-Manuel Miranda brought his advocacy to Washington D.C. in support of the law after writing an op-ed for *The New York Times* detailing concerns, in which he cited robot scalpers as causing ticket inflation that has frequently cost fans over \$1,000 per ticket to see his hit Broadway show, *Hamilton*.³⁰ The BOTS Act was passed “[t]o prohibit the circumvention of control measures used by Internet ticket sellers to ensure equitable consumer access to tickets for any given event, and for other purposes.”³¹ Enforced by the attorney general of each state and the Federal Trade Commission, the BOTS Act provides for civil penalties on the federal level.³² Furthermore, both the acts of circumventing security measures of a ticket selling platform, such as bypassing the CAPTCHA system, to obtain tickets, as well as selling the tickets obtained in such a manner, are in violation of the law.³³ Similar to New York’s legislation, to be discussed below, simply knowing that tickets sold were obtained in violation of the law is conduct prohibited under this new law.³⁴ Further, with the ability to impact ticket robot use across the nation, the BOTS Act also bans the sale of tickets obtained from use of scalper bots from being sold across state lines.³⁵

VII. New York Legislation

In New York, the issues associated with online ticket resale are so prevalent that lawmakers have taken action. New York has a special interest in protecting customers because of the entertainment hub of the Broadway

theater industry. While “bots” have been at the forefront of changes to the law to address consumer disadvantages from the secondary market, New York has a longstanding history with legislating the ticket resale business, most recently through the addition of § 23.24, concerning Ticket Purchasing Software, of Article 25 of the New York State Arts and Cultural Affairs Law in 2016. However, New York has had a particular stake in the ticket scalping affair since Broadway Theaters first arose in the 18th century. New York continues to lead the way in legislative efforts to protect the viability of the theater industry. Various amendments to the New York State Arts and Cultural Affairs Law have recently become effective through a reform of ticket resale laws. From 2016 to the present day, much focus on the Arts and Cultural Affairs Law has been on limiting the secondary market, in attempts to increase consumer protection.

During the first half of the 2019-2020 Legislative Term, bill A1534 was introduced in the Assembly to repeal Article 25 of the Arts and Cultural Affairs Law and add an entirely new Article 25, establishing the maximum price for the resale of tickets and various other provisions aimed at increased consumer protections in the secondary seller ticket market.³⁶ It is currently a one-house bill, with no Senate sponsor, and has not yet reached committee, the first committee being tourism, parks, arts, and sports development.³⁷

In the 2017- 2018 legislative term, several amendments of the New York State Arts and Cultural Affairs Law occurred from the passage and signing of S8501-B, sponsored by Senator Murphy in the New York State Senate, and with A8245-C, a “same as” bill in the New York State Assembly,³⁸ which was sponsored by Assemblyman Daniel J. O’Donnell.³⁹ O’Donnell’s sister is entertainer Rosie O’Donnell. It aims to increase transparency for consumers by placing requirements on ticket resellers, such as mandating such resellers to post a notice on their websites indicating that the websites are being used for the secondary sale of tickets, as well as requiring resellers to post notices to customers to indicate if they are being transferred to a website of an additional ticket seller.⁴⁰ The bill also prohibits the use of a name that may confuse customers into thinking that they are purchasing tickets from the original seller. Furthermore, the bill provides for regulations in the disclosure of fees and surcharges that customers may encounter when purchasing tickets on the secondary market.⁴¹ The bill was signed into law in July 2018.⁴² Legislation has also been pending since 2015 that would require sellers to include fees and surcharges in the advertised full price of each ticket.⁴³

While the regulations encompassed in legislation during the 2018 legislative session target ticket resellers using the secondary market, such legislation does not help in fighting the battles against the “bots.” Perhaps the most substantial effort in battling the “bots” in New

York State occurred in 2016, when Assemblyman Marcos Crespo of the Bronx introduced New York State Assembly bill A10713 to increase civil penalties for the use of ticket “bots” and to institute new criminal penalties so that any person, firm, corporation, or other entity knowingly maintaining interest or control in the operation of ticket purchasing software would be guilty of a class A misdemeanor.⁴⁴ Senator Andrew Lanza of Staten Island sponsored bill S8123 in the New York State Senate.⁴⁵ The legislation passed both houses unanimously on June 17, 2016, and was signed into law by Governor Andrew M. Cuomo on November 28, 2016.⁴⁶ In a series of interviews, Assemblyman Crespo provided insight into the legislative process that led in the battle against the ticket robots.

Assemblyman Crespo introduced A10713 to give more New Yorkers the opportunity to attend shows and events by addressing the use of “bots” that have caused increases in ticket prices from low availability.⁴⁷ The new law amends § 25.24 of the New York State Arts and Cultural Affairs Law, clarifying language to address the issue of the variety of automated ticket purchasing software or ticket “bots” that were being used to bypass security measures that assist in limiting the number of tickets purchased or used to access control systems on retail ticket purchasing platforms, including mobile devices and other new technology used as platforms for selling tickets.⁴⁸

While the law originally referred to “automated ticket purchasing software,” changing the language of the law to include software that works “on its own or with human assistance” was intended to increase the effectiveness of the law by targeting a wider variety of “bots” that were being used to bypass security measures on ticket selling platforms.⁴⁹ Furthermore, the law was amended to target any “firm, corporation or other entity,” instead of simply any “person” utilizing “bots” for this wrongful purpose, as was the case in the recent Ticketmaster lawsuit, described previously.⁵⁰

Assemblyman Crespo noted the importance of realizing that ticket scalpers are not what they used to be and that the scope of those wrongfully buying tickets to sell at inflated prices has moved beyond the street-corner scalper to “large entities purchasing very large quantities of tickets, at one time, to deny the public fair access to ticket purchasing.”⁵¹ By amending the law in this way, more wrongdoing from the use of “bots” is now covered under the law.⁵²

The 2016 bill was carefully constructed to avoid concerns that expanding the law could possibly lead to unintentionally affecting those rightfully purchasing what could be considered a large amount of tickets.⁵³ A debate on the floor, when the bill passed the New York State Assembly on June 17, 2016, confirmed that any unintended consequence has been carefully circumvented.⁵⁴ Assemblyman Crespo stated during the debate that the “language [of the bill] specifically refers to the use of software

of other ticket purchasing devices” and not “individuals who would sit there, whether it’s one or two, making the purchases.”⁵⁵

As for penalties, gone are the days when accepting a fine, if caught, was worth the act of using “bots” to snatch up tickets for resale. Under this new law, it is unlawful to knowingly resell tickets obtained using “bots.”⁵⁶ Such offenses would be subject to a civil penalty of no less than \$500 (and no more than \$1,500) for each violation, and the offender would forfeit profits from the unlawful sale.⁵⁷ While previously under the law, a person subject to a penalty under this section, in the previous five years could be fined an additional \$1,500 for more offenses, the bill lowers this time period to the previous three years.⁵⁸ The application of these changes in the law have not yet been litigated. However, the largest deterrent comes in the form of an added criminal penalty for offenders of the law:

Any person, firm, corporation or other entity who for the purpose of selling or offering to sell tickets in order to derive a profit therefrom (i) intentionally utilizes ticket purchasing software to purchase such tickets, (ii) intentionally maintains any interest in or maintains any control of the operation of ticket purchasing software which is used to purchase such tickets, or (iii) knowingly resells or offers to resell a ticket that such person, firm, corporation or other entity knows was obtained using ticket purchasing software and was not obtained for their own use or the use of their invitees, employees, or agents, shall be guilty of a class A misdemeanor.⁵⁹

If convicted, an individual could spend up to one year in jail or three years of probation, as well as receive a fine of up to \$1,000.⁶⁰ Criminal penalties are more likely to deter those involved in the “bot” enterprise than the previous imposition of solely fines, which were evidently well worth the profit. Such criminal penalties may be the more effective way that New York State has fought against the “bots” without legislating at the expense of the secondary market. For Assemblyman Crespo, the bill was about “assuring affordable access to an iconic part of New York’s culture.”⁶¹ Assemblyman Crespo cited Lin-Manuel Miranda as a prime public advocate, in New York, as well as in Washington D.C., for ensuring that New Yorkers of all income levels have access to a variety of entertainment opportunities, including *Hamilton*.⁶²

VIII. Reactions

The first notable reaction from artists to the ticket robot problem came at the 2005 Grammy Awards, when band members of U2 famously apologized to fans who

were not able to acquire tickets to the band’s previous tour due to ticket “bots.”⁶³ Other artists, such as Elton John, are mostly concerned with not only ticket robots’ effects on fans losing out on attending shows, but for the fans who pay highly inflated prices in order to attend such shows.⁶⁴ Before the legislative efforts, country music singer Eric Church commented that “it’s not solvable until it’s illegal.”⁶⁵ However, even after state and federal legislation have gone into effect, critics have found that not much has changed.⁶⁶ Difficulty resulting in lack of reporting has been cited as the primary reason as to why new penalties have not been entirely effective.⁶⁷ Further, since tickets can be bought online from anywhere in the world, who is to say that the problem with ticket robot scalpers, for U.S. shows, only occurs from scalpers present within the U.S.? As a result, the band Nine Inch Nails recently decided to forgo all online ticket sales and only sell their concert tickets at a physical box office.⁶⁸

IX. The Future

Despite these new laws, as Congress and the New York State Legislature continue to pass clarifying laws and introduce new restrictions on scalpers, questions arise about the free market for these third-party ticket sellers and the trade-off of purchasing ease for fans. It is evident from Ticketmaster’s Verified Fan Program that there is a demand for purchasing tickets without too much effort in dealing with the “bots.” However, the secondary market can be a positive for consumers who are provided with more flexibility from the ability to resell tickets they no longer want and to purchase from competing sources. The secondary market also benefits the performers and producers who do not want empty seats at their shows.⁶⁹ The true threat to consumers is the “bot” enterprise that makes it so difficult to take advantage of the free market when scalpers are acquiring such large amounts of tickets, at one time, through automated software. Assemblyman Crespo said that bills such as his continue to take effect in attempt to “level the playing field” for fans in the battle against the “bots.”⁷⁰ However, such controversy may continue, as we see the outcomes of the laws passed by Congress and the New York State Legislature, in future litigation. Likely is the passage of additional legislation to reform the digital age of ticket purchasing, so that the fans can finally beat the “bots” to the tickets.

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Characters in Captivity?

Defining the Scope of Trademark Protection for Public Domain Characters

By Brandon A. Zamudio

A Revival of the Public Domain

As the clock struck midnight on January 1, 2019, many across the United States celebrated with glee. New Year's festivities were only part of the reason. The first day of the year also marked what open-content activists have dubbed Public Domain Day,¹ especially remarkable because it was the first time since 1998 that any



published works in the United States entered the public domain. In an instant, copyrighted works published in 1923 became free to copy, adapt, distribute, perform, and display.² These included comedy films featuring Charlie Chaplin, a Sherlock Holmes story by Arthur Conan Doyle, a Tarzan story by Edgar Rice Burroughs, a poem by Robert Frost, and several other classics.³

Why the hiatus? In 1998, Congress passed the Sonny Bono Copyright Term Extension Act (CTEA), increasing copyright protection by 20 years for all copyrightable works.⁴ The CTEA also applied retroactively; every copyrighted work published before 1978 (provided that its copyright was renewed, if required) saw its term of protection increase from 75 years from publication to 95 years from publication. Thus, the CTEA postponed the entry of 1923 works into the public domain from 1999 to 2019.

Many credit the CTEA's enactment to The Walt Disney Company's powerful lobbying, leading some to bestow the legislation with the more derisive moniker, "The Mickey Mouse Protection Act."⁵ Indeed, Disney had Mickey Mouse front-of-mind in 1998, as Mickey's first copyright was in its twilight years: *Steamboat Willie*, Hollywood's first cartoon with synchronized sound in which Mickey Mouse first appeared,⁶ was set to enter the public domain in 2004.⁷ (Figure 1). Upon its enactment, the CTEA guaranteed *Steamboat Willie's* protection until at least 2024. Even the Supreme Court upheld the CTEA's retroactive effect.⁸

Now, the dam has broken, and the cascade of content into the public domain is set to continue. Almost no one anticipates another legislative postponement like the CTEA.⁹ The political environment has changed, and "Internet companies—especially Google—have become pow-

erful opponents of expanding copyright protections."¹⁰ Yet despite the potential creative rewards of a public domain renaissance, large entertainment companies perceive much to lose. The stakes are high: intellectual property is at the heart of their most valuable assets. For example, the *Mickey Mouse & Friends* franchise recently constituted Disney's top-selling consumer products franchise, "generating annual retail sales of at least \$3.2 billion."¹¹ Copyright owners are scrambling to find a way to mitigate the impact.

Trademark protection is expected to be their next recourse. The contours of trademark law have gradually expanded beyond their traditional scope, and the bar for asserting infringement is lower than ever, making trademark protection an appealing alternative for these entertainment companies. The resultant fear among many open-content activists is that trademark law now provides a powerful weapon for Disney and its peers to attenuate what a work's public-domain status actually means in practice.¹² In other words, despite the expiration of a work's copyright, trademark law might enable such entertainment companies to continue controlling some works' use indefinitely.

To some extent, courts have previously addressed the interplay between trademark protection and the public domain.¹³ However, pockets of doctrinal uncertainty remain, and the emergence of a "new public domain" will impose increasing pressure on this uncertainty.¹⁴ Specifically, the central tension is between two unprecedented giants: (1) massive character franchises, virtually unknown before 1923,¹⁵ and (2) the Internet's robust system of content creation and proliferation. As a result, trademark litigation is expected to intensify to resolve this conflict brewing in the entertainment industry.¹⁶

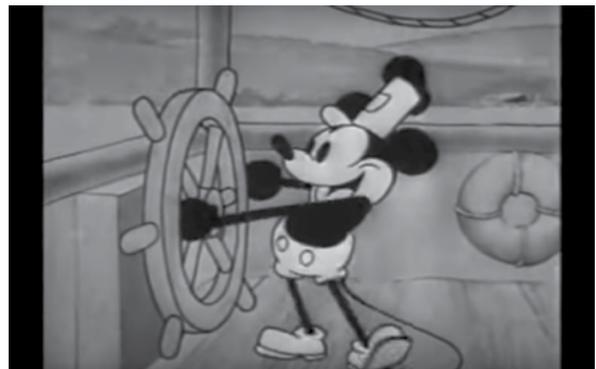


Figure 1

Therefore, in this new era, entertainment attorneys must pay special attention to the boundary between copyright and trademark law and its recent shifts. The central question is how the law can effectively distinguish between a character's image as an artistic *work*, and the character's image as a *symbol* of the goodwill of a source of origin.¹⁷ Further, if a character *can* be an enforceable trademark, then how can third parties effectively exploit the character as a work in the public domain without infringing the trademark? In short, where does consumer protection end and the public domain begin?

This article will explore these areas of doctrinal uncertainty, parse out the boundary between copyright and trademark law, and query just how much the courts (and perhaps Congress) must clarify that boundary to effectively adjudicate the deluge of cases expected to come. Specifically, it will revisit the Supreme Court's decision in *Dastar* and the questions the Court left behind, investigate the feasibility of sequential copyright/trademark protection over character images, evaluate Disney's current attempts to bolster its position on trademark protection, and analyze some hypotheticals throughout. There are two mechanisms in particular that could provide a buffer against the expansive use of trademark claims: (1) asserting an image's aesthetic functionality as a defense and (2) limiting trademark protection over a character only to a particular instantiation, or fixed representation, of that character.

Overlapping Regimes: Copyright Law and Trademark Law

To effectively discuss the overlap between copyright and trademark law, it is important to first delineate what each regime protects. Copyright law protects expression—specifically, “original works of authorship fixed in any tangible medium of expression.”¹⁸ While the statutory subject matter includes, among others, literary works and musical works, the copyrightable works most pertinent for this discussion are audiovisual works and pictorial, graphic, and sculptural (PGS) works.

Trademark law, on the other hand, is rooted in consumer protection and unfair competition law. The Lanham Act is the primary federal trademark statute in the United States, enacted in 1946 pursuant to Congress's Commerce Clause powers.¹⁹ A trademark that is subject to Lanham Act protection is, in short, a source-identifier that is sufficiently distinctive and used on goods or services in interstate commerce. Distinctiveness is often acquired through the development of “secondary meaning,” i.e., the symbol's recognition among consumers as designating the origin of a good or service. Trademarks can include words, colors, sounds, and product configurations, but the most pertinent trademarks for this discussion are pictorial illustrations of characters that have attained secondary meaning.²⁰

In sum, the overlap between copyright law and trademark law often centers on *sufficiently original pictorial works that consumers recognize as a designation of origin*, often taking the form of characters or mascots.²¹ This overlap has implications for a variety of creative elements that can be defined as both original and distinctive, such as logos, video clips, and songs. However, images of characters, like Mickey Mouse, are at the core of this dispute and are thus the focus of this article.²²

A Growing Giant: Perpetual and Expanding Trademark Protection

A trademark's indefinite duration renders trademark protection an especially apt recourse for companies in Disney's current position. The Constitution requires copyright protection to last only for “limited Times”; even a maximum term of 120 years is finite.²³ Meanwhile, Congress's power to legislate federal trademark law under the Lanham Act is rooted in the Commerce Clause, which imposes no similar restraint.²⁴ Therefore, trademark protection can potentially last forever, so long as the trademark remains a source identifier and does not become generic.

To Disney and its peers, potential perpetuity is not the only attractive aspect of trademark protection, as the contours of trademark protection have expanded as well. Traditionally, trademark infringement claims only succeeded if a plaintiff could prove that consumers were likely to be confused as to the origin of a good or service. However, over the years, courts have diminished plaintiffs' evidentiary burden here, finding that plaintiffs need not prove *direct* consumer confusion.

For example, in *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, the Second Circuit ruled in favor of plaintiffs who merely proved “initial interest confusion.”²⁵ In that case, the defendants attracted consumers' attention momentarily by using the word mark PEGASUS, while the plaintiff owned a pictorial mark of a Pegasus, or winged horse. Even if consumers did not follow through with a purchase, the court found that Mobil Oil's trademark rights were infringed, given the “likelihood that Pegasus Petroleum would gain crucial credibility during the initial phases of a deal.”²⁶ Similarly, the Second Circuit has found in favor of plaintiffs who based their trademark infringement claims on the allegation that, even if a direct consumer was never confused as to a good's origin, visitors to the consumer's home might be misled into thinking that a good originated from the plaintiff.²⁷

Finally, the recent advent of federal trademark dilution law has made it even easier for a Lanham Act plaintiff to succeed. Notably, this rewards powerful entertainment conglomerates with widespread recognition the most, as trademark dilution claims are solely applicable to “famous” trademarks. Trademark dilution claims do not even require proving the likelihood of consumer con-

fusion; they merely require proving that the distinctiveness of a famous mark would likely be weakened.²⁸

To be sure, copyright protection is still widely regarded as a stronger form of protection than a trademark. For example, whereas a copyright is a property right in gross, a trademark is still a right appurtenant to commercial activity and consumer protection. Thus, a copyright infringement plaintiff only needs to prove defendant's copying, not the more fact-intensive standard of likelihood-of-confusion. Still, trademark law's expansion has led many scholars to worry about just how powerful the trademark regime will prove to be when confronted with the countervailing policies behind the public domain.²⁹

For example, if a non-Disney party were to create an unauthorized film featuring *Steamboat Willie's* Mickey Mouse,³⁰ Disney might attempt to argue that consumers could be initially confused, as in *Mobil Oil*, "even if that confusion is later dispelled through a disclaimer."³¹ If courts were to accept this argument, such a broad interpretation of trademark law could effectively prevent third parties from using certain public domain works, by rendering it impossible to create their own works based on the original.

Dastar and the Questions It Left Behind

Courts have not been entirely silent on how to navigate this overlap between copyright and trademark law. Indeed, in 2003, the Supreme Court addressed the applicability of the Lanham Act to a work in the public domain in *Dastar Corp. v. Twentieth Century Fox Film Corp.*³² Yet in its wake, *Dastar* still left some questions unresolved. Namely, *Dastar* did not fully resolve the question presented here: whether and how trademark protection can *remain* asserted over a work after its copyright has expired.

In *Dastar*, Twentieth Century Fox filed a likelihood-of-confusion claim under § 43(a) of the Lanham Act for the copying and distributing of public domain video content over which Fox used to own the copyright. Section 43(a) holds liable any person who uses a mark that is "likely to cause confusion . . . as to the origin . . . of his or her goods."³³ Fox asserted that *Dastar* violated its rights under § 43(a) because *Dastar* allegedly "passed off" the films as *Dastar's* own work. The Supreme Court found that the core issue was the definition of the word "origin" under the Lanham Act. The Court held that "origin" therein refers to the source of the *physical goods* themselves, not the intellectual source of the intangible work contained within the good. Thus, because *Dastar* did manufacture the tapes, it was not liable. The Court feared that extending such restrictions on a public domain work would "create a species of *mutant copyright law* that limits the public's 'federal right to copy and to use' expired copyrights."³⁴

Therefore, what would happen when a copyright expires after a period of *concurrent* copyright and trademark

protection over the same subject matter? *Dastar* does not answer that question, because Fox *never had* any trademark rights to assert there; the defendant was the rightful origin of the tangible goods: the tapes. More specifically, *Dastar* neither excluded the possibility of a pictorial character like Mickey Mouse persisting as a trademark after its copyright has expired, nor did it define the scope of such trademark protection. As Professor Viva Moffat wrote: "The Court's sin in *Dastar* is a sin of omission."³⁵

Suppose that Disney seeks to assert trademark protection over images of Mickey as he appeared in *Steamboat Willie* after 2024, when the work enters the public domain. The *Dastar* Court's clean distinction between an intangible work and a tangible good does not help much, since the copyright and trademark over Mickey's image apply to the same subject matter. Nevertheless, Moffat argues that, under *Dastar*, "when Mickey's copyright expires, the 'right to copy' Mickey should pass to the public; to allow trademark protection following the expiration of the copyright would create a 'mutant' copyright."³⁶

However, this broad application of *Dastar* to the Mickey Mouse situation, precluding any possibility of sequential trademark protection, likely goes too far. It seems it is viable in certain situations for trademark protection to persist over the same subject matter even after its copyright has expired. Although the right to freely exploit public domain works is well-entrenched in copyright policy, allowing a "right to copy" Mickey's image in certain contexts could still result in consumer confusion, which the trademark laws proscribe. The key is identifying those contexts in which a trademark claim could prevail.

The Prospect of Sequential Protection and Its Limits

Even when an image is protected under both copyright and trademark, one regime often applies to a case more fittingly than the other, depending on the context in which another entity has used the image. However, what if a *particular use* of a pictorial work touches upon both copyright law and trademark law *simultaneously*? For example, what about a pictorial work affixed onto a consumer product, whether a t-shirt, tote bag, or even keychain in the exact shape of the trademark? Here, the boundary between the two regimes blurs. For years, trademark owners have expanded their use of marks by using them not only as source designations but even as product themselves, whether through licensees or produced in-house.

Consider the handbags represented in **Figure 2**. Created under a collaboration between Disney and licensee Kate Spade, the handbags feature a pattern that incorporates a design reminiscent of Mickey Mouse. The pattern is an original PGS work and subject to copyright, even if affixed to a useful article,³⁷ and if the pattern was created as a work-for-hire, then Disney is the copyright owner.

Using graphics that are suggestive of Mickey Mouse would also likely lead a consumer to believe that Disney is either the origin of these bags or approves of the mark's use. Therefore, if the design was used on the bags without authorization, Disney would likely have a claim under both copyright and trademark law.³⁸



Figure 2

What happens, then, when the copyright of that PGS work expires? Can a third party exploit the public-domain PGS work, pursuant to the copyright bargain, or would the trademark owner still have a claim? In other words, is there sequential protection, for which Disney would likely advocate?

Imagine another tote bag, after 2024, that features *Steamboat Willie* Mickey Mouse after the animated short has entered the public domain, such as the one in **Figure 3** (drafted by the author for the limited purposes of this article). The third-party manufacturer would likely argue that the image is in the public domain, so it would be free to copy it onto a useful article. Disney, in response, might argue that the image is actually infringing upon Disney's trademark because people would be confused into thinking that Disney is the source of the physical good, or at least licensed it. What then? Recall that *Dastar* does not apply here. The *Dastar* Court conceptually separated the public domain work (the video) from the tangible good (the tapes).³⁹ Here, those two are inseparable.



Figure 3

There are various mechanisms that limit just how much Disney, Warner Brothers, and similarly situated entertainment companies might be able to exercise their power under trademark law in this new era of the public domain. One of those is the doctrine of aesthetic functionality in trademark law. The second is a discernible practice among courts, when a conflict with the public domain arises, to reserve trademark protection to particular instantiations (or fixed configurations) of a character's image, rather than to any possible pose in which the character may be recast.

Aesthetic Functionality

In the United States, trademark law cannot protect functional features. Often, this manifests in the utilitarian functionality of a product's trade dress, wherein a feature is either essential to a product's purpose or affects the product's quality.⁴⁰ However, in *Qualitex Co. v. Jacobson Products Co.*, the Supreme Court also recognized that if granting a trademark for the exclusive use of a feature

would put competitors "at a significant non-reputation related disadvantage," then that quality cannot be trademarked.⁴¹ This arose in the context of plaintiffs asserting trademark protection over a unique green-gold color as used for dry cleaning mats. Furthermore, in *Christian Louboutin S.A. v. Yves Saint Laurent America, Inc.*, the Southern District of New York named this third type of functionality, "aesthetic functionality."⁴² The court reasoned that, when the aesthetic development of a good is intended to enhance the design and make the product more commercially desirable, trademark protection may be denied because the consumer is drawn to the design. The distinctiveness of the mark serves to identify the *product* rather than the source, and trademark protection becomes inappropriate.⁴³

Therefore, if Disney and similar companies sue third parties under the guise of trademark law for manufacturing and selling items that incorporate a work that is in the public domain, defendants might be able to assert a defense that the asserted trademark is aesthetically functional. The argument is that consumers are attracted to the product simply because it is aesthetically appealing, with no relevance attached to whether Disney was the actual source of the product. For example, in *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, the Ninth Circuit found that consumers purchasing merchandise with the Betty Boop image were purchasing it not because of the source-denoting function of Betty Boop, but rather because of the image itself.⁴⁴ As a result, the use of Betty Boop's name and, more salient here, her cartoon character image on merchandise, did not infringe the licensor's trademarks.⁴⁵

Particular Instantiations

Another buffer against media companies' potential overextension of trademark law is the fact that courts appear to have reserved trademark protection to singular manifestations of a character's image. As Professor Jane Ginsburg has written, when it comes to trademark protection over a character, such protection can only extend to "a particular instantiation" of the character.⁴⁶ Ultimately, if there would still be a conflict between the two regimes, then the public domain should win out, per *Dastar*.⁴⁷

The key case that suggests that trademarks can only protect particular instantiations of pictorial characters is *Frederick Warne & Co., Inc. v. Book Sales Inc.*⁴⁸ *Frederick Warne* was a trademark dispute between two publishers of the *Peter Rabbit* stories by Beatrix Potter. At the time of the lawsuit, Potter's stories were already in the public domain, as was one of the illustrations that Potter created for the books, termed the "Sitting Rabbit." (**Figure 4**). *Frederick Warne*, the plaintiff publisher, had used the image



Figure 4

on the cover of certain *Peter Rabbit* stories. Then a subsequent publisher, defendant Book Sales, used the same image on the covers of the *Peter Rabbit* books that they published. The question, therefore, was whether the image on the cover was understood by consumers to identify the books as published by Frederick Warne. The Southern District of New York held that, if such a fact could be proven, then Frederick Warne would have a viable claim of trademark infringement, even though the illustration itself was in the public domain.



Figure 5

The court reasoned that just because a copyrightable character has fallen into the public domain should not preclude protection under the trademark laws so long as it is shown to have acquired *independent trademark significance*, identifying in some way the source or sponsorship of the goods.⁴⁹ Thus, the plaintiff would not be able to bootstrap *all representations* of the Peter Rabbit character as a trademark; only the “Sitting Rabbit” and other particular instantiations could achieve independent trademark significance.⁵⁰ Similarly, Disney likely could not assert trademark protection over all manifestations of Mickey Mouse after he enters the public domain. Disney could only protect a certain pose of Mickey’s, provided that it achieves independent trademark significance.

The “particular instantiation” theory can be applied to other contemporary examples. Consider the trademark for Mr. Peanut.⁵¹ (Figure 5). The design mark enjoys both copyright and trademark protection, and the Mr. Peanut mark has a specific instantiation too; the logo that appears on Planters products depicts the character in the same leaning pose. However, in recent years, Planters has developed advertisements with the Mr. Peanut character in different positions. In creating video commercials, it breathed life into the character, making him a moving character rather than just a pictorial logo.⁵² (Figure 6). Thus, when the copyright for this video published in 2019 expires in 2024, then anyone can use that video, but still likely cannot use the “leaning peanut” image in a manner that would likely confuse consumers, if it is still a functioning trademark. In other words, even animating a trademark does not nullify the special trademark protection bestowed upon a mark’s particular instantiation.

Thus, once a copyright expires on a trademarked character, trademark owners should not be able to prevent what are effectively non-trademark uses of a work that depict the character in a way different from the manifestation that garnered secondary meaning. For



Figure 6

example, the creation of a new animated film featuring *Steamboat Willie’s* Mickey Mouse after 2024 presumably cannot be enjoined. That being said, Disney is not expected to concede such a conclusion so easily; it will likely argue that any appearance of the character itself counts as a trademark. The primary concern with what Disney might do next is that it might argue that *any* appearance of *Steamboat Willie’s* Mickey Mouse will confuse the public into thinking it is a designation of origin from Disney.

In light of that possibility, one way that a third party can almost certainly fall within a kind of “safe harbor” provided by the public domain is by copying the public domain work in the *exact* same manner as it was used before. This idea is somewhat counterintuitive, as it suggests that the most effective way to avoid a claim of infringement is exact copying. However, the crux is that, if the only recourse a company like Disney would have falls under trademark law, then using the work for a communicative purpose aligns with the protections that flow from the public domain. Consider two cases that ended with different results. In *Frederick Warne*,



Figure 7

Beatrix Potter created the “Sitting Rabbit” illustration and it was in the public domain; but the defendant there did not use the illustration as Potter herself used it—within the book. Book Sales used it as the plaintiff *publisher* did, on the cover, which gave rise to a viable trademark infringement claim.⁵³ On the other hand, in *Comedy III Productions, Inc. v. New Line Cinema*, the Ninth Circuit found that the way the defendant used a clip of *The Three Stooges* did *not* infringe on the plaintiff’s trademark. The defendant incorporated a scene of *The Three Stooges* in the background of a scene in its movie *The Long Kiss Goodnight*.⁵⁴ The court noted that the clip was used exactly as it was; the defendant did not alter it or make products based on the characters.

Ultimately, courts appear to be limiting trademark protection to *specific* images previously used by the plaintiff.⁵⁵ Thus, if Disney would like to assert trademark protection over particular instantiations of *Steamboat Willie* Mickey Mouse, it would do well to implement initiatives that would generate secondary meaning around such instantiations. Indeed, it seems to have been laying the groundwork for that.

Disney’s Strategic Moves

One important hurdle for Disney in this pursuit involves the relationship between original and derivative works. A key axiom in copyright law, embodied in

the Copyright Act, is that “[t]he copyright in [a derivative] work . . . does not . . . enlarge the scope [or] duration . . . of any copyright protection in the preexisting material.”⁵⁶ Only the incremental additions presented in a derivative work can be protected, provided that the changes or adaptations are sufficiently original to merit protection at all.

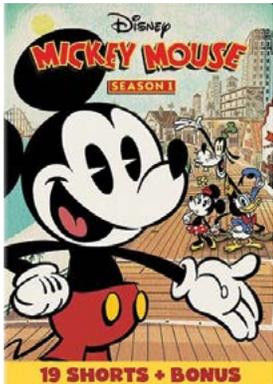


Figure 8

(Figure 7). This is because “modern” Mickey Mouse is a derivative work that a court will likely find includes *new* elements of expression that are sufficiently original to be protectable. The Second Circuit’s decision in *Silverman v. CBS* foreshadows this.⁵⁷ In that case, the court held that a playwright could use all of the elements of characters as reflected in pre-1948, public domain radio scripts. However, the playwright could not make use of any further delineation of those characters that appeared in any post-1948 works still under copyright, to the extent such additions were sufficiently original. This included visual depictions of the characters, as television portrayals of the characters were published after 1948.

Thus, *Silverman* aptly illustrates the kind of careful parsing courts will need to engage in to separate the unprotected elements of earlier public domain works from the additional originality found in later, still-protected works. For example, Mickey Mouse did not wear white gloves in *Steamboat Willie*. So, if a third party wanted to sell a Mickey Mouse toy with white gloves, it would probably need to wait until 2025, when the copyright for *The Opry House*, the first Mickey Mouse film with white gloves, is scheduled to expire.

Yet even with this measure of protection for now, Disney appears to be resurrecting the original aesthetic of *Steamboat Willie* Mickey Mouse in some current incarnations. For example, a recent Disney Channel television

Over the course of Mickey’s history, his appearance has shifted notably since his first portrayal in *Steamboat Willie*. Therefore, in 2024, *Steamboat Willie* will be in the public domain, but the “modern” Mickey Mouse, as most contemporary readers will recognize him today will likely still be protected under copyright law until the copyright for the first work featuring the “modern” Mickey Mouse expires.

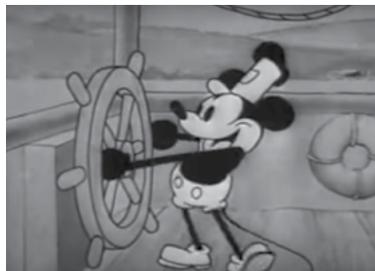


Figure 9

series that premiered in 2013 and that features Mickey Mouse and his friends (Figure 8) portrays a similar aesthetic to the original Mickey Mouse (Figure 9). That resemblance even extends to the show’s logo (Figure 10), which is essentially identical to the very first Mickey Mouse logo mark from 1928 (Figure 11). There are some variations in this Mickey Mouse’s appearance from *Steamboat Willie* (for example, the pupils and white gloves), but this new version is a much closer cousin than the incarnation seen in Figure 10.



Figure 10

Notably, since this recent use of a similar appearance still will not prevent *Steamboat Willie*’s entry into the public domain, it seems that, by reintroducing this image, Disney is not trying to extend the *copyright* protection. It seems that it is implementing a kind of consumer education initiative, reminding the American public that a character in *this* guise is affiliated with Disney. In short, it is laying the foundation to bolster its trademark claims over the “original” appearance of Mickey Mouse, soon to be freely exploitable under copyright law. Under trademark law, a plaintiff’s case relies on what *consumers* believe. Thus, Disney seeks to firmly plant the *Steamboat Willie* image in consumers’ minds as a Disney-affiliated image.

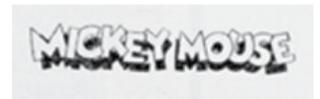


Figure 11

Finally, Disney is not just reincarnating the *appearance* of *Steamboat Willie* Mickey Mouse. It has also reintroduced the *work* itself, using it as the production logo, or “vanity card,” at the beginning of films produced by Walt Disney Animation Studios. (Figure 12).⁵⁸ This is likely an attempt to convert the most recognizable clip of *Steamboat Willie* into a motion trademark.

Conclusion

In theory, it should be easy to distinguish between a copyrighted work and a source-identifier. In practice however, it is not so easy. A defendant’s awareness of the doctrine of aesthetic functionality is a start. Providing trademark protection to just the exact iteration in which an image is used as a source identifier is another bulwark. If confusion remains, then the public domain will likely prevail, because trademark rights are usually considered a weaker



Figure 12

form of intellectual property protection than copyrights. Ultimately, however, there will likely be little overlap because relatively few characters, even if well-known, tend to rise to the level of a *source identifier*. As a last resort, Congress might consider legislating *sui generis* intellectual property protection for characters. Before reaching that point though, these two conflicting policies can likely be reconciled.

In the meantime, Disney's success in this arena, and that of Disney's peers, will likely come down to how well their cases are plead in disputes regarding public domain characters and what are requested as remedies. They would need to craft their complaints specifically to fall under the trademark remedies. In essence, they should define the asserted marks with utmost clarity and ask for use of the marks specifically to be enjoined. In short, being mindful of these distinctions between copyright and trademark law will make a world of difference in determining the fate and freedom of our most classic characters.

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13. *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003); see also *Frederick Warne & Co., Inc. v. Book Sales Inc.*, 481 F. Supp. 1191 (S.D.N.Y. 1979).
14. Joseph P. Liu, *The New Public Domain*, 2013 U. ILL. L. REV. 1395, 1424-25 (2013).
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17. Jane C. Ginsburg, *Intellectual Property as Seen by Barbie and Mickey: The Reciprocal Relationship of Copyright and Trademark Law*, 65 J. COPYRIGHT SOC'Y U.S.A. (2018), <https://papers.ssrn.com/abstract=3078944>.
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20. See, e.g., *Walt Disney Co. v. Powell*, 698 F. Supp. 10 (D.D.C. 1988), *aff'd in part, vacated in part*, 897 F.2d 565 (D.C. Cir. 1990) (finding MICKEY MOUSE and MINNIE MOUSE to be trademarks, having acquired secondary meaning “of great value, favorable in all respects, and well-entrenched worldwide.”); but see *Brown v. It's Entertainment, Inc.*, 34 F. Supp. 2d 854, 859 (E.D.N.Y. 1999) (finding the character “Arthur the Aardvark” a protectable mark without proof of secondary meaning because it is “clearly arbitrary” or fanciful).
21. Some other famous examples, apart from Mickey Mouse, include characters from “*The Simpsons, Angry Birds, Star Wars, The Lord of the Rings, The Hobbit*, and a variety of other Disney characters.” See Calboli, *supra* note 16.
22. See also *Frederick Warne & Co.*, 481 F. Supp. 1191 (S.D.N.Y. 1979).
23. U.S. CONST. art. I, § 8, cl. 8.
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26. *Id.* at 259.
27. See, e.g., *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc.*, 221 F.2d 464 (2d Cir. 1955).
28. See 15 U.S.C. § 1125(c).
29. See, e.g., Liu, *supra* note 14.
30. See *supra* Figure 1.
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32. *Dastar*, 539 U.S. 23 (2003).
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36. *Id.*
37. See 17 U.S.C. § 113.
38. See, e.g., *Lyons Partnership*, 53 U.S.P.Q.2d 1397 (S.D.N.Y. 1999).
39. *Dastar*, 539 U.S. 23 (2003).
40. *TraFFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (2001).
41. *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159 (1995).
42. *Christian Louboutin S.A. v. Yves Saint Laurent America, Inc.*, 778 F. Supp. 2d 445, 447-48 (S.D.N.Y. 2011).
43. *Id.*
44. *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, 636 F.3d 1115 (9th Cir. 2011).
45. *Id.*
46. Ginsburg, *supra* note 17, at 262.
47. *Id.* at 264.
48. *Frederick Warne*, 481 F. Supp. 1191 (S.D.N.Y. 1979).
49. *Id.*

50. A modern example of the situation in *Frederick Warne* can be found in a collection of Dr. Seuss books, as published by Penguin Random House. Dr. Seuss's character The Cat in the Hat is a copyrightable illustration, but the character's image is also used as a colophon—or publisher's emblem—for Penguin's "Beginner Books" series. Thus, when *The Cat in the Hat* enters the public domain, other publishers will be able to freely publish the book and its illustrations, but they will likely not be able to use the Cat in the Hat's image as represented in the "Beginner Books" colophon as a colophon if it is still a valid mark of Penguin's. See Ginsburg, *supra* note 17.
51. 1 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 6:18 (5th ed).
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53. *Frederick Warne*, 481 F. Supp. 1191 (S.D.N.Y. 1979).
54. *Comedy III Productions, Inc. v. New Line Cinema*, 200 F.3d 593 (9th Cir. 2000).
55. See, e.g., *Warner Bros. Ent., Inc. v. X One X Prods.*, 840 F.3d 971 (8th Cir. 2016) (holding that the unauthorized use of public domain images on consumer products was trademark infringement when such images had been used by the plaintiffs on consumer goods for years to associate such goods with the plaintiffs' films).
56. 17 U.S.C. § 103(b).
57. *Silverman v. CBS*, 870 F.2d 40 (2d Cir. 1989).
58. *Steamboat Willie* as title card. MEET THE ROBINSONS (Walt Disney Animation Studios 2007), <https://youtu.be/tyblfiNOO-c?t=34>.

Brandon Zamudio is a third-year J.D. candidate at Columbia Law School with three years of business experience in the entertainment industry. His professional interests include intellectual property litigation, media and First Amendment litigation, and entertainment transactions.

Brandon is a research assistant to copyright law professor Jane C. Ginsburg, and a judicial intern to the Hon. Paul A. Engelmayer of the U.S. District Court for the Southern District of New York. He has also served as the managing editor of the *Columbia Journal of Law & the Arts* and president of the Entertainment, Arts, and Sports Law Society. As a first-year, he was a national semifinalist in the American Intellectual Property Law Association's moot court competition, writing the highest-scored briefs and winning the Northeastern Championship.

Before law school, Brandon worked as a theatre producer and administrator on and off Broadway. His career began at the Walt Disney Studios and culminated with his work on the producing team of the 2017 Broadway play *Indecent*. Brandon also graduated with honors from Princeton University in 2014 with an A.B. in Politics and minors in Theater and French.

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Protecting Your Most Valuable Asset: Your Clients

By Lynn Lavender

Disability Insurance

When income is disrupted due to an accident or injury, the financial consequence can sometimes be greater than the actual illness or injury. Not all illnesses are chronic or fatal, nor are they totally or permanently debilitating. However, if the incapacity affects the person's ability to perform his, her or their primary occupation, the lifestyles of the injured and all who are dependent upon them are in jeopardy.

For most people, insuring their income against the unexpected is straightforward. Insurance companies are pretty good at evaluating the risks associated with a great number of occupations. They consider the actual physical risk to life and limb of an occupation, the risk of periods of unemployment, and the likely progression of increasing income, among other factors.

However, those who are employed in occupations that carry special physical risks, variable earnings, and no certainty of future employment are not insurable by most disability income carriers. They are considered high risk, not only to those in these occupations, but to the insurers themselves.

However, insurance is available for high risk occupations through specialty companies; in those situations, coverage reflects the risk. Coverage will not include long-term benefits, automatic increase in coverage with increasing income, or guaranteed renewability.

In the world of entertainment, arts, and sports, income is not tied to salary per se, rather, to contracts with specific conditions, such as ticket sales and endorsements, for example. Most people in these categories who suffer disabilities that interrupt or end careers do not receive huge settlements from sources with deep pockets; i.e.:

- Lindsay Vonn, who tore both her ACL and MCL in her right leg and fractured her tibia, ultimately had to withdraw from the Olympics and lost a significant amount of money from endorsements.
- Lady Gaga, who at age 27 needed hip surgery that sidelined her for months. Her inability to perform resulted in cancelled gigs and \$25 million in refunds to ticket holders.
- Michael J. Fox is still working despite developing early onset Parkinson's Disease, but his options have been significantly curtailed.

If one scans the tabloids at supermarket checkouts, it seems as if celebrities in the entertainment, arts, and sports worlds are especially accident and tragedy prone.

If their advisors are offering sound advice, then most of their clients would be well insured against that which could interrupt or end a career.

As with any insurance, the most important thing to consider is not the risk of a particular occurrence, but the consequence of that risk upon the lives of the insured and dependents.



Insuring high earners in the worlds of entertainment, arts, and sports is especially challenging compared with disability income insurance for "civilians." While all insurance carriers consider income and occupation when assessing the risks they are undertaking, participants in these industries often have variable incomes and periods of employment. This makes it difficult to determine the value of future earnings. In addition, this population can be sidelined by risks that would not affect employment in the general population, for example, a pianist with a broken thumb or an actress with a prominent facial scar.

Body Part Insurance

Often, a celebrity's career is dependent upon a skill that is associated with a body part. This has given rise to an entire separate area of disability insurance, called Body Part Insurance. While some purchase coverage for true risk transfer, for others it is a marketing ploy. Below are some examples that have made the news:

- David Beckham's legs are insured for \$195 million,
- America Ferrera's smile is insured for \$10 million,
- Keith Richard's hands are insured for \$1.6 million,
- Bruce Springsteen's voice is insured for £3.5 million, and
- Jennifer Lopez's posterior is insured for £17.5 million.

Sometimes, endorsers take out the insurance policy on the body parts to protect the celebrities' assets during marketing campaigns; sometimes, the celebrities themselves take out the policies.

Conclusion

To properly protect this population, and to service the "whole client," it is beneficial to remind clients, their advisors, and their managers that having comprehen-

sive insurance policies with carriers specializing in their unique needs is part of a good business practice.

Lynn Lavender has been in the insurance industry for more than 20 years. She concentrates in Life, Disability Income, and Long-Term Care insurances. In addition to working with individuals, she was a member of the select team of 17 that rolled out the Federal

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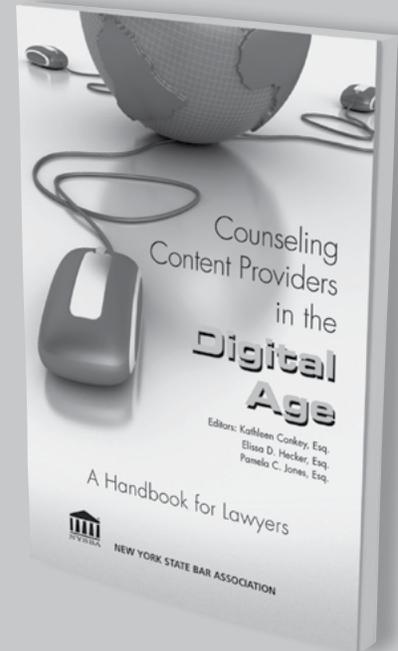
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Krell's Korner

**The 1919 Chicago White Sox,
Kenesaw Mountain Landis, and
*Eight Men Out***

By David Krell



Rumors abounded almost immediately about the performance of the Chicago White Sox against the Cincinnati Reds in the 1919 World Series, which resulted in the nickname “Black Sox” for their stain on the National Pastime. Eight players were accused of losing the World Series to the Cincinnati Reds on purpose in exchange for payoffs from gamblers, including iconic mobster Arnold Rothstein. Team owners across the American and National Leagues joined to restore credibility and hire Kenesaw Mountain Landis, a federal judge, as the first Major League Baseball Commissioner.

Though the players were acquitted in a Chicago courtroom in 1921, Landis banned them from professional baseball and drew a line brighter than sunshine on a clear day at Comiskey Park. “Regardless of the verdict of juries, no player that throws a game, no player that entertains proposals or promises to throw a game, no player that sits in a conference with a bunch of crooked gamblers, where the ways and means of throwing games are discussed, and does not promptly tell his club about it, will ever play professional baseball.”¹ Chicago’s finest ballplayers, Arnold “Chick” Gandil, Eddie Cicotte, Oscar “Happy” Felsch, “Shoeless” Joe Jackson, Fred McMullin, Charles “Swede” Risberg, George “Buck” Weaver, and Claude “Lefty” Williams, were therefore stripped of opportunities and dignities.

Landis’s decision has ignited debates among baseball historians and journalists regarding reinstatement for the past 100 years. Jackson is often at the heart of these discussions because his .375 batting average during the World Series was the highest on either team. The web site clearbuck.com aims to reinstate Buck Weaver, the team’s third baseman.

Nearly 70 years after the scandal broke, filmmaker John Sayles brought his version of events to Hollywood with *Eight Men Out*, based on the 1963 book of the same name by Eliot Asinof. Sayles wrote and directed the film starring John Cusack as Buck Weaver, D.B. Sweeney as Shoeless Joe Jackson, Charlie Sheen as Happy Felsch, John Mahoney as White Sox manager Kid Gleason, and

Clifton James as team owner Charles Comiskey. John Sayles plays sportswriter Ring Lardner.

When *Eight Men Out* premiered, Sayles explained his attraction to the story: Adolescence can be an exciting time but it can also be a cynical time. I felt like the ‘Black Sox’ scandal was one of the last nails in the coffin that put America in the cynicism of the jazz age. ‘Hey, everything is fixed. Why should I obey the law? Let’s go to a speakeasy. Everybody’s corrupt.’ Here’s a story about a team, a group of guys. This is a turning point in their lives and also in the young kids who want to see them as heroes.²

Highly significant chunks of *Eight Men Out* were fictional, but it did get decent reviews. Both the literary and cinematic versions have been the object of scholarship, if not scorn, for factual errors—readers ought not take Asinof’s book as an authoritative work on the Black Sox because ongoing research continues to dispel myths and highlight misinformation presented therein and by other sources.

Genesis, execution, and fallout of the scandal has created a cottage industry for baseball scholars. Volunteer historians belonging to the Society for American Baseball Research have formed the Black Sox Scandal Research Committee to study original reporting, scholarship, and popular-culture representations of the Black Sox. In addition to articles in baseball and legal journals, there are several books about the team, including *The Betrayal* by Charles Fountain; *Saying It’s So* by Daniel A. Nathan; and *Black Sox in the Courtroom* by Bill Lamb.

When Landis kicked the eight White Sox players out of professional baseball, it was not the last time that a scandal dominated the sport’s attention. In the 100 years since the revelation, the National Pastime has endured shame, rumor, and outrage concerning steroid use; stealing signs; criminal activities; recreational drug use; and a similar ban on Pete Rose because of his gambling on

Cincinnati Reds games when he managed the ballclub. Time has not lessened interest regarding the impact and severity of Landis's ruling on the "Black Sox" squad, either. The increase in digitization of periodicals will offer additional contemporary perspectives for baseball sleuths, scholars, and enthusiasts researching new angles, legal and otherwise, involving the scandal.

Endnotes

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David Krell is the editor of the anthologies *The New York Mets in Popular Culture* and *The New York Yankees in Popular Culture*. He's also the author of *Our Bums: The Brooklyn Dodgers in History, Memory and Popular Culture*. David's contributions to SABR's Baseball Biography Project include Johnny Podres, Bucky Dent, Joe Pepitone, Kurt Russell, and Harry Sinclair. David is the chair of SABR's Elysian Fields Chapter (Northern New Jersey).



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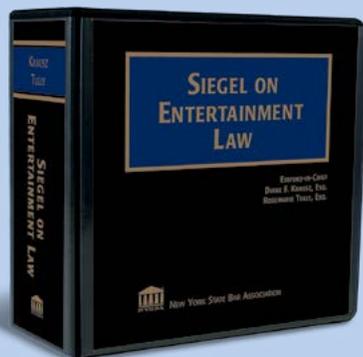
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