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### Movies and Television

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# I. MOVIES AND TELEVISION

## A. Copyright

### 1. Substantial Similarity

#### a. "*Greatest American Hero*" Not Substantially Similar to "*Superman*"

In *Warner Brothers, Inc. v. American Broadcasting Cos., Inc.*,<sup>1</sup> the court granted the defendant's motion for summary judgment after concluding that its television show, "The Greatest American Hero" was not substantially similar to the motion pictures, television series and comic books featuring the character Superman.

The dispute began in 1981 when American Broadcasting Cos., Inc. (ABC) presented the pilot to a comedy series called "The Greatest American Hero".<sup>2</sup> In it, Ralph Hinckley, a bumbling, somewhat inept superhero (sharing some of the same characteristics as Superman) first appeared on television.<sup>3</sup> Warner Brothers, Inc. (Warner Brothers), the owner of the copyright to various "Superman" works, brought an action against ABC for copyright infringement and unfair competition; it claimed that: 1) Ralph Hinckley was substantially similar to the Superman character; 2) ABC had violated section 43 (a) of the Lanham Unfair Competition Act;<sup>4</sup> 3) ABC was guilty of unfair competition; and 4) ABC was guilty of violating the New York General Business Law.<sup>5</sup>

Warner Brothers' attempt to obtain a temporary restraining order and a preliminary injunction enjoining the broadcast of the pilot of "The Greatest American Hero" failed.<sup>6</sup> After the Court of Appeals for the Second Circuit affirmed this denial,<sup>7</sup> ABC moved for summary

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1. 530 F. Supp. 1187 (S.D.N.Y. 1982), *aff'd*, (2d Cir. 1983), 1983 Copyright L. Rep. (CCH) ¶ 25,584.

2. *Warner Brothers, Inc. v. American Broadcasting Cos.*, 523 F. Supp. 611, 614 (S.D.N.Y. 1981).

3. *Id.*

4. 15 U.S.C. § 1125(a) (1982).

5. N.Y. Gen. Bus. Law § 368-d (Consol. 1968).

6. *Warner Brothers*, 523 F.Supp. at 618. In this action, Judge Motley applied Learned Hand's "ordinary observer test," a test for determining the extent of substantial similarity. It states that there will be substantial similarity where "the ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard this aesthetic appeal as the same." *Peter Pan Fabrics, Inc. v. Martin Werner Corp.*, 274 F.2d 487, 489 (2d Cir. 1960). Thus, the court focused on the similarities, not the differences and concluded " 'The Greatest American Hero' has a very different appeal from 'Superman' . . . and plaintiffs have not sufficiently proven it will reduce the demand for the movies . . . bearing the Superman image." *Warner Brothers*, 523 F. Supp. 611, 617 (S.D.N.Y. 1981).

7. 654 F.2d 204 (2d Cir. 1981).

judgment. The motion was denied on the ground that the court could not ascertain whether a reasonable jury could find that no substantial similarity existed because the court had not seen all of the plaintiffs' or defendants' works.

After Judge Motley viewed Warner Brothers' movie "Superman II," and seven additional episodes of "The Greatest American Hero," the court concluded that no issue for the jury existed and, therefore, summary judgment was appropriate on all counts.<sup>8</sup>

The court first looked to what it considered the ideas common to both works. These included the characters' superpowers (such as superstrength, supervision, and the ability to fly), their costumes and their encounters with alien beings.<sup>9</sup>

The court's conclusion that Superman's powers are ideas and not an expression of a more fundamental idea of a superman who fights evil, is questionable, as is the court's conclusion that Superman's encounters with alien beings are not eligible for copyright protection.<sup>10</sup> These encounters in no way seem to be a necessary corollary to a superhero who fights evil. In this case, a reasonable juror could conclude that an encounter with alien beings is not an idea, but rather an expression of the more fundamental idea of a superhero who fights evil. Since reasonable people could differ as to this point, an issue for the jury exists and summary judgment is therefore inappropriate in this situation.

After comparing these "ideas," the court changed its inquiry into what it considered to be the expression of these ideas.<sup>11</sup> It defined the issue as "whether 'the similarities are sufficiently particular and concrete' to permit a jury to find 'an appropriation of the protected expression of the plaintiffs' works.'"<sup>12</sup> In order to answer this question, the

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8. *Warner Brothers, Inc. v. American Broadcasting Cos.*, 530 F. Supp. 1187, 1190 (S.D.N.Y. 1982). In choosing to grant ABC's motion for summary judgment, the court relied on *Musto v. Meyer*, 434 F. Supp. 32 (S.D.N.Y. 1977), *aff'd*, 598 F.2d 609 (2d Cir. 1979). In *Musto*, the court held that "if after assuming copying, the court finds that any similarity between the works is insubstantial . . . then a motion for summary judgment is appropriate." *Id.* at 36.

9. *Warner Brothers*, 530 F. Supp. at 1190-92. The court considered super-strength, super-hearing, super-vision, super-speed, super-breath, invulnerability, the ability to fly, close encounters with alien beings, alter-ego and costume to be common to both works.

10. "Superman is himself superhuman, and for him contact with beings or images of beings from other planets is to be expected." *Id.* at 1191. This conclusion is reached without any explanation whatsoever. I disagree with the court that "this can only be considered a common idea in the most general way." *Id.* I think it is just as plausible to say that it is an expression of the idea of a superhero who fights evil.

11. *Warner Brothers*, 530 F. Supp. at 1192.

12. *Id.* (citing *Warner Brothers*, 654 F.2d at 209).

court compared the works in contention.

The thrust of the court's analysis had nothing to do with a detailed comparison of the two works. Rather, it seemed to place great emphasis on the courts' decisions in the earlier phases of the litigation. In particular, it relied on the court of appeals' contention that "plaintiffs *cannot seriously contend* that . . . [defendants' pilot] and 'Superman, The Movie' . . . are substantially similar. Quite to the contrary . . . the 'total concept and feel' of the two works greatly differ."<sup>13</sup> Furthermore, since the court concluded that ABC's pilot did not differ greatly from the seven additional episodes of "The Greatest American Hero," it concluded that there was no issue for the jury.<sup>14</sup>

The court next compared the characters in the two works. Citing *Nimmer*, the court stated that the proper analysis requires two steps: "First, was the character as originally conceived and presented sufficiently developed to command copyright protection, and if so, secondly did the alleged infringer copy such development and not merely a broader more abstract outline."<sup>15</sup> As to the first step, the court concluded that since Superman has existed and developed for forty years, the character was well defined and thus deserved copyright protection.<sup>16</sup>

Once the court determined that the Superman character was eligible for copyright protection, the next question became: was defendant's character substantially similar to plaintiffs' character? In considering this question the court employed a reasonable man test.<sup>17</sup> "If a reasonable juror could find that defendants' character is substantially similar to Superman as the latter is portrayed in the movies . . . comic books . . . or the television series, there would be an issue for the jury."<sup>18</sup> Judge Motley went on to say that the characters at issue were no more similar than those held insubstantial in the earlier phases of the litigation—"he is the same bumbler he was in the pilot . . . Just as no rea-

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13. *Id.* at 1192-93 (citing 654 F.2d at 211).

14. *Id.* at 1193. "The proof . . . is in the viewing, and a viewing of the works reveals that defendants' expression of the ideas . . . is, at most, *insubstantially similar*."

15. *Id.* at 1193.

16. *Id.* "Cases in this circuit recognize that characters may be protected out of the context of the story line or lines in which they appear in a copyrighted work or works." *Id.* This view is not in accord with that taken by the Ninth Circuit. In the Ninth Circuit characters are not copyrightable unless they are the story being told. *See Warner Brothers Inc. v. Columbia Broadcasting System*, 216 F.2d 945, 950 (9th Cir. 1954). In either case, however, it is likely the character Superman would be eligible for copyright protection because there is a strong argument that Superman is the story being told.

17. *Warner Brothers*, 530 F. Supp. at 1193.

18. *Id.*

sonable jury could find the character in the pilot was substantially similar to Superman, no one could find the character in the sequels to be substantially similar . . . (He) is a 'mirror image' of the Superman character . . . while Superman is often lost without his powers, Hinckley is somewhat lost with his."<sup>19</sup>

Warner Brothers further alleged that defendants' work violated section 43 (a) of the Lanham Act, and that it constituted unfair competition. In order for an action in unfair competition to lie, the court must conclude that in viewing both works, there is a likelihood of confusion or a likelihood that the viewers will be misled.<sup>20</sup> Relying on the fact that the character Superman and the character Ralph Hinckley are very different, the court, for the same reasons elucidated previously, correctly concluded that there is no basis of confusion: "not only are the works themselves greatly different, but the 'total concept and feel' of the works and promotion of the defendants is entirely different from that of the plaintiffs."<sup>21</sup>

Based upon this reasoning, the court correctly granted summary judgment on the common law unfair competition and the New York General Business Law claim.<sup>22</sup>

One who has viewed a Superman movie, an episode of the "Greatest American Hero," and the television show "Superman," would agree with Judge Motley's decision that both works are not substantially similar. Although both characters are superheroes who possess superpowers and work towards the common good, each is very different. Superman is much more serious in his approach; he is confident and assured. Ralph Hinckley, on the other hand is somewhat inept, a common person who is not in control of his uncommon powers. As it was pointed out in an earlier stage of the present litigation, Ralph Hinckley is more akin to a parody of the Superman character than he is a competitive superhero. "The story of Ralph Hinckley . . . pokes fun at Superman and other characters in the Superhero genre. As a comedy that parodies American superheroes, 'The Greatest American Hero' has a very different appeal from Superman, a real superhero. . . ."<sup>23</sup> This appears to be the crux of Judge Motley's decision. Notwithstanding the fact that both are superheroes sharing similar characteristics,

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19. *Id.* at 1194.

20. *Warner Brothers*, 530 F. Supp. at 1197.

21. *Id.* at 1198.

22. *Id.* at 1198-99.

23. *Warner Brothers*, 523 F. Supp. at 617.

the key factor seems to be that "The Greatest American Hero" is a comedy, aiming at a very different audience appeal than Superman.

Although the conclusions reached by the court are sound, I do not feel that summary judgment was appropriate. I think in matters such as these, where one must rely on vague, subjective criterion, the jury should be the ultimate trier of fact. Nonetheless, we are left with an example of where the court concludes that the similarities were so insubstantial as to make it unnecessary for the issues to be presented to the jury. Given the present facts however, I am unsure whether this case will provide much guidance for future litigants.

Jeffrey S. Sacharow

b. "*Star Wars*" v. "*Battlestar Galactica*" May Proceed to Trial

Quiet on the set! *Star Wars* v. *Battlestar Galactica* take one! Lights, Camera, Action! Actually, "take four" would more aptly describe the current status of the legal battle between Twentieth Century-Fox and Universal Studios.<sup>1</sup> The case has been subject to several decisions since its initial filing in 1978 and has already been to the appellate court twice, though it has not yet been to trial. The controversy centers around the issue of whether Universal's *Battlestar Galactica* movie infringed the copyright to Fox's *Star Wars* movie. The latest decision in the case was delivered by the Ninth Circuit Court of Appeals when it reversed the district court's grant of summary judgment for Universal, clearing the path for the monumental copyright infringement suit to proceed to trial. The appellate court held that the question of whether *Battlestar Galactica* is substantially similar to *Star Wars* to amount to copyright infringement "is a close enough question that it should be resolved by way of trial."<sup>2</sup>

In 1977, Twentieth Century-Fox (hereinafter "Fox") produced and distributed the highly successful motion picture *Star Wars*. The following year Universal Studios Inc., a subsidiary of MCA, Inc., released *Battlestar Galactica* as both a motion picture and television series. Universal produced and owned the rights to *Battlestar Galactica*, and ABC televised the *Battlestar Galactica* space saga.

In 1978, Fox filed suit against MCA, Universal, and ABC (collectively referred to as Universal) in the Federal District Court in Los

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1. Twentieth Century-Fox Film Corp. v. MCA, Inc., 715 F.2d 1327 (9th Cir. 1983).

2. *Id.* at 1329.

Angeles alleging that *Battlestar Galactica* was an illegal knock-off of *Star Wars* and thus infringed its copyright.<sup>3</sup> Shortly thereafter, Universal filed a counterclaim against Fox alleging that *Star Wars* was itself an infringement on *Silent Running*, a science fiction film Universal had released in 1972. The basis of Universal's counterclaim was that *Star Wars*' R2D2 robot character was substantially similar to Universal's robot characters, Huey, Duey, and Louie, the three main characters in *Silent Running*.<sup>4</sup>

In 1979, the district court dismissed Universal's counterclaim in response to Fox's pre-trial motion for summary judgment.<sup>5</sup> Judge Hill ruled that "no one has a monopoly on the use of robots in works of art dealing with space. That is an idea, and the idea has apparently been around for a very long time. No one possesses proprietary rights in that idea."<sup>6</sup> Moreover, Judge Hill found that the robots in the two films were "greatly different in appearance and in the style and method of locomotion. R2D2 communicates in sound, whereas the three robots in *Silent Running* do not. The whole relationship of the robot to the picture and to the actors is different in the two movies."<sup>7</sup> R2D2 does not embody the "total concept and feel" of the three robots in *Silent Running*, Judge Hill explained. He stated that "it is just impossible to say that *Star Wars* has . . . infringed the expression of ideas in *Silent Running*."<sup>8</sup>

Universal immediately appealed that decision. In a very brief, two and one-half page memorandum opinion, the court of appeals affirmed the district court's dismissal of Universal's counterclaim. The appellate court simply stated that its review of the two films satisfied it that Judge Hill had correctly concluded, as a matter of law, that they contained no substantial similarity of expression.<sup>9</sup>

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3. *Id.* at 1328. Fox also alleged state unfair competition and federal Lanham Act claims which were stayed pending this appeal.

4. Appellant's Opening Brief at 6, Twentieth Century-Fox v. MCA, Case No. 79-3342 (9th Cir. 1981).

5. Reporter's Transcript of Proceedings, Twentieth Century-Fox v. MCA, Case No. CV-78-2437-IH (C.D. Cal. 1979). Judge Hill delivered an oral opinion from the bench.

6. *Id.* at 14.

7. *Id.* at 16.

8. *Id.*

9. Twentieth Century-Fox v. MCA, Case No. 79-3342 (9th Cir. 1981). Universal's contention on appeal was that Judge Hill had incorrectly applied the legal test for similarity which the appellate court itself had enunciated in *Sid & Marty Krofft Television Productions, Inc. v. MacDonald's Corp.*, 562 F.2d 1157, 1162-65 (9th Cir. 1977). Judge Hill himself had voiced his concern about the ambiguous language in Krofft in describing what the requirements for substantial similarity are when he dealt with Universal's counterclaim. Reporter's Transcript at 7-8, Fox v. MCA, Case No. 78-2437-IH (C.D. Cal. 1979). However,

In 1980, about one year after dismissing Universal's counterclaim, the district court dismissed Fox's original complaint in response to Universal's pre-trial motion for summary judgment on the copyright claim. The dismissal of Fox's complaint came even before the appellate court had affirmed the previous dismissal of Universal's counterclaim. Judge Hill noted that the leading case in the area is *Krofft Television Productions, Inc. v. MacDonald's Corp.*,<sup>10</sup> which held that in cases of this kind, courts must first determine whether there is substantial similarity in ideas of the two works involved, and if so, whether there is substantial similarity in the expression of that idea.<sup>11</sup> Before applying the *Krofft* test to the present case, Judge Hill voiced his concern as to the suitability of the test to more complex works as involved in the present case.<sup>12</sup> Judge Hill stated that the "facts involved in the *Krofft* case lent themselves much easier than the facts of this case to an analysis of idea and expression of ideas."<sup>13</sup> The *Krofft* case dealt with television commercials lasting thirty or sixty seconds. However, in the present case, "we deal with much more complex works than were involved in *Krofft*. We are dealing with feature-length motion pictures, taking over two hours to exhibit."<sup>14</sup> Judge Hill stated that he found it "almost impossible to reduce such a complex work to one idea."<sup>15</sup>

Notwithstanding the above concerns, Judge Hill found himself bound to apply the *Krofft* test to the present case. Judge Hill reviewed *Battlestar Galactica*, *Star Wars*, and a montage of earlier science fiction films. He stated that in its most basic form both *Star Wars* and *Battlestar Galactica* could be said to involve the same idea—a struggle between good and evil in space. However, Judge Hill explained that when applied to full-length motion pictures, the term "idea" must encompass more than a basic concept; "idea" must be defined to include something about plot and characters. The Judge therefore ruled that in his opinion the story lines and central characters of the two films were "substantially different" as to ideas.<sup>16</sup>

Moreover, Judge Hill found that even if the ideas of the two mov-

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the appellate court did not take this opportunity to explain or amplify the similarity test expressed in *Krofft*, but merely concluded that Judge Hill had correctly applied the test.

10. 562 F.2d 1157 (9th Cir. 1977).

11. *Id.* at 1162-65.

12. Reporter's Transcript of Proceedings at 6-7, *Fox v. MCA*, Case No. CV 78-2437-IH (C.D. Cal. 1980). See *infra* footnote 9 as to Judge Hill's similar expression of concern when applying the *Krofft* test to Universal's counterclaim.

13. *Id.* at 7.

14. *Id.* at 8.

15. *Id.*

16. *Id.* at 10.



ies were the same, the "total concept and feel" of the two are "vastly different" as to the expression of that idea.<sup>17</sup> He explained that *Star Wars* is a pure fantasy and morality play. Its central characters, Luke Skywalker and the Princess, are flawless and purer than life. On the other hand, *Battlestar Galactica* is neither a morality nor a fantasy play. "It puts very human people, with all their weaknesses and feelings, in a situation we can all relate to, except that the scenes all take place in a space setting. . . . *Battlestar Galactica* could just as well be the cowboys and the Indians except that it is in space garb."<sup>18</sup> For these reasons and others, Judge Hill found that *Star Wars* and *Battlestar Galactica* "are as different as apples and oranges."<sup>19</sup>

Fox immediately appealed the dismissal of its complaint. After viewing the *Star Wars* and *Battlestar Galactica* movies for itself, the appellate court came to a different conclusion than had Judge Hill. The appellate court concluded that the films "do in fact raise genuine issues of material fact as to whether only the *Star Wars* idea or the expression of that idea was copied."<sup>20</sup> In the opinion of the appellate court, the issue of whether *Battlestar Galactica* is substantially similar to *Star Wars* "is a close enough question that it should be resolved by way of trial."<sup>21</sup> In a footnote to the opinion, the appellate court referred to Fox's allegation of at least thirty-four similarities, and also listed thirteen of these alleged similarities for "illustrative purposes."<sup>22</sup> The court went on to say that its holding makes no opinion as to whether the two films are substantially similar as to either idea or expression, but simply that "reasonable minds could differ on those key factual issues."<sup>23</sup> For this reason, the appellate court ruled that summary judgment should not have been granted.<sup>24</sup>

The appellate court has now had two opportunities in this case to clarify or provide guidance as to what factors should be considered in

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17. *Id.* at 13.

18. *Id.* at 15.

19. *Id.*

20. 715 F.2d at 1329.

21. *Id.*

22. *Id.* at n. 5.

23. *Id.* at 1329.

24. *Id.* at 1329-30. The court stated that its holding does not imply that summary judgment is never appropriate in copyright actions, referring to three appropriate instances: *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972, 977 (2d Cir.), *cert. denied*, 449 U.S. 841 (1980); *Peter Pan Fabrics, Inc. v. Dan River Mills, Inc.*, 295 F. Supp. 1366, 1369 (S.D.N.Y.), *aff'd*, 415 F.2d 1007 (2d Cir. 1969); and *Rose v. Connely*, 38 F. Supp. 54, 55-56 (S.D.N.Y. 1941) (none of which were found applicable to the present case in the opinion of the appellate court).

determining whether one movie is substantially similar to another. In its first opportunity the appellate court simply stated that the district court had correctly applied the *Krofft* test and that the appellate court agreed with the district court's decision.<sup>25</sup> The appellate court offered no explanation as to what factors in particular led it to decide that no substantial similarity existed between *Silent Running* and *Star Wars*. In its second opportunity the appellate court noted that although the district court had applied the correct test, *Krofft*, the appellate court disagreed with the conclusion reached by the district court.<sup>26</sup> The appellate court simply concluded that the question of substantial similarity between *Battlestar Galactica* and *Star Wars* was a close enough question that it should go to trial.<sup>27</sup> Again the appellate court offered no explanation as to what factors led it to decide that it was a close question. In summary, although *Krofft* dealt specifically with commercials, lasting thirty or sixty seconds, the appellate court did not feel it necessary to provide guidance as to how to apply the *Krofft* test to more complex full length motion pictures. Thus the lower courts are left applying *Krofft* as best they can, subject only to a subjective case-by-case review by the appellate court as to whether a movie is or is not substantially similar to another. This ad hoc decisionmaking approach by the appellate court makes it even more difficult for lawyers to determine whether a movie may be found to be substantially similar to another.

As Judge Hill pointed out and as most copyright lawyers will attest, the *Krofft* test does not lend itself easily to an analysis of substantial similarity between full length motion pictures. The complexity of these types of works cannot simply be reduced to a "total concept and feel" analysis. *Krofft*'s "total concept and feel" approach will take into account many similarities which are not even protectible under copyright law such as items in the public domain or *scenes a faire*. The better view might be to dissect the movies into parts when analyzing idea and expression, using experts if necessary, and having the lawyers argue the similarity issue on each part. Then submit the evidence to the jury and have the judge instruct the jury as to the protectability of each of the similarities found in the dissected works. This would guarantee that unprotectable parts of a movie are not being relied on to determine substantial similarity, providing a more reliable and objec-

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25. Twentieth Century-Fox v. MCA, Case No. 79-3342 (9th Cir. 1981).

26. 715 F.2d 1327.

27. *Id.* at 1329.

tive test than the current method of simply analyzing the expression of a movie based on its overall concept and feel.

*James Nanko*

c. *"Jaws" Promoters Enjoin Distributors of "Great White"*

While the purpose of copyright law is to reward an author's creativity, copyright law also imposes limitations on what is copyrightable in order to protect other authors and the public at large. To this end copyright protection extends only to the expression of an idea and never to the idea itself.<sup>1</sup> The real task in a copyright infringement action then, is to determine when there has been copying of the expression of an idea.<sup>2</sup> [N]o one infringes, unless he descends so far into what is concrete [in a work] as to invade [its] expression.<sup>3</sup>

In June, 1975, plaintiff Universal City Studios, Inc. (Universal) released the motion picture "Jaws," a fictional story about a great white shark that terrorizes inhabitants of a town on the Atlantic seaboard.<sup>4</sup> In March, 1982, Film Ventures Inc. (Film Ventures) released the motion picture "Great White" to approximately 300 theatres in the United States. "Great White" is also a story about a shark that terrorizes inhabitants in a town on the Atlantic seaboard. Shortly before the nationwide release of "Great White," Universal filed a civil action against Film Ventures for copyright infringement, trademark infringement, trademark dilution and unfair competition.<sup>5</sup> In connection with this case,<sup>6</sup> Universal moved to enjoin Film Ventures from continuing to exhibit and promote "Great White."

The central issue before the court in the preliminary injunction action was whether there was a significant likelihood<sup>7</sup> that a jury applying the intrinsic ordinary observer test would find the protectible expression of ideas in "Jaws" infringed upon by the motion picture

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1. Sid and Marty Krofft Television v. McDonald's Corp., 562 F.2d 1157, 1163 (9th Cir. 1977).

2. *Id.*

3. *Id.*

4. Universal City Studios, Inc., v. Film Ventures Int'l Inc., 534 F. Supp. 1134, 1136 (C.D. Cal. 1982).

5. *Id.*

6. *Id.* at 1134.

7. *Id.* at 1139. In a preliminary injunction action for copyright infringement plaintiff must prove: 1) likelihood of success on the merits in trial; and 2) irreparable injury. Upon a showing of a prima facie case of copyright infringement, irreparable injury will be presumed, and a preliminary injunction will issue.

"Great White."<sup>8</sup> For purposes of the preliminary injunction, defendant Film Ventures conceded the general idea was the same in both "Jaws" and "Great White."<sup>9</sup>

The essence of Universal's motion was that similarities in basic story points, major characters, sequence of incident, and development and interplay of the major characters and story points were so substantial as to amount to an appropriation of its copyrighted work "Jaws."<sup>10</sup>

"Jaws" revolves around five major characters. They are the shark, who is a principal character in his own right, the mayor, a concerned local police chief, an English accented salty skipper and a shark expert.<sup>11</sup>

The film's primary focus is on the attempts of the police chief, skipper, and shark expert to kill the shark, who is portrayed as a demonic and maniacal beast attacking people and boats for reasons beyond satisfying hunger.<sup>12</sup> An important secondary theme in "Jaws" is the struggle between the shark hunters who wish to inform the townspeople of the dangers of the shark, and the mayor who is initially more concerned about the effect news of a shark attack would have on tourism than about the safety of the town's inhabitants. This struggle culminates when the mayor refuses to warn beachgoers on a major tourist weekend, the Fourth of July weekend, to stay out of the ocean.<sup>13</sup>

Similarly, the major characters in "Great White" include a ruthless shark, a politician (a gubernatorial candidate), and an English accented skipper. There is also a shark expert, who, the court in *Universal* concluded, is a combination of the shark expert and local police chief in "Jaws."<sup>14</sup>

In "Great White", the action revolves around the shark's attacks on people in the water and the attempts of the skipper and expert to kill the shark. Another recurring theme concerns the efforts of the gubernatorial candidate to downplay the news of the shark attacks for the sake of the local windsurfing regatta and the attempts of the shark expert to warn the town of the dangers.<sup>15</sup>

The court in *Universal* concluded that there is a significant likelihood that a jury applying the intrinsic ordinary observer test would

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8. *Id.* at 1140-41.

9. *Id.* at 1137.

10. *Id.* at 1141.

11. *Id.* at 1137.

12. *Id.*

13. *Id.*

14. *Id.* at 1137-38.

15. *Id.* at 1137.

find the expression of ideas in "Jaws" and "Great White" substantially similar.<sup>16</sup>

The court relied primarily on *Sid & Marty Krofft Television v. McDonald's Corp.*,<sup>17</sup> the leading Ninth Circuit case on copyright infringement. In reviewing the *Krofft* case, the court reiterated the prima facie elements of copyright infringement—ownership and copying.<sup>18</sup> Copying is composed of two parts: (1) circumstantial evidence of defendant's access to the copyrighted work;<sup>19</sup> and (2) substantial similarity between the copyrighted work and defendant's work.<sup>20</sup>

The *Krofft* court established a two-part test to determine substantial similarity. The first part of the test is to determine if there is substantial similarity between the general ideas of the two works. If this step is satisfied, the second inquiry is whether there is substantial similarity in the expression of the ideas.<sup>21</sup>

The first part of the test is described as an extrinsic test. It is extrinsic because it depends not merely upon the observations and impressions of the trier of fact, but on specific criteria which can be listed and analyzed.<sup>22</sup> Expert testimony can be introduced in court.<sup>23</sup>

The second prong of the test is an intrinsic test. Unlike the extrinsic test, it is inappropriate to use external criteria and analysis to determine similarity. This prong rests solely on the response of the ordinary reasonable person.<sup>24</sup>

In determining whether there was significant likelihood a jury would find substantial similarity, the court in a sense deviated from *Krofft*. Noting the intrinsic test in *Krofft* is uniquely suited for a jury,<sup>25</sup> the court in *Universal* did not merely place itself in the shoes of the ordinary observer. Rather than simply relying on impressions and visceral response, the court adopted plaintiff *Universal's* analytical approach to determine similarity. *Universal's* approach was to compare basic story points, major characters, sequence of incident and development and interplay of the major characters and story points. The court

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16. *Id.* at 1139.

17. 562 F.2d 1157.

18. The issue of ownership was not in dispute before the court.

19. The question of defendant's access to plaintiff's work was also not in issue.

20. 534 F. Supp. at 1140.

21. *Id.*

22. 562 F.2d at 1164.

23. 534 F. Supp. at 1140.

24. *Id.*

25. *Id.*

adopted this analysis and found "Great White" substantially similar to "Jaws" in every category.

A non-inclusive list of similarities found by the court in addition to similarities previously mentioned are:

1. In the finale of "Jaws", the skipper is eaten by the shark and the police chief then kills the shark by exploding a canister of compressed air which the shark has swallowed.<sup>26</sup> In the finale of "Great White", the skipper is eaten by the shark, and then the shark expert kills the shark by detonating dynamite which the shark has swallowed.<sup>27</sup>

2. Both films open with teenagers playing on the beach. Then in "Jaws" there are underwater shots of a swimmer. Bass tones build up tension and indicate the approach of a shark. The swimmer becomes the shark's first victim.<sup>28</sup> In "Great White", after the shots of the teenagers, there are underwater shots of a windsurfer. Bass tones build tension and indicate the approach of a shark. The windsurfer is the first victim of the shark.<sup>29</sup>

3. In "Jaws", two bounty hunters, seeking a monetary reward, decide to lower raw meat off a pier as shark bait. The shark grabs the bait and breaks off part of the pier. One of the men falls off the pier and into the water, but manages to swim back to shore before the shark attacks.<sup>30</sup> In "Great White" a local newsman and his cameraman, in order to obtain publicity, decide to lower raw meat off a pier as shark bait. The shark grabs the bait, breaking off part of the pier. People fall off the pier; some manage to reach shore as the shark attacks.<sup>31</sup>

In using plaintiff Universal's test, the court did not substitute this test for the *Krofft* test. Rather, the court must have reasoned that in order to know how a reasonable ordinary person, a juror, might viscerally respond to the two movies, the court needed to use an analytical approach.

In keeping with its analytical approach, the court looked at additional extrinsic evidence. The court noted defendant's film "Great White" was originally titled "The Last Jaws." Also, the major character in "Great White" is named Peter Benton. Peter Benchley is the

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26. *Id.* at 1137.

27. *Id.*

28. *Id.* at 1138.

29. *Id.*

30. *Id.*

31. *Id.*

author of "Jaws."<sup>32</sup> While the court stated this was not evidence of substantial similarity, the court said it showed an attitude on the part of the film's creator to be closely connected with "Jaws." Yet this observation must have weighed in the court's decision.

While the court recognized that *Krofft* is the leading case in the Ninth Circuit, by implication it found the second prong of the *Krofft* test inadequate to decide the issue at hand. It appears that judges will be compelled to use an analytical approach to determine substantial similarity at the preliminary injunction level.

Query, if it is useful to use analysis at the preliminary injunction stage, why is analysis improper at the trial stage? Use of expert testimony and analytical dissection might greatly assist a jury in determining whether two works of art are substantially similar, especially when the works being compared are in a medium as complex as film. Such use might also lend to greater consistency in judgments.

*Michele Carmeli*

d. "*Blue Lagoon's*" Move to Enjoin *Paradise* Fails

In *Columbia Pictures Industries, Inc. v. Embassy Pictures*,<sup>1</sup> Columbia Pictures Industries Inc., (Columbia) claimed its copyright of the film "Blue Lagoon" had been infringed by Embassy Pictures and RSL Films, Ltd. (Embassy) by the exhibition of Embassy's film "Paradise."

Columbia filed a civil action in May, 1982, against Embassy for copyright infringement, trademark infringement, trademark dilution and unfair competition.<sup>2</sup> Columbia sought preliminarily to enjoin the exhibition and distribution of "Paradise." Columbia also sought to enjoin the advertisement and promotion of "Paradise" in the print media through the use of injunction and temporary restraining order.<sup>3</sup>

In order to obtain the preliminary injunction, Columbia had to prove either a combination of probable success on the merits and the possibility of irreparable injury or that serious questions are raised and the balance of hardships tips sharply in their favor.<sup>4</sup> The parties

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32. *Id.* at 1141.

1. *Columbia Pictures Industries, Inc. v. Embassy Pictures*, No. CV 82-2376-Kn, May 27, 1982; CCH Copyright Law Reports, P25, 440; 218 U.S.P.Q. (BNA) 497.

2. 218 U.S.P.Q. 497. The issue of trademark infringement trademark dilution and unfair competition will not be discussed in this note.

3. *Id.*

4. *Id.* at 498.

focused mainly on proving probable success on the merits. As with *Universal*,<sup>5</sup> in order to prove probable success on the merits, Columbia had to prove the prima facie elements of copyright infringement—ownership, access, substantial similarity of ideas between the films and substantial similarity in the expression of the ideas.<sup>6</sup>

Defendant Embassy argued as a preliminary matter that the scope of protection to be afforded Columbia was in question because the book “Blue Lagoon” was already in the public domain.<sup>7</sup> Only that which was new and original in Columbia’s motion picture was entitled to protection. However, the court determined that it need not decide the scope of Columbia’s copyright. The judge opined that even if the entire film was entitled to copyright protection, Columbia would be unsuccessful on the merits of their suit thereby making this issue moot.<sup>8</sup>

The court in Columbia also relied primarily upon *Krofft*<sup>9</sup> to establish the distinction between an idea and the expression of an idea.

Unlike *Universal*, the court in Columbia found no substantial similarity in ideas between the films “Blue Lagoon” and “Paradise.”<sup>10</sup> While the court admitted several similarities existed, the court held the general ideas of the movies were different.

According to the court, the general idea in “Blue Lagoon” is the development of a relationship between a boy and a girl marooned in an idyllic setting. The two young children mature to adolescence, cope with problems, discover each other, fall in love, have a child and commit suicide while adrift at sea.<sup>11</sup>

The court found “Paradise” had two main ideas. Paradise is both a chase film and a love film. The pursuit of the girl by a jackal brings the girl and boy together. Their relationship matures while they are being chased. The girl becomes pregnant but does not give birth. The two finally return to civilization.<sup>12</sup>

The distinctions according to the court are two-fold. First, while both films revolve around the relationship of the boy and girl, the idea is more fully developed in “Blue Lagoon” and dominates the film.<sup>13</sup>

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5. *Universal City Studios, Inc. v. Film Ventures Int'l Inc.*, 534 F. Supp. 1134 (C.D. Cal. 1982).

6. 218 U.S.P.Q. at 498.

7. *Id.*

8. *Id.*

9. *Sid and Marty Krofft Television v McDonald's Corp.*, 562 F.2d 1157 (9th Cir. 1977).

10. 218 U.S.P.Q. at 498-99.

11. *Id.*

12. *Id.* at 499.

13. *Id.*



Also of compelling distinction is the general idea of chase and pursuit found only in the "Paradise" film.<sup>14</sup>

It may be that Embassy found a profitable caveat in copyright infringement law. As stated by Nimmer<sup>15</sup>, a defendant may legitimately avoid infringement by intentionally making sufficient changes in a work which would otherwise be regarded as substantially similar to that of the plaintiff's.

As the court found no substantial similarity of ideas, the court did not need to proceed to the second prong of the *Krofft* test, the intrinsic test.

The court did however address this issue briefly. It determined that the question of substantial similarity in the expression of the general ideas was too close for a finding that plaintiff would likely succeed on the merits.<sup>16</sup> At a minimum, these differences would present a question for the trier of fact.<sup>17</sup>

Unfortunately for entertainment law attorneys, very little guidance is afforded by this opinion. There was no mention whether the judge relied on expert testimony and analysis, or whether he went strictly by his impression and observations. However, the Ninth Circuit specifically explained that this part of the *Krofft* test, the extrinsic test, could be decided as a matter of law<sup>18</sup> and it appears that the judge did just that.

*Michele Carmeli*

*e. "Coming Home" Successful Against Copyright  
Infringement Challenge*

In a copyright infringement case, the essence of a cause of action lies in the unsanctioned use of particular expressions of general themes through similarities of treatment, details, scenes, events and characters.<sup>1</sup> This fundamental principle of copyright law is based on the theory that the protection granted to an original work of authorship extends only to the particular expression of an idea rather than the idea

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14. *Id.*

15. 2 M. Nimmer, *Nimmer on Copyright*, § 13.03[B] at 13-37 (1983), quoted with approval in *Warner Bros. Inc. v. American Broadcasting Companies*, 654 F. Supp. 204, 211 (2d Cir. 1981).

16. 218 U.S.P.Q. at 499.

17. *Id.*

18. 562 F.2d 1157, 1164.

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1. 547 F. Supp. 722, 726 (S.D.N.Y. 1982).

itself.<sup>2</sup>

In February 1972, plaintiff George Davis published a novel entitled *Coming Home*. In February 1978, defendants, United Artists, Inc.,<sup>3</sup> released a motion picture also entitled "Coming Home."<sup>4</sup> U.A. moved for summary judgment on three causes of action alleged by Davis: copyright infringement in violation of 17 U.S.C. section 501; false description in violation of the Lanham Act 15 U.S.C., section 1125(a); and unfair competition in violation of New York law.<sup>5</sup>

For purposes of this motion, U.A. conceded Davis' ownership of the registered copyright in the novel *Coming Home*.<sup>6</sup> The trial court noted two basic issues for consideration: (1) whether there were substantial similarities between the two works as viewed by an ordinary observer, and if so, (2) whether U.A. improperly appropriated Davis' expression.<sup>7</sup> The court answered the first question in the negative, therefore never reaching the second.<sup>8</sup>

The essence of Davis' claim of infringement is based on his perception of the similarities between his novel and the defendants' motion picture.<sup>9</sup> In particular, Davis points to the fact that both plots center on the Vietnam War and its effects on the lives of the story's three main characters.<sup>10</sup>

The novel's story revolves around three Air Force pilots stationed in Thailand during the Vietnam War. These three major characters are Ben, Childress (both of whom are black), and Stacy (a white man).<sup>11</sup> The novel follows the plight of the three friends as they leave Thailand and return to the United States. The novel illuminates the growing tide of racism prevailing the war in Vietnam and in American society.<sup>12</sup>

The novel's secondary characters are three women: a prostitute; Rose, who is Ben's wife; and Roxanne, Stacy's girlfriend.<sup>13</sup> Interwoven in the plot are love triangles that develop between the prostitute, Ben

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2. 17 U.S.C. § 102(b).

3. Also named as defendants were: Jerome Hellman Productions, Inc., Jane Fonda, Bruce Gilbert, Nancy Dowd, Waldo Salt, Robert C. Jones, National Broadcasting Company, Inc., Home Box Office, Inc., and Cinema I.

4. 547 F. Supp. at 723.

5. *Id.*

6. *Id.*

7. *Id.*

8. *Id.* at 725.

9. *Id.* at 728.

10. *Id.*

11. *Id.* at 725.

12. *Id.*

13. *Id.*

and Childress and a second triangle between Rose, Ben and Childress.<sup>14</sup> Meanwhile Stacy, who is still overseas, hears that Roxanne is having an affair with Childress, which is not true. Stacy becomes despondent over this news and commits suicide during a flying mission.<sup>15</sup>

The motion picture also centers on three main characters: Bob, a marine officer in Vietnam; Sally, his wife who remained at home; and Luke, a Vietnam veteran who has returned home from the war a paraplegic.<sup>16</sup> While Bob is away on duty, Sally volunteers to work in a veterans' hospital where she meets Luke, an old high school classmate.<sup>17</sup> They become friends and eventually lovers.<sup>18</sup> During their relationship, Luke struggles to overcome his handicap while Sally gains independence and becomes active in the anti-war movement.<sup>19</sup>

At the end of the film, Bob returns home from Vietnam and learns of Sally's love affair—unaware that Sally has already ended her relationship with Luke.<sup>20</sup> Emotionally disturbed as a result of the war, Bob swims out into the ocean, apparently committing suicide.<sup>21</sup>

#### A. Infringement

The court, in applying the substantial similarity test, concluded that the similarities between the novel and the motion picture were "merely similarities of ideas and general concepts."<sup>22</sup> It is a fundamental principle of copyright law that protection extends only to the particular expression of an idea and not to the idea itself.<sup>23</sup>

The court relied primarily on *Nichols v. Universal Pictures Corp.*<sup>24</sup> to establish the distinction between an idea and an expression as follows:

Upon any work . . . a great number of patterns of increasing

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14. *Id.*

15. *Id.*

16. *Id.*

17. *Id.*

18. *Id.*

19. *Id.*

20. *Id.* at 726.

21. *Id.*

22. *Id.*

23. See 17 U.S.C. § 102(b).

24. 45 F.2d 119 (2d Cir. 1930), *cert. denied*, 282 U.S. 902, 51 S. Ct. 216, 75 L. Ed. 795 (1931). This was an action brought by the author of the play "Abie's Irish Rose," claiming that defendant's film "The Cohens and the Kellys," infringed on her work. The court found that the common elements of the two stories, "a quarrel between a Jewish and an Irish father, the marriage of their children, the birth of grandchildren, and a reconciliation," was not protected because it was too generalized.

generality will fit equally well, as more and more of the incident is left out . . . [T]here is a point in this series of abstractions where they are no longer protected, since otherwise the playwright could prevent the use of his "ideas," to which, apart from their expression, his property is never extended.<sup>25</sup>

In the present case, the court noted the following differences in the methods of expression used in the novel and in the motion picture. First, Davis' novel, although focusing on the Vietnam War, is primarily concerned with the war's effect on servicemen and is set mainly in the war zone.<sup>26</sup> U.A.'s motion picture focuses primarily on the war's effects on those at home, and is set in California.<sup>27</sup> Second, none of the film's major characters are black, and racism was not addressed.<sup>28</sup> Third, the novel does not contain a seriously injured serviceman analogous to the paraplegic character of Luke.<sup>29</sup> Fourth, the court found that the characters' personalities in the novel were so completely different from those in the film as to be devoid of legal significance.<sup>30</sup> The court noted additional insignificant similarities, but labeled them *scenes a faire* in that they are sequences of events which necessarily follow from a common theme.<sup>31</sup>

### B. The Lanham Act

Davis further claimed that the use of the title "Coming Home" by U.A. constitutes a false description or representation in violation of the Lanham Act. The Lanham Act provides:

Any person who shall . . . use in connection with any goods . . . a false description or representation, including words . . . tending falsely to describe or represent same, and shall cause such goods . . . to enter into commerce . . . shall be liable to civil action by any person . . . who believes that he is likely to be damaged by the use of any such false description or representation. 15 U.S.C., section 1125(a).

The Act has been construed to provide protection to a title of a creative work in the limited situation where: (1) the title has acquired

25. 547 F. Supp. at 726 (quoting *Nichols v. Universal Pictures Corp.* 45 F.2d 119, 121 (2nd Cir. 1930)).

26. 547 F. Supp. at 726.

27. *Id.*

28. *Id.*

29. *Id.* at 727.

30. *Id.*

31. *Id.*

“secondary meaning,” i.e., that the public identifies the title with the plaintiff and his work; and (2) there is a “likelihood of public confusion,” i.e., that the public will be misled into believing that the defendant’s work originated or is associated with or sponsored by plaintiff because both works bear the same title.<sup>32</sup>

On this issue, the court found that Davis had failed to raise genuine issues of fact regarding the elements of secondary meaning and likelihood of public confusion.<sup>33</sup> The only evidence on this point was an unsworn statement made by Davis alluding to various conversations with third parties who believed that the film was adapted from Davis’ novel.<sup>34</sup> The court held that this multiple hearsay statement did not raise genuine factual issues sufficient to defeat a motion for summary judgment.<sup>35</sup>

Davis, in seeking to prevent a summary judgment, submitted the affidavit of a literary expert who opined that the two works shared substantial similarities in the specific areas of plot, theme, mood, time, character development, setting and pace.<sup>36</sup> The court, relying on *Nichols*,<sup>37</sup> and *Sid and Marty Krofft Television Productions, Inc. v. McDonald’s Corp.*,<sup>38</sup> held that the expert opinion would not be admissible in a motion for summary judgment. The court, in excluding the expert testimony, adopted the reasoning set forth in *Costello v. Loew’s Inc.*,<sup>39</sup> that no amount of expert or lay testimony as to fancied similarities could change the obvious content of the exhibits.

The significant point behind the court’s decision lies mainly in the fact that granting a summary judgment motion in a copyright infringement case is an acceptable procedure. The court, in citing the general rule as set forth in *Arnstein v. Porter*,<sup>40</sup> that generally there should be trials in plagiarism suits, recognized that there are cases in which the

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32. *Id.* at 727-28.

33. *Id.* at 728.

34. *Id.*

35. *Id.*; Fed. R. Civ. P. 56 (e) requires that affidavits on a motion for summary judgment “shall be made on personal knowledge” and “shall set forth such facts as would be admissible in evidence.”

36. 547 F. Supp. at 724.

37. 45 F.2d 119, 123 (2d Cir. 1930); (expert opinion in copyright cases ought not to be allowed at all).

38. In *Sid and Marty Krofft Television v. McDonald’s Corp.*, 562 F.2d 1157, 1164-65 (9th Cir. 1977), the court held that expert testimony is admissible on the question whether two works are based on similar ideas but not whether they share similarities of expression. The affidavits submitted here by the plaintiff addresses the issue of similar expression between the two works and thus should not be considered.

39. 547 F. Supp. at 724, n. 8.

40. 154 F.2d 464, 474 (2d Cir. 1946), *cert. denied*, 330 U.S. 851 (1947).

absence of similarities is so blatant, that a summary judgment for defendant would be proper.<sup>41</sup>

In light of the facts presented in this case, the court was correct in granting a summary judgment for U.A. In the more recent case, *Jason v. Fonda*,<sup>42</sup> a summary judgment motion was granted for the defendants in a similar fact situation. *Jason* was an action brought by the author of the novel *Concomitant Soldier—Woman and War*, against Jane Fonda and eight other defendants claiming copyright infringement, unfair competition, misappropriation, and breach of implied contract in defendants' motion picture "Coming Home."<sup>43</sup> In a one and one-half page opinion, the court affirmed the district court's grant of summary judgment and held that Jason had failed to establish more than a "bare possibility" that defendants had access to her work, and that no substantial similarity existed between the two works.<sup>44</sup>

In the last several years, courts have become more willing to grant summary judgment motions in copyright infringement cases. By adopting a strict rule prohibiting the use of hearsay evidence or expert testimony in support of a summary judgment motion, courts are expressing a reluctance to reach out to find genuine issues of fact on which to proceed to trial. Furthermore, the courts' narrowing interpretation of the "substantial similarities" test, will make it more difficult for plaintiffs to state successful causes of action where the facts are similar but only because they follow from a common theme.

Carolyn Cole

#### f. Relief for Innocent Creators

Until recently, charges of substantial similarity<sup>1</sup> between an allegedly infringing work and the plaintiff's work have customarily

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41. 698 F.2d 966 (9th Cir. 1982).

42. *Id.*

43. *Id.* at 967.

44. *Id.*

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1. A defendant's copying may be inferentially established by proving access to the copyrighted work and a substantial similarity between the two works. *Novelty Textile Mills, Inc. v. Joan Fabrics Corp.*, 558 F.2d 1090, 1092 (2d Cir. 1977). The determination of the extent of similarity which will constitute a substantial and therefore infringing similarity, however, "presents one of the most difficult questions in copyright law, and one which is the least susceptible of helpful generalizations." 2 M. Nimmer, *Nimmer on Copyright*, § 13.03[A] (1983).

Copyright infringement actions are brought under the Copyright Act, 17 U.S.C. § 301 (1976).

involved questions of fact, appropriately dispensed with at trial.<sup>2</sup> However, the court in *Giangrasso v. CBS, Inc.*,<sup>3</sup> in granting defendant's motion for summary judgment, may have opened the way for the easy resolution of substantial similarity actions.

In *Giangrasso*, plaintiff's work, copyrighted in August, 1976, consisted of two parts: a promotional presentation and a radio play script. The first part, intended as a presentation to sell future episodes of the radio show on a syndicated basis, introduced the station WHY-53 and its staff. It exposed the audience to such characters as Curt Curtis and Steve Stevens, the station's "crack news staff;" Thomas Thompson, the behind-the-times owner who was in part responsible for the station's poor ratings; and "Medicine Man" Larry Lee Lawrence, a smooth-talking morning disc jockey.<sup>4</sup>

The second part was a pilot episode of WHY-53. The setting was Larry Lee's "remote" broadcast at the grand opening of the Consolidated Bank. The plot revolved around a bank robbery that occurred during the broadcast. Larry Lee, blithely engrossed in his role as the "Medicine Man," unknowingly put a bewildered bank-robber on the air and engaged him in some of the disc jockey's manic fun and games. In the end, the robber left with a jar holding the radio station's "WHY Win Nickel Contest," Lee all the while ignorant of the fact that the robber was not just "another happy WHY listener." The broadcast then broke to Curt Curtis' news report of the bank hold-up. Curtis' closing aside was: "too bad we didn't have someone there to cover the story."

How similar was plaintiff's work to defendant's "Hold-Up" episode of the popular television show "WKRP in Cincinnati?" "Hold-Up," broadcast in October, 1978, centered around Bob Bruner, who, as an out-of-work disc jockey previously rejected by the station, attempted to gain recognition by hijacking disc jockey Johnny Fever's remote broadcast at Del's stereo store. Bruner's armed hijacking of the broadcast, all for the sake of publicity, aroused Fever's sympathy. Fever gave Bruner a few radio tips, and when Bruner showed remorse at using a gun, fearing he had ruined all his hopes for radio fame because he was likely to be arrested, Fever let himself be seized by the police as the program's hijacker. A news postscript ended the show. Fever appeared on the screen and a voice-over described his release and the drawing of Bruner that the police had made from the

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2. *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972, 977 (2d Cir. 1980).

3. 534 F. Supp. 472 (E.D. N.Y. 1982).

4. *Id.*

description Fever provided. The drawing turned out to be a picture of Richard Nixon.

The *Giangrasso* court, as a preface to its comparative analysis of the works before it, attempted a review of the "methods" others have developed to judge whether an expression of an idea, rather than merely the idea itself, has been copied.<sup>5</sup> From Judge Learned Hand's "abstractions test"<sup>6</sup> the court jumped to Professor Chafee's explanation of the protectible "pattern"<sup>7</sup> as it defied the all-too-common legal conclusion that "decisions must . . . inevitably be ad hoc."<sup>8</sup>

With the knowledge that "the essence of infringement lies in a taking not of a general theme but in its particular expression through similarities of treatment, details, scenes, events and characterization,"<sup>9</sup> the court began a closer examination of the works in order to determine whether there was any genuine issue that they could be substantially similar.<sup>10</sup> Clearly there was not. The "WKRP in Cincinnati" episode, explained the court, involved an out-of-work radio announcer's attempt to hijack a remote broadcast in order to publicize himself, and the sympathetic participation he received from the show's disc jockey.<sup>11</sup> In plaintiff's "WHY-53" show, however, a bank robber was unwillingly engaged in some on-the-air games by a disc jockey ignorant of the goings-on about him.<sup>12</sup> The plots are obviously dissimilar, a conclusion the court could not escape:

Even assuming that defendant may have copied the idea of a

5. *Id.* at 476. The review, however, was not inclusive; omitted was the "ordinary observer" test used by the court in *Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d 1157 (9th Cir. 1977) ("ordinary reasonable person" standard).

6. *Id.*

Upon any work . . . a great number of patterns of increasing generality will fit equally well as more and more of the incident is left out. The last may be no more than the most general statement of what the work is about, and at times might consist only of its title; but there is a point in this series of abstractions where they are no longer protected, since otherwise the playwright could prevent the use of his 'ideas,' to which, apart from their expression, his property is never extended. (citing *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir. 1930)).

7. *Id.* Professor Chafee stated that "[n]o doubt the line does lie somewhere between the author's idea and the precise form in which he wrote it down . . . the protection covers the 'pattern' of the work . . . the sequence of events, and the development of the interplay of characters." Chafee, *Reflections on the Law of Copyright*, 45 Colum. L. Rev. 503, 513 (1945).

8. *Id.* (Citing *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489 (2d Cir. 1960)).

9. *Id.* (Citing *Reyher v. Children's Television Workshop*, 533 F.2d 87, 90 (2d Cir. 1977)).

10. *Id.*

11. *Id.* at 477.

12. *Id.*



remote broadcast interrupted by a robber with a gun, such copying . . . is not actionable because it is only of an idea, and the handling, scenes, details and characterization used by plaintiffs and defendants in their works based on this idea are unquestionably not substantially similar.<sup>13</sup>

Furthermore, the court reasoned that plaintiff's characters were too undeveloped to permit protection,<sup>14</sup> and the only insignificant similarity that could be claimed was in the general roles they played (station owner, engineer).

The court was thus faced with the following dilemma: though substantial similarity is ordinarily a close question of fact and therefore "an issue not readily susceptible to disposition on summary judgment,"<sup>15</sup> this particular case clearly dealt with apples and oranges. Solution? Nothing but applesauce for the plaintiffs. The court held that the lack of substantial similarity between the works had been sufficiently established on the record, making a full trial of the issue unnecessary.<sup>16</sup>

In bypassing trial and allowing the record to seal an open-and-shut case, the *Giangrasso* court may have opened an escape hatch for innocent creators burdened with unwarranted claims of infringement. Though granting a defendant's motion for summary judgment is, in such a situation, not a completely novel procedure,<sup>17</sup> it has been by no means a very common one, and there is the hope that other courts will follow the *Giangrasso* court's expedient disposition of clearly losing claims.

*Alejandro N. Mayorkas*

## 2. Fair Use

### a. *Work Not Protected as Parody*

"Frankly, my dear, I do give a damn," said the plaintiffs in *MGM v. Showcase Atlanta Cooperative Productions* (Showcase Atlanta), following a dress rehearsal of defendants' production "Scarlett Fever."

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13. *Id.* at 476.

14. *Id.* at 478. "The characters in plaintiffs' short work are primarily 'types' with little limning or development beyond their positions at the station." It is clear that the less developed the characters, the less they can be copyrighted. *Nichols v. Universal Pictures*, 45 F.2d at 121.

15. 534 F. Supp. at 478. (Citing *Hoehling v. Universal City Studios*, 618 F.2d at 977).

16. 534 F. Supp. at 478.

17. 3 M. Nimmer, *Nimmer on Copyright*, *supra* note 1, at § 12.10.

The ensuing action resulted in a favorable decision for plaintiffs' motion for partial summary judgment.<sup>1</sup> The court held that defendants' work was not a fair use of "Gone With the Wind," as "Scarlett Fever" was not a parody of the copyrighted work; even if the production qualified as a parody, the amount of material used from the original was more than was necessary to "conjure up the original."<sup>2</sup>

One week later, following trial to the court, a final judgment was entered enjoining defendants from any further productions of "Scarlett Fever."<sup>3</sup> In its order, the court held that plaintiffs had not abandoned their copyright by failing to prosecute other infringements.<sup>4</sup>

Plaintiffs were the owners of the copyright to the novel "Gone With the Wind," and of several derivative copyrights and interests thereof.<sup>5</sup> Defendants were the owners, producers, and creators of a musical production entitled "Scarlett Fever." Defendant Showcase Cabaret customarily presented light, musical entertainment in an intimate surrounding.

In the three-hour, three-act production, the names of the major characters were changed (for example, Katie Scarlett O'Hara, the apple of her father's eye, was transformed to Shady Charlotte O'Mara; Rhett Butler to Brett Studler and Scarlett's beloved home to Tiara), but the play essentially tracked the story, and included most of the major episodes from the film.

"Scarlett Fever" was to have opened on September 21, 1979. After attorneys representing the Mitchell interests attended a dress rehearsal on the 19th, they filed for and obtained a temporary restraining order, issued on the 21st.

The district court, in a memorandum opinion, granted the prelimi-

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1. *MGM v. Showcase Atlanta Cooperative Productions*, 1981 Copyright L. Dec. (CCH) ¶ 25,313 at 16,775 (N.D. Ga. Aug. 26, 1981).

2. *Id.*

3. *MGM v. Showcase Atlanta Cooperative Productions*, 1981 Copyright L. Dec. (CCH) ¶ 25,314 at 16,778 (N.D. Ga. Sept. 3, 1981).

4. In the Sept. 3 decision the court also ruled that plaintiffs were not estopped from bringing the present action, applying reasoning similar to that used in deciding the abandonment issue. Damages of \$500 were held to be sufficient to recompense plaintiffs, as only one performance of "Scarlett Fever" had taken place. *Id.* at 16,780.

5. *Metro-Goldwyn-Mayer, Inc. owns the screen rights and copyright for the film, "Gone With the Wind"; The Macmillan Company, Inc. is the holder of the copyright for the novel, "Gone With the Wind," Stephens Mitchell and Trust Company Bank in their capacity as Trustees for certain heirs of Margaret Mitchell own certain residual interests in the copyrighted works and derivatives thereof, including the stage rights. Metro-Goldwyn-Mayer, Inc. v. Showcase Atlanta Cooperative Productions, Inc.*, 479 F. Supp. 351, 354, n.1 (N.D. Ga. 1979).

nary injunction sought by plaintiffs.<sup>6</sup> The court found that "substantial similarity" existed between "Scarlett Fever" and "Gone With the Wind," and that plaintiffs thereby had established a *prima facie* case of copyright infringement.

The court reviewed the fair use defense asserted by defendants and concluded that (1) "Scarlett Fever" was neither satire nor parody with respect to fair use protection;<sup>7</sup> (2) even if "Scarlett Fever" was a parody or satire, it failed to qualify as a fair use as defendants had used more of the original than necessary to "conjure up the original,"<sup>8</sup> and (3) in applying the functional test,<sup>9</sup> "Scarlett Fever" was found to fulfill the same function as "Gone With the Wind" and therefore would be "likely to harm the potential market for or value of the copyrighted work."<sup>10</sup> The court rejected defendants' other defenses.<sup>11</sup>

Based on the conclusion that plaintiffs were likely to succeed on the merits with their arguments against the fair use defense, and on the prerequisite finding of irreparable injury, the court granted a preliminary injunction.

Aided by the court's articulation of the fair use defense, plaintiffs brought a motion for partial summary judgment on that issue. In response, defendants asserted three arguments as to matters of legal and factual dispute: (1) Any artistic or literary parody is automatically a parody within the protection of the legal concept of fair use; (2) "Scar-

6. 479 F. Supp. 351 (order granting preliminary injunction).

7. The "fair use" defense is codified in 17 U.S.C. § 107 (1977) which states in pertinent part: "Fair use of a copyrighted work . . . for purposes such as criticism, comment, news reporting, teaching . . . scholarship, or research, is not an infringement of copyright."

8. The "conjure up" test was born in *Berlin v. E.C. Publications*, 329 F.2d 541, 545 (2d Cir.), *cert. denied*, 379 U.S. 822 (1964), in which the court concluded that "At the very least, where, as here, it is clear that the parody has neither the intent nor the effect of fulfilling the demand for the original, and where the parodist does not appropriate a greater amount of the original work than is necessary to 'recall or conjure up' the object of his satire, a finding of infringement would be improper."

9. Nimmer explains the "functional test" as follows: "If both the plaintiff's and defendant's works are used for the same purpose, then under the functional test the defense of fair use should not be available since the defendant's work serves the same function as that of the plaintiffs . . . The scope of fair use is then constricted where the two works in issue fulfill the same function in terms of actual or potential consumer demand, and expanded where such functions differ." 2 M. Nimmer, *Nimmer on Copyright* § 13.05[B] (1979).

10. 479 F. Supp. at 361.

11. The First Amendment argument was summarily discounted—since "Scarlett Fever" was neither parody or satire, it was not the type of critical comment intended for protection under the First Amendment. Both the abandonment and estopped defenses were foreclosed by the finding that "Scarlett Fever" was not a parody. Additionally, defendants failed to show the intent necessary to establish abandonment, and the necessary showing for estoppel—intent and knowledge on plaintiffs' part and defendants' right to rely thereon—was not made. 479 F. Supp. at 362.

lett Fever" did not incorporate more of "Gone With the Wind" than was permissible; and (3) "Scarlett Fever" did not fulfill the same function as "Gone With the Wind," and thus there existed a factual dispute as to the amount of harm "Scarlett Fever" would cause to any authorized theatrical production of "Gone With the Wind."

In response to the first contention, the court completely disagreed with such a broad definition of parody as fair use.<sup>12</sup> Rather, the court stressed that the crucial element of parody which justified its protection under the copyright law, "consists of an original expression, which has social value by commenting upon the work being parodied."<sup>13</sup> This concept of a "crucial element" was first formulated in *Berlin v. E.C. Publications*:<sup>14</sup> "For, as a general proposition, we believe that parody and satire are deserving of substantial freedom—both as entertainment and as a form of social and literary criticism."<sup>15</sup> In support of its decision, the court cited several other opinions which relied on this language from *Berlin*.<sup>16</sup>

The court did find that portions of "Gone With the Wind" were parodied in "Scarlett Fever," but that those parts were so small that the work taken as a whole did not meet the test of parody.

The defendants' second contention—that "Scarlett Fever" did not incorporate more material from "Gone With the Wind" than was permissible—was rejected by the court. To support this contention, defendants relied on a footnote from *Elsmere Music, Inc. v. National*

12. Language from *Elsmere Music, Inc. v. National Broadcasting Co.*, 482 F. Supp. 741 (S.D.N.Y. 1979), *aff'd*, 623 F.2d 252 (2d Cir. 1980), seems to support defendants' argument: "In addition, even if it were found that 'I Love Sodom' did not parody the plaintiff's song itself, that finding would not preclude a finding of fair use. Under the holding of *Berlin v. E.C. Publications, Inc.*, *supra*, and the criteria set down in . . . 17 U.S.C. § 107, the issue to be resolved by a court is whether the use in question is a valid satire or parody, and not whether it is a parody of the copied song itself." 482 F. Supp. at 746.

13. ¶ 25,313 at 16,776.

14. 329 F.2d 541 (2d Cir.), *cert. denied*, 379 U.S. 822 (1964).

15. *Id.* at 545.

16. In *MCA, Inc. v. Wilson* the court stopped short its analysis of the case upon deciding that the defendant's work, "Cunnilingus Champion of Co. C" was not a burlesque or parody of the copyrighted work, "Boogie Woogie Bugle Boy," but rather was intended as a burlesque of sexual mores, using the Andrews Sisters' style of singing. 425 F. Supp. 443 (S.D.N.Y. 1976).

In *Walt Disney Productions v. Mature Pictures*, the court stated: "While defendants may have been seeking in their display of bestiality to parody life, they did not parody the Mickey Mouse March but sought only to improperly use the copyrighted material." *Walt Disney Productions v. Mature Pictures Corp.*, 389 F. Supp. 1397, 1398 (S.D.N.Y. 1975). These cases are discussed in the instant case at 16,776-77.

*Broadcasting Company*:<sup>17</sup>

We note that the concept of 'conjuring up' an original came into the copyright law not as a limitation on how much of an original may be used, but as a recognition that a parody frequently needs to be more than a fleeting evocation of an original in order to make its humorous point. (citation omitted) A parody is entitled at least to 'conjure up' the original. Even more extensive use would still be fair use, provided the parody builds upon the original, using the original as a known element of modern culture and contributing something new for humorous effect or commentary.<sup>18</sup>

The court disagreed with the defendants' interpretation of the language in the *Elsmere* footnote, expressing the view that the language merely "amplified the meaning" of the "conjure up" concept.<sup>19</sup>

Defendants also cited *Walt Disney Productions v. The Air Pirates*,<sup>20</sup> an action brought by Walt Disney Productions in response to the defendants' use of several Disney characters, including Mickey Mouse and Minnie Mouse, in drug culture comic books. The decision in *Air Pirates* rested on a determination that the defendants had taken more than was necessary even under the *Berlin* test. "By copying the images in their entirety, defendants took more than was necessary to place firmly in the reader's mind the parodied work and those specific attributes that are to be satirized."<sup>21</sup>

The court dismissed these arguments, without bothering to counter them. The decision merely stated that both *Air Pirates* and *Elsmere* were "not inconsistent with the analysis used in this Court's order of October 12, 1979."<sup>22</sup>

The court noted that extensive copying from "Gone With the Wind" might have been permissible had defendants produced a parody of the entire original work. However, since only a minor portion of "Scarlett Fever" met the test of parody, the bulk of the work was merely copying, and "Scarlett Fever" thus failed to meet the "conjure

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17. *Elsmere Music, Inc. v. National Broadcasting Company*, 623 F.2d 252 (2d Cir. 1980).

18. *Id.* at 253, n.1.

19. *MGM v. Showcase Atlanta Cooperative Productions*, Copyright L. Rep. (CCH) ¶ 25,313 at 16,777.

20. *Walt Disney Productions v. The Air Pirates*, 581 F.2d 751 (9th Cir. 1978), *cert. denied*, 439 U.S. 1132 (1979).

21. 581 F.2d at 757.

22. ¶ 25,313 at 16,777.

up" test.<sup>23</sup>

Defendant's third argument was that "Scarlett Fever" did not fulfill the same function as "Gone With the Wind," and that there was a factual dispute as to the amount of harm "Scarlett Fever" would cause to an authorized theatrical production of "Gone With the Wind."<sup>24</sup> The court agreed with defendants that the function of "entertainment" as categorized in the order granting the preliminary injunction was too broad and should be considered on the basis of the type of entertainment—for example, comedy, melodrama, etcetera.<sup>25</sup>

Notwithstanding the court's concurrence with defendants' third contention, summary judgment was granted on the issue of fair use based on the first two issues—"Scarlett Fever" was not a parody for fair use purposes and the production incorporated more of the original than was contemplated under accepted tests of fair use.<sup>26</sup>

In the court's findings of fact and conclusions of law issued the following week, defendants' primary argument was that plaintiffs had effected a "limited abandonment" of their copyright by not objecting to every "humorous treatment" of "Gone With the Wind."<sup>27</sup> Sufficient evidence was not cited to support the argument of "limited abandonment" and the concept was rejected.<sup>28</sup> The court found that the plaintiffs had been diligent in policing their copyright,<sup>29</sup> so that even if occasional infringements had slipped through the net, the intent necessary to establish abandonment could not be shown.<sup>30</sup>

The significance of Showcase Atlanta lies in its consideration of the defendants' contention that any artistic or literary parody is automatically parody within the protection of the legal concept of fair use.<sup>31</sup>

First, the court considered the nature of parody in order to determine whether a particular work should qualify for the protection from

23. *Id.*

24. *Id.*

25. ¶ 25,313 at 16,778.

26. *Id.*

27. ¶ 25,314 at 16,778. Also in this ruling, defendants' estoppel argument was dismissed as "equally unconvincing" as the argument for "limited abandonment". *Id.* at 16,780.

28. *Id.* at 16,780.

29. Defendants presented evidence that plaintiffs had not objected to a Carol Burnett Show production entitled "Went With the Wind." *Id.* at 16,779.

30. Nimmer discusses abandonment as follows: "Abandonment of the copyright by the plaintiff . . . obviously constitutes an effective defense in an infringement action. . . . Abandonment occurs only if there is an intent by the copyright proprietor to surrender rights in his work. There is, moreover, strong authority holding that an overt act evidencing such an intent is necessary to establish abandonment. Under this view mere inaction would not constitute a manifestation of an intent to abandon." M. Nimmer, *supra* note 9, § 13.06.

31. See note 12.

infringement provided by the fair use defense. Since this defense is an exception to the otherwise exclusive protection against copying granted to the copyright holder, the court is to be commended for requiring a social justification for the protection of parody.

In an article arguing for a critical effect test for parody, author Susan Linehan Faaland commented:

Only one court has fully recognized the importance of parody's critical effect. In *Metro-Goldwyn-Mayer v. Showcase Atlanta Cooperative Productions* . . . the court . . . recognized that mere humor was an insufficient ground for allowing fair use. The court defined parody and satire as 'art forms involving the type of original critical comment meant to be protected by § 107. The court thus recognized that parody's privilege depends on a rationale which distinguishes it from other forms of derivative work.<sup>32</sup>

Faaland's praise is deserved as to that point. However, the court fell short of a complete recognition of the role of parody as illustrated by its insistence that in order to qualify as a parody, a work must comment on the actual work being parodied.<sup>33</sup> This limitation does not take into consideration works such as those involved in *MCA v. Wilson*<sup>34</sup> or *Walt Disney Productions v. Mature Productions*,<sup>35</sup> in which the parodies purportedly sought to make some social comment or criticism in general, but were not specifically a critique of the work used as the springboard for the parody. Since these situations could achieve the "critical element" of parody upheld in *Berlin v. E.C. Publications*,<sup>36</sup> the definition of parody should not be so limited as to preclude such uses. One recent decision of the Second Circuit, *Elsmere Music v. NBC*,<sup>37</sup> specifically discounted any requirement that the parody must comment on the original work to qualify for fair use protection.<sup>38</sup> The court in the instant case stated that it was in complete disagreement with the analysis and conclusion of the *Elsmere* court.<sup>39</sup>

The defendants in *Elsmere* had used portions of plaintiff's advertising jingle in a "Saturday Night Live" skit. "I Love New York" be-

32. Faaland, *Parody and Fair Use: The Critical Question*, 57 Wash. L. Rev. 163, 184 (1981).

33. ¶ 25,313 at 16,775.

34. See *supra* note 16.

35. *Id.*

36. 329 F.2d 541.

37. 482 F. Supp. 741.

38. *Id.*

39. ¶ 25,313 at 16,777.

came "I Love Sodom." The court held that defendants had taken a significant portion of plaintiff's work, but that the song "I Love Sodom" fell within the definition of parody. Plaintiffs asserted that the work was not a parody of the original work and therefore fell short of the *MCA* and *Mature Pictures* criteria, and was therefore not a fair use. The court dismissed this assertion by stating that the song "I Love Sodom" was a parody of the song as well as of the total ad campaign.

In dictum, the *Elsmere* court went on to say:

In addition, even if it were found that 'I Love Sodom' did not parody the plaintiff's song itself, that finding would not preclude a finding of fair use. Under the holding of *Berlin v. E.C. Publications, Inc.*, . . . and 17 U.S.C. § 107, the issue to be resolved by a court is whether the use in question is a valid satire or parody, and not whether it is a parody of the copied song itself. To the extent that either *MCA* or *Walt Disney [Mature]* can be read to require that there be an identity between the song copied and the subject of the parody, this Court disagrees.<sup>40</sup>

It is difficult to agree with the limitations placed upon the range of parody by the *Showcase Atlanta* decision, especially when the Second Circuit view as expressed above in *Elsmere Music v. NBC*<sup>41</sup> provides a logical and appealing alternative view. To limit parody to commenting only on the original work hinders a valuable tool for social commentary and critique.

*Nancy Wagner*

b. *Television News' Use of Chaplin Film*

In *Roy Export Co. v. Columbia Broadcasting Systems, Inc.*,<sup>1</sup> defendant television network was unsuccessful in defending its unauthorized telecast of plaintiffs' compilation of Charlie Chaplin film clips on the evening news.

The "Compilation" is a thirteen minute assemblage of memorable moments from Chaplin classics. Plaintiffs are the owners of statutory copyrights in the original films. The Compilation was designed by several noted artists<sup>2</sup> as a tribute to Charlie Chaplin, and was shown in

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40. 482 F. Supp. 741 at 746.

41. See *supra* note 37.

1. 672 F.2d 1095 (2nd Cir. 1982).

2. Bert Schneider, director Peter Bogdanovich, and film editor Richard Patterson, to-



connection with Mr. Chaplin's appearance at the 1972 Academy Awards ceremony. Subsequently, plaintiffs completed a feature length film tribute to Chaplin entitled "The Gentleman Tramp," incorporating many of the same highlights used in the Compilation.<sup>3</sup>

Meanwhile, defendant CBS was assembling its own film retrospective of Chaplin's life to be shown at his death. CBS requested permission from plaintiffs to use footage from the same Chaplin films used in the Compilation. Plaintiffs refused, explaining that they wished to retain their copyright advantage for their planned exploitation of "The Gentleman Tramp." Plaintiffs twice offered to sell CBS a license to use the Compilation, but defendant refused.<sup>4</sup>

The dispute arose when, at Mr. Chaplin's death, defendant decided to televise plaintiffs' Compilation rather than their own retrospective composed largely of public domain footage.<sup>5</sup>

Plaintiffs charged defendant's broadcast of the Compilation infringed their statutory copyrights in the films, that the use of the clips in the particular form of the Compilation infringed a common law copyright in the Compilation itself as an independent creation, and that the broadcast competed unfairly with plaintiffs' own Chaplin tribute "The Gentleman Tramp."<sup>6</sup>

The district court held for plaintiffs on all counts, awarding compensatory and punitive damages totaling \$307,281.00 and \$410,000.00 respectively.<sup>7</sup> Defendant on appeal contended that its action was protected by the first amendment, that plaintiffs had no common law copyright in any of the works at issue, that plaintiffs' tort claim of unfair competition was preempted by federal copyright law, and that the damages awarded were excessive.<sup>8</sup>

Defendant first argued that its televising of the Compilation was indistinguishable from the reporting of a newsworthy event, and therefore, was protected expression under the first amendment. Defendant was suggesting that "the 1972 Academy Awards ceremony, at which

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gether selected and edited scenes from classic Chaplin films, planned the sequence and timing of the scenes, and produced the Compilation. *Id.* at 1098.

3. *Id.*

4. *Id.*

5. Defendant CBS obtained a copy of the Compilation from NBC. NBC had kept a video tape of the Compilation from its telecast of the Academy Awards ceremonies of 1972. Defendant then compiled its own film obituary to Chaplin, incorporating with minor editing, the Compilation. *Id.*

6. *Id.*

7. *Id.* at 1098-99. See *Roy Export Co. v. CBS*, 503 F. Supp. 1137 (S.D.N.Y. 1980).

8. 672 F.2d at 1097.

the Compilation received its single public showing, was an 'irreducible single news event' to which the showing of the Compilation was integral."<sup>9</sup>

The appellate court, while allowing that it might one day be confronted with a situation where "the informational value of a film cannot be separated from the photographer's expression,"<sup>10</sup> concluded that the showing of plaintiffs' copyrighted films was not essential to sufficiently memorialize Mr. Chaplin's death. The court added that the showing of the Compilation was likewise not essential to CBS's news reporting of the 1972 Academy Awards ceremony. Quoting the district court, the appellate court opined, "[t]he audiovisual news event, if there was one, was Chaplin's appearance, not the showing of his work, and certainly not the precise means through which his films were showcased [in] (the Compilation)."<sup>11</sup>

Defendant also argued that the one-time airing of the Compilation on the 1972 Awards show divested plaintiffs of their common law copyright in that work. Defendant proposed that because the Academy of Motion Picture Arts and Sciences (AMPAS), had affixed a copyright notice in its name to the awards telecast, AMPAS thereby acquired a statutory copyright in the entire show, including the Compilation. Defendant further contended if AMPAS did not have such a statutory copyright, then either plaintiffs had a statutory copyright, or the Compilation was in the public domain.<sup>12</sup>

The court, upon careful consideration, rejected this reasoning. The court concluded that even assuming the telecast of the awards ceremony was sufficient to invest AMPAS with federal copyright protection as to the awards show, AMPAS could not secure copyright protection for the preexisting components that it did not create. The court stated, "the statutory rights AMPAS may have acquired in the telecast can extend only to its original contribution to that collective work, not to the preexisting Compilation."<sup>13</sup>

The court further held, "[e]ven if the telecast was an 'investing' publication sufficient to confer statutory rights to the collective work upon AMPAS, in whose name the copyright notice appeared, that one-time showing of the Compilation was only a 'performance,' which can-

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9. *Id.* at 1099.

10. *Id.* at 1100.

11. *Id.*

12. *Id.* at 1100-01.

13. *Id.* at 1103.

not constitute a 'divesting' publication."<sup>14</sup>

Although the court recognized the general rule that publication of a collective work is a publication of its preexisting component parts, it stressed that historically courts have required less to find a "publication" has occurred where mere investiture is involved, than where an individual stands to lose all of his copyright protection.<sup>15</sup>

Thus, the court also rejected defendant's contention that plaintiffs had unintentionally exchanged their common law copyright protection for a statutory copyright. The court held that because the 1972 Awards telecast was not a "divesting" publication, plaintiffs' common law rights were not disturbed.<sup>16</sup>

CBS further contended that plaintiffs could not maintain a claim that the CBS retrospective unfairly competed with plaintiffs' plan to license "The Gentleman Tramp." Defendant argued to the court that plaintiffs' claim, although "nominally based on misappropriation of the Compilation, ultimately rests on appropriation of federally copyrighted materials,"<sup>17</sup> and is therefore preempted by federal law.

The court, however, ruled that defendant's use of the Compilation was unfair competition under New York law. The court also held that the act of taking the Compilation, as an entity apart from the films, defines a distinct offense, causing distinct damage apart from the use of the copyrighted films and, therefore, the claim is not subject to preemption defense.<sup>18</sup>

The court stressed that the New York tort of unfair competition is both "adaptable and capacious."<sup>19</sup> The court held, "CBS unquestionably appropriated the 'skill, expenditures and labor' of the plaintiffs to its own commercial advantage."<sup>20</sup> In addition, the court stated that the misappropriation of the Compilation was "commercially wrongful in a more serious way than use of film excerpts would have been."<sup>21</sup> The court explained:

A decision to use isolated film clips to memorialize Chaplin's

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14. *Id.* at 1104.

15. The court noted that courts have consistently required more when finding publication necessary to *divest* an author of common law copyright without acquisition of statutory protection, than when finding a publication sufficient to merely *invest* an author with statutory copyright protection. *Id.* at 1102-03.

16. *Id.* at 1104.

17. *Id.* at 1105.

18. *Id.* at 1106.

19. *Id.* at 1105.

20. *Id.*

21. *Id.* at 1106.

life could perhaps have been viewed as an act done in the good faith belief that such use was fair; but the additional decision not only to use the film clips, but to use them in a distinct and original form whose commercial potential, as CBS knew, reflected someone else's effort and creativity, precludes any thought of good faith.<sup>22</sup>

Finally, the court rejected defendant's assertions that the punitive damages awarded against it on the two common law claims were contrary to law and public policy, and that the awards were excessive, duplicative, and the result of passion and prejudice.<sup>23</sup>

The court noted that New York law permits punitive damages where a wrong is aggravated by recklessness or willfulness, whether or not it is directed against the public generally.<sup>24</sup> The court added that because plaintiffs' action was based on state law, the policies prohibiting punitive damages in federal infringement actions are not applicable.<sup>25</sup> Lastly, the court refused to reduce the lower court's award of punitive damages as the court found the award neither grossly excessive nor duplicative.<sup>26</sup>

*Brenda Adams Bissett*

*c. Nonprofit Organization's Use of Videotapes*

Recent technological advancements simplifying the use of video-recording devices such as Sony's Betamax have presented the courts with novel and unsettled issues in copyright infringement actions.<sup>1</sup>

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22. *Id.*

23. *Id.*

24. *Id.* (citing *Le Mistral, Inc. v. Columbia Broadcasting System*, 61 A.D.2d 491, 495, 402 N.Y.S.2d 815, 817 (1978); *Borkowski v. Borkowski*, 39 N.Y.2d 982, 355 N.E.2d 287, 387 N.Y.S.2d 233 (1976)).

25. 672 F.2d at 1106.

26. *Id.* at 1106-07.

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1. As the Supreme Court began its 1983-84 term, it turned promptly to reconsider the highly publicized case of *Universal Studios, Inc. v. Sony Corp. of America*, 659 F.2d 963 (9th Cir. 1981) (holding that videotaping of copyrighted televised shows and movies for private, in-home noncommercial use constituted infringement and did not constitute fair use), *cert. granted*, 102 S. Ct. 2926 (1982). The Court tried to settle the case in the 1982-83 term, but on the final day they postponed a decision and ordered a new hearing in the current 1983-84 term. Upon hearing argument in October 1983, the Court hinted at its reluctance to settle the issue this term also when it asked counsel if Congress could deal with the case. *See* L.A. Times, October 4, 1983 § 5 (Business) at 1, col. 2. However, in January 1984 the Court decided 5 to 4 that manufacturers of videotape recorders may *not* be held liable under federal copyright law when the devices are used by consumers merely to record television shows for viewing at home at a more convenient time. The court concluded that

Confronted with such an issue, the court in *Encyclopedia Britannica Educational Corp. v. Crooks*<sup>2</sup> held that the defendants' highly organized and systematic practice of making off-the-air videotapes and derivative copies of plaintiffs' televised copyrighted works constituted infringement and did not constitute fair use.<sup>3</sup>

Plaintiffs<sup>4</sup> were three profit motivated corporations, primarily involved in the production and distribution of educational works which were marketed to educational institutions, related organizations, and television networks.<sup>5</sup> Plaintiffs individually owned valid copyrights to, or were the exclusive licensees of, nineteen copyrighted works claimed to be infringed in the present action. Each of the nineteen works contained a copyright notice which was prominently displayed when the work was broadcasted.

The defendants constituted the Board of Cooperative Educational Services ("BOCES"), a nonprofit organization funded by nineteen school districts serving over 100 schools.<sup>6</sup> To establish an instructional television service for the schools in its district, BOCES began videotaping televised programs of educational value.<sup>7</sup> BOCES videotaped several of plaintiffs' copyrighted works, including plaintiffs' copyright notice in each work, from the various televised broadcasts, and created master videotapes of these copyrighted works. BOCES maintained a library of these master videotapes and used them "for making and distributing videotape copies for several years and, in some instances, for up to ten years."<sup>8</sup> Upon request, BOCES would provide a subscribing school with a videotape copy of the master videotape.<sup>9</sup> BOCES did not

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private taping of a TV program by consumers for viewing at a later time constituted "fair use" and thus not a copyright infringement. *See* L.A. Times, January 1, 1984, § 1, at 1.

2. 542 F. Supp. 1156 (W.D.N.Y. 1982).

3. *Id.* at 1185. The court also held that defendants' use was not protected by the First Amendment, nor was it insulated by the doctrine of estoppel.

4. Plaintiffs include Encyclopedia Britannica Educational Corporation (EBEC), Learning Corporation of America (LCA), and Time-Life Films, Inc. To avoid confusion, the term "Plaintiffs" will be used throughout the note.

5. 525 F. Supp. at 1158.

6. *Id.* at 1159. It should be noted that none of the individual schools or school districts was a party to this action.

7. *Id.* at 1162. Seventeen of the 19 works in question here were broadcasted by station WNED, a public television station which also functions as an instructional television station. Since 1972 WNED has been funded by the state of New York. Prior to this time, WNED's funding was derived from schools, school districts, and BOCES itself. *Id.* at 1164.

8. *Id.* at 1184.

9. *Id.* at 1162-63. BOCES distributed approximately 4000 copies of its 345-page catalog to teachers in the subscribing school districts. The catalog listed some 5,000 videotapes which were available from the BOCES library. Each of plaintiffs' 19 copyrighted works involved in this lawsuit was listed in the BOCES catalog. When a teacher from a subscrib-

require these copies to be returned, or to be erased after classroom use. Some schools even maintained their own library of the videotapes they had received.

Plaintiffs had several marketing methods by which educational services could avail themselves of plaintiffs' copyrighted works.<sup>10</sup> Plaintiffs had their works available in videotape and also offered licensing agreements permitting a wide range of video-recording use by educational institutions. Furthermore, plaintiffs even permitted schools to make off-the-air videotapes of the copyrighted works from the instructional television broadcasts and use them for up to seven days. No payment was required for the limited use; however, the videotapes were to be erased after the seven days and not stored in a library for future use.

BOCES did not attempt to utilize any of the methods which plaintiffs had established to avail educational organizations of their copyrighted works. BOCES never obtained permission from any of the plaintiffs to make and distribute videotapes of their works, and no fees were paid to plaintiffs by BOCES. Moreover, BOCES did not erase any of the videotapes after seven days, but to the contrary, maintained an extensive library of the videotapes for several years.

Plaintiffs instituted the present action against BOCES claiming that BOCES had infringed on at least nineteen of plaintiffs' copyrighted works.<sup>11</sup> BOCES' central position was that their videotaping practices constituted "fair use" under copyright law.<sup>12</sup>

In determining whether fair use applied, the court relied on section 107 of the Copyright Act of 1976, which was intended to be a codification of pre-existing law on fair use.<sup>13</sup> Section 107 lists four major factors to consider: (1) the purpose and character of the use including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market

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ing school district wanted to use a videotaped program, the teacher would merely complete the written request form provided in each catalog and have it sent to the BOCES' videotape service. In return, BOCES would process the request and distribute the videotapes as requested.

10. *Id.* at 1164-66. Although the methods for permitting use of the copyrighted works were similar between all plaintiffs, some differences did exist between the options offered by each individually. *Id.*

11. *Id.* at 1166-67. *See also supra* note 7.

12. *Id.*

13. 17 U.S.C. § 107 (1976); *see* 542 F. Supp. at 1168.

for or value of the copyrighted work.<sup>14</sup> The court emphasized that these factors merely provide guidance, and that ultimately what constituted fair use would be a question of fact.<sup>15</sup>

The first factor considered by the court was whether BOCES' videotaping practices caused harm to plaintiffs' potential market for their copyrighted works. To answer this question the court focused on considerations such as whether BOCES' use tended to "diminish or prejudice the potential sale of plaintiffs' work,"<sup>16</sup> whether the use tended to "interfere with the marketability of the copyrighted work,"<sup>17</sup> or whether the "cumulative effect" of the use tended to diminish the potential market for plaintiffs' copyrighted works.<sup>18</sup>

Finding that plaintiffs had been harmed by BOCES' use, the court reasoned that "[i]t is totally unreasonable to expect educational institutions to pay for licensing agreements or videotape copies marketed by plaintiffs when these same works can be obtained and copied with the proper equipment for nothing."<sup>19</sup> Thus "the cumulative effect of BOCES' massive videotape copying indicates that there would be no market whatsoever for plaintiffs' videotape sales or licensing agreements if off-the-air videotaping of plaintiffs' work is permitted to continue in an unregulated fashion."<sup>20</sup>

The second factor considered by the court was the purpose and character of BOCES' use. Although recognizing that the doctrine of fair use has been more liberally applied in nonprofit educational situations,<sup>21</sup> the court nonetheless found it difficult to reconcile BOCES' large-scale copying with the fair use doctrine and the potentially great

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14. 17 U.S.C. § 107.

15. 542 F. Supp. at 1168. The House Report itself states that these factors are illustrative, not definitive or determinative, but are simply to provide guidance. *See generally* H.R. Rep. No. 94-1476, 94th Cong., 2d Sess., 65-67 (Sept. 3, 1976).

16. 542 F. Supp. at 1169.

17. *Id.*

18. *Id.*

19. *Id.*

20. *Id.* at 1169-70. BOCES contended that plaintiffs had a sufficient marketing alternative to recoup any losses from lost videotape sales in that they could charge increased licensing fees to the broadcasters. This argument was based on the findings of the court in *Universal City Studios, Inc. v. Sony Corp. of America*, 480 F. Supp. 429, 452 (C.D. Cal. 1979). The court in the instant case rejected this argument based on the fact that plaintiffs had no commercial sources available to them to overcome the losses which would be caused by the unregulated copying by BOCES because the major broadcaster, WNED, was a publicly funded station and the necessary increase in fees would be prohibitive for any instructional television station to pay. Forcing plaintiffs to decide on whether to allow unlimited videotaping or abandon the educational television market could not be seen as a reasonable marketing alternative, the court explained. *Id.* at 1173-74.

21. *Id.* at 1168.

injury which threatened plaintiffs' market. Referring to the liberal interpretation given fair use when there is an unauthorized use of educational work, the court stated that educational motive is not conclusive of fair use. The nonprofit educational use should be weighed along with other factors,<sup>22</sup> but ultimately fair use will depend upon the reasonableness of the use.<sup>23</sup>

The court relied on the Congressional Reports of the 1976 Copyright Act to determine the acceptable fair use limits in educational settings.<sup>24</sup> Concerning multiple copying, the Senate Report suggested a consideration of whether the number of copies "reproduced was limited to the size of a class, whether circulation of the copies was permitted beyond the classroom, and whether the copies were recalled or destroyed after temporary use."<sup>25</sup> Applying these factors, the court reasoned that the purpose and character of BOCES' use was not contemplated to be considered fair use under the 1976 Act. BOCES was clearly engaged in a general plan of copying plaintiffs' copyrighted works. The number of copies produced and distributed was limited only by the amount of teacher requests received by BOCES. Furthermore, there was no provision requiring return of the copies to BOCES, and no provision required erasure after the classroom use. In one instance, "a videotape copy was circulated beyond the classroom, since it was made for a profit-making, non-educational institution."<sup>26</sup> The court stressed that the "massive scope" of BOCES' videotape copying and the "highly sophisticated methods" used by BOCES in producing and distributing these copies was unreasonable "even under the most favorable light of fair use for nonprofit educational purposes."<sup>27</sup>

The third factor considered by the court was the nature of the copyrighted works, which "generally refers to the type of material used and whether distribution of the material would serve the public interest."<sup>28</sup> BOCES argued that *Williams & Wilkins Co. v. United States*<sup>29</sup>

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22. *Id.* at 1174.

23. *Id.* at 1175.

24. *Id.* (citing S. Rep. No. 94-473, 94th Cong., 1st Sess., 63 (Nov. 20, 1975)). The Senate Report states that the fair use doctrine would apply to a teacher who acts individually in making one or more copies for temporary use in classroom teaching but that "(a) different result is indicated where the copying was done by an educational institution, school system, or larger unit or where copying was required by the school administration, either in special instances or as part of a general plan." *Id.* at 63.

25. 542 F. Supp. at 1175 (citing S. Rep. No. 94-473, 94th Cong., 1st Sess., 63 (Nov. 20, 1975)).

26. *Id.*

27. *Id.*

28. *Id.* at 1177.



was "strongly analogous to the educational nature of the works at issue in this case."<sup>30</sup> The court in the present case distinguished *Williams*, stating that the significant reason for the fair use holding in that case was the unavailability of older issues of medical journals from journal publishers. In *Williams*, "the court expressed concern that medical and scientific personnel would be denied access to the important knowledge which the articles contained unless photocopying was permitted as fair use."<sup>31</sup> In the present case, "there are no factual characteristics necessary to justify fair use based upon the unavailability of the specific copyrighted works"<sup>32</sup> since these works were available through the normal channels.

The court also stated that the public interest in the dissemination of information must be balanced with both the exclusive right of a copyright holder as well as the author's motivation to create new works.<sup>33</sup> The court found that the *Williams* case was in "sharp contrast to the [present case]"<sup>34</sup> when the balancing test is applied. In *Williams*, the authors were not paid for their works and they were not interested in financial return for their works. Furthermore, an author's motivation to create new works may even have been enhanced by the copying of the type of works involved in *Williams*.<sup>35</sup> However, in the present case, the educational nature of plaintiffs' works contemplated a national distribution, and the financial return from successful works would be used to produce additional works to be sold in this national market. "[T]he motivation to create new works could well be stifled or eliminated altogether if the extensive copying practices of BOCES were to continue in an unregulated fashion."<sup>36</sup>

The final factor considered by the court was the substantiality of

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29. 487 F.2d 1345 (1973), *aff'd per curiam*, 420 U.S. 376 (1975). In *Williams*, a publisher of medical journals brought suit alleging that the practice of a government medical research organization and its library in making photocopies of articles in medical journals constituted copyright infringement. The Court of Claims held that the photocopying constituted fair use for the following reasons: (1) the federal nonprofit institutions were devoted solely to the advancement and dissemination of medical knowledge; (2) copying was normally restricted and limited in its scope; (3) library photocopying had been going on ever since the 1909 Act was adopted; (4) medical science would be seriously hurt if such photocopying were stopped; and (5) there was no showing of economic injury to the publisher. *Id.* at 1354-58.

30. 542 F. Supp. at 1177.

31. *Williams*, 487 F.2d at 1356.

32. 542 F. Supp. at 1177.

33. *Id.* at 1178.

34. *Id.*

35. *Id.*

36. *Id.*

BOCES' use—"the quality and quantity of the copyrighted material appropriated by the defendants . . . Generally, the more substantial the appropriation from the copyrighted work, the less likely fair use will be considered a defense. . . . Within the framework of reasonableness, . . . substantial and verbatim copying has usually precluded a finding of fair use."<sup>37</sup> Applying these principles to the present case, the court noted that BOCES had conceded its off-the-air videotaping of entire programs. However, the court found most significant the fact that BOCES kept and used several of plaintiffs' copyrighted works for up to ten years and "the videotape copying amounted to a virtual substitution for the purchase or license of the plaintiffs' works. Such substantial use and appropriation cannot be considered fair use in relation to the plaintiffs' copyrighted works."<sup>38</sup>

The essence of the decision in this case is that under the fair use doctrine, wholesale, unrestricted, or unlimited videotaping will not be permitted, regardless of its nonprofit educational purpose. However, the court itself noted the possibility that a limited or temporary use of plaintiffs' televised works could be considered fair use under the 1976 Act.<sup>39</sup> The court did not elaborate as to what it might consider as fair use, but merely stated that had BOCES proposed some guidelines limiting use or explained how a more limited use would minimize the effects on plaintiffs' copyrighted works, the court would have considered such proposal.<sup>40</sup> This statement suggests that the court might permit a more extensive use than the guidelines expressly provided for in the legislative reports, though not so extensive as the unrestricted use in the present case. Thus, the question remains as to what degree of use will be permitted as fair use.

The House Report to the 1976 Copyright Act states that the problem of off-the-air taping for nonprofit educational use of copyrighted televised programs has proved to be difficult to resolve.<sup>41</sup> The committee responsible for establishing the fair use guidelines continued its analysis of the problem, and in October 1981, the committee adopted more liberal guidelines than those previously adopted in the original

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37. *Id.* at 1178-79.

38. *Id.*

39. *Id.* at 1188.

40. *Id.*

41. Levine, *Fair Use, Photocopying and Taping*, Current Developments in Copyright Law 1982, at 693, 747. This annual publication compiles materials presented at the annual Patents, Copyrights, Trademarks and Literary Property seminar sponsored by the Practising Law Institute. This edition included a copy of the new guidelines to be adopted into the official record for determining acceptable standards of fair use in educational settings.

House Report.<sup>42</sup> These guidelines were to be inserted in the record to provide for their widest possible dissemination.

The most important part of these guidelines is that they would permit off-the-air taping and retention of such tapes by nonprofit educational institutions for a period not to exceed forty-five days. After such period, the tapes must be immediately erased or destroyed. Further, the guidelines would limit the number of copies which could be made from each off-air recording, and would not permit recording in anticipation of teacher requests.<sup>43</sup>

Whether BOCES had the above information available to it at the time of trial, whether the proposed guidelines are what the court was referring to when it suggested the possibility of allowing a use more limited than BOCES', or whether a more extensive use than the proposed guidelines will be permitted as the outer limit of fair use, remains to be seen. Ultimately, the degree of fair use allowed will be a question of fact since the guidelines provided by the legislature are simply that—guidelines.

Although it remains unclear as to what degree of limited use will be permitted, one thing that is clear from this decision is that wholesale videotaping will not be permitted regardless of the "fair use" holding in the *Sony Betamax* case.<sup>44</sup> Two important distinctions between *Betamax* and the present case are that *Betamax* dealt with individuals videotaping for private in-home use, whereas the present case hinged on the massive, large-scale videotaping practices of an organization specifically designed to provide large groups with free access to copyrighted works. The *Betamax* case left unsettled the question of whether infringement might be found where someone has used a videorecorder to sell copies of copyrighted programs to other persons.

The second distinction is that in *Betamax* there was no legislation on whether such in-home videotaping should or should not be permitted. However, in the present case there was certainly legislation as well as specific legislative intent which directly evidenced Congress' desire to prevent videotaping to the extent practiced by BOCES. Thus regardless of whether the Supreme Court permits individuals to continue to videotape programs in the privacy of their own homes, the present

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42. *Id.* at 747.

43. *Id.* at 748-49.

44. 659 F.2d 963 (9th Cir. 1981), *cert. granted*, 102 S. Ct. 2926 (1982); *see infra* note 1.

case illustrated a videotape practice which will not be permitted given the present state of the law.

*J.R. Nanko*

### 3. Derivative Works

#### a. *Hopalong Cassidy Movies—Exclusive Ownership in TV Rights Awarded*

With greater frequency, the courts are raising the limits to which they hold those who infringe one's copyright accountable. In *William Boyd Enterprises v. T.V. National Releasing Corporation*,<sup>1</sup> the court awarded to the plaintiff approximately \$1,300,000 (\$960,000 plus interest). This was one of the highest statutory awards ever to be granted in a copyright infringement case.<sup>2</sup>

The court reached this figure by holding that a contract granting rights in the infringing motion pictures constituted one infringement for each picture licensed. In exercising its discretion, the court awarded the maximum statutory penalty of \$5,000 dollars for each of 192 separate infringements. The court further held that the active corporate officers of T.V. National Releasing Corporation were personally liable, jointly, for the entire amount.

A brief synopsis of the facts will be helpful as a background to this discussion. Between 1907 and 1935, Clarence E. Mulford wrote and copyrighted twenty-six "Hopalong Cassidy" books.<sup>3</sup> Pursuant to an agreement with Doubleday Co. (the publisher of these books) Mulford expressly reserved the motion picture and dramatic rights to his literary material. In 1935 Mulford entered into an option contract with Prudential Studios whereby they obtained motion picture rights to the books; Mulford expressly reserved both stage and television rights. Shortly thereafter, Paramount Pictures, in conjunction with Prudential Studios (and Estes Production Inc., Prudential's successor) made and copyrighted twenty-three Hopalong Cassidy motion pictures.<sup>4</sup> The

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1. At the date of this writing, this case had not yet been published. Because Defendant Zouray is the president of both T.V. National and Filmvideo Releasing Corporation, and thus they are interrelated, the names of both corporations are used interchangeably throughout the text of this article.

2. Bruce Springsteen was awarded \$2,150,000.00 in statutory damages against a bootleg record company in 1980. This appears to be the highest award to date. *C.B.S., Inc. v. Waters*, Case No. CV-79-2559-MML (C.D. Cal. Dec. 8, 1980). See *Entertainment Law Reporter*, Feb. 15, 1981, at 7.

3. *Filmvideo Releasing Corp. v. Hastings*, 509 F. Supp. 60, 62 (S.D.N.Y. 1981).

4. *Filmvideo Releasing Corp. v. Hastings*, 446 F. Supp. 725, 726 (S.D.N.Y. 1978).

copyrights in these pictures were not renewed and expired during the 1960's. Mulford's estate renewed the copyrights in the Hopalong Cassidy books and this copyright is effective today.<sup>5</sup>

On April 4, 1947, William Boyd, who played the lead role in the Hopalong Cassidy motion pictures, obtained the exclusive television rights to the movies and the exclusive rights to the books. Under this license, Boyd had, for thirty years, been engaged in the exclusive distribution of the Hopalong Cassidy motion pictures for television use in the United States.<sup>6</sup>

Prior to 1973, Boyd had access to the negatives of the twenty-three Hopalong Cassidy motion pictures, which he had previously purchased and stored at Deluxe Laboratories. Dr. Brown, who acquired the right to distribute the films outside the United States for theatrical use only, also had access to the negatives for the purpose of making additional prints of the movies.<sup>7</sup>

In 1973, Filmvideo acquired from Brown the right to distribute the Hopalong Cassidy motion pictures for foreign theatrical use. Immediately thereafter, they utilized this power to remove seventeen of the negatives from the laboratory, thus depriving Boyd of access to his own negatives.<sup>8</sup> Starting about 1975, Filmvideo began to promote and sell Hopalong Cassidy motion pictures for television use at prices equivalent to about thirty per cent of the prices previously charged by Boyd. This virtually destroyed Boyd's business since Boyd could no longer grant exclusive rights to television stations.<sup>9</sup>

In 1975, Filmvideo commenced an action seeking a declaratory judgment that the renewal copyrights in Mulford's books were invalid (and thus in the public domain), and in the alternative, that the motion pictures were in the public domain and without restriction for use on television. Mulford's estate counterclaimed, seeking an injunction restraining Filmvideo from using the motion pictures and damages for copyright infringement.<sup>10</sup> Because of the complexities involved, the court ordered that the issues be adjudged at separate trials. In a series of cases which followed the court concluded:

1) Each of the copyrights of the twenty-six Hopalong Cassidy books had been renewed, were currently valid and plaintiffs (David H.

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5. *Id.*

6. Findings of Fact, *William Boyd Enterprises v. T.V. National Releasing Corp.*, at 4.

7. *Id.* at 3-4.

8. *Id.* at 4.

9. *Id.*

10. *Filmvideo Releasing Corp. v. Hastings*, 426 F. Supp. 690, 692 (S.D.N.Y. 1976).

Hastings II and Peter G. Hastings, administrators of the Mulford estate) were the proprietors of the copyrights in the Hopalong Cassidy books;

2) All television rights to the Hopalong Cassidy books and the Hopalong Cassidy movies (only where there is a substantial similarity between the books and pictures) had been retained by and resided with Mulford's estate;

3) The Hopalong Cassidy motion pictures constituted infringements of the Hopalong Cassidy books (these infringement were limited to television uses);

4) Filmvideo was enjoined from using or licensing any of the twenty-three motion pictures (including general and television use and homeviewing via video cassettes).<sup>11</sup>

Thus, not only did the court declare that the renewal copyrights were valid and not available for unrestricted use on television, but the court went on to find for William Boyd Enterprises, the owner of the television rights, and awarded damages to the company pursuant to its counterclaim for copyright infringement.

In order to ascertain William Boyd's damages, the court initially had to determine the number of times that T.V. National (and Filmvideo) infringed plaintiff's copyright. Relying on *Celestial Arts Inc., v. Neyler Color-Lith Co., Inc.*,<sup>12</sup> the court concluded that each contract, pursuant to which T.V. National granted television rights in the Hopalong Cassidy motion pictures, constituted one infringement for each picture licensed.<sup>13</sup> Though this conclusion seems sound, it is difficult to find any guidance in *Celestial Arts* which would support this conclusion. Nonetheless, the court held that T.V. National had unlawfully licensed the Hopalong Cassidy movies 192 times.<sup>14</sup>

Because this action arose prior to 1978 this case falls under the ambit of the 1909 Copyright Act. Accordingly, the court relied on section 101(b) in determining damages.<sup>15</sup> Section 101(b) authorizes the court to calculate damages based on either proven profits or damage to the plaintiff's copyright. The court, in its discretion, may award plaintiffs the greatest amount of: (a) defendants' profits; (b) plaintiffs' dam-

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11. *Id.* at 5 (citing 426 F. Supp. 690, 446 F. Supp. 725, *aff'd without opinion*, 594 F.2d 852, 509 F. Supp. 60, *aff'd by stip. opinion*).

12. 339 F. Supp. 1018, 1019 (E.D. Wis. 1971).

13. Conclusions of Law, *William Boyd Enterprises v. T.V. National Releasing Corp.*, at 7 [hereinafter cited as *Conclusions of Law*].

14. *Id.*

15. 17 U.S.C. § 101(b)(1909).

ages; or (c) statutory "in lieu" damages. The statutory "in lieu" damages provide for a minimum of \$250.00 to a maximum of \$5,000 per infringement.<sup>16</sup>

In attempting to assess T.V. National's profits, William Boyd offered evidence of defendants' gross receipts, showing that T.V. National made either \$235,298 or \$285,423.<sup>17</sup>

T.V. National made a poor and questionable showing of their direct costs.<sup>18</sup> Thus, it was William Boyd's contention that because T.V. National failed to meet the burden placed on them, the gross receipts represented the defendants' profits.<sup>19</sup>

Plaintiff estimated that William Boyd's damages from T.V. National's use of the Hopalong Cassidy movies was \$631,810.<sup>20</sup> Despite evidence of defendant's profits and plaintiff's damages, the court awarded William Boyd \$960,000, the statutory limit of \$5,000 times the 192 infringements.

This article is based upon the court's conclusions of law and plaintiff's post-trial memorandum. The court made no mention of defendant's profits or plaintiff's damages when considering the applicability of "in lieu" damages. However, as was illustrated previously, the court was presented with evidence suggesting that T.V. National gained at least \$235,298 and William Boyd lost approximately \$631,810.

What is troublesome is the court's reliance on *Shapiro v. Bernstein*.<sup>21</sup> *Shapiro* stands for the proposition that if neither profits nor actual damages are ascertained, "in lieu" damages are mandatory. The difficulty here is that evidence was presented of both T.V. National's profits and William Boyd's damages. Perhaps the court felt that these figures were too speculative (and hence unascertainable), and thus concluded it had no choice but to award "in lieu" damages. Whatever the reason, the award of statutory damages was proper, for although it was

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16. *Id.*

17. Plaintiff's Post Trial Memorandum, at 21-27. The \$50,125 discrepancy results from money owed to T.V. National pursuant to various contracts in which they unlawfully licensed the Hopalong Cassidy movies; T.V. National, however, did not admit receiving this money.

18. *Id.* at 27-31.

19. *Id.* at 27-28. In reaching this conclusion plaintiff correctly relied on *Russell v. Price*, 612 F.2d 1123, 1130-31 (9th Cir. 1979) and *F.W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228, 230 (1952).

20. Plaintiff's Post Trial Memorandum, at 32. Plaintiff showed that T.V. National licensed the films for approximately thirty percent less than what William Boyd charged for their licenses. This figure was computed by estimating what plaintiff would have charged in those situations in which T.V. National unlawfully licensed the movie.

21. 367 F.2d 236 (9th Cir. 1966).

not mandatory, it was within the court's discretion.<sup>22</sup>

The next question becomes based on these facts, did the court abuse its discretion? Based on a reading of the early phases of this litigation, it is not surprising that the court chose the upper limit. One gets the impression from reading these opinions that Filmvideo had very little ground to stand on; it seems that every step of the way, the court rejected their arguments. Similarly, William Boyd was deprived of a valuable right—that of exclusive distribution. The court appears to be reacting to what it perceived as a malicious infringement, a theft of one's possession. The award is more easily seen, then, as punitive and a message to would-be infringers that the stakes are high.

The court also held that the corporate officers of Filmvideo were jointly and severably liable for the entire damage award.<sup>23</sup> The court reached this conclusion stating that copyright infringement lies in tort and as such, defendants may be jointly and severably liable for damages.<sup>24</sup> In so holding, the court correctly relied on *Screen Gems-Columbia Music, Inc. v. Metlis & Lebow Corporation*.<sup>25</sup> However, in order to pierce the corporate veil and reach the officers of a corporation one must show that the corporate officers: 1) personally participated in the manufacture or sale of the infringing articles, 2) used the corporation to carry out willful and deliberate infringement, 3) were the dominant influences determining the policies which result in the infringement or 4) derived financial benefits as a major shareholder of the corporation.<sup>26</sup> In the present case plaintiff met almost every ground;<sup>27</sup> accordingly, the court was correct in finding Zouary and Corradine, two corporate officers of Filmvideo, liable.

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22. "[I]f either profits or actual damages or both are ascertained, the court, in its discretion, may award statutory 'in lieu' damages" *Sid & Marty Krofft Television v. McDonald's Corp.*, 562 F.2d 1157, 1178 (9th Cir. 1977).

23. *Conclusions of Law*, at 8.

24. *Id.* (citing *Screen Gems-Columbia Music, Inc. v. Metlis & Lebow Corp.*, 453 F.2d 552, 554 (2d Cir. 1972)).

25. 453 F.2d 552, 554 (2d Cir. 1972).

26. *Conclusions of Law*, at 8 (citing 3 Nimmer on Copyright, § 12.04[a], pp. 12-40, 41).

27. *Conclusions of Law*, at 8-9.

Plaintiff has proven that Zouary [a corporate head of Filmvideo and T.V. National] meets almost every independent ground upon which personal liability of a corporate officer will be found. He did participate personally in manufacturing the infringing property as he testified in connection with the 'accounting.' . . . He utilized Filmvideo and the other corporations to carry out deliberate infringement, he was the dominant influence in determining the infringing policies and, as the sole shareholder, he stood to derive substantial benefit out of any successful activities which infringed plaintiff's rights.

*Id.*



This holding is significant as it is a strong message to corporate officers who enjoy immunity in a variety of situations. If you willfully infringe, you will be personally liable and as this case suggests, liability may approach well over one million dollars. Corporate officers and individuals alike, should think long and hard before contemplating infringement; liability seems to be increasing substantially.

*Jeffrey S. Sacharow*

#### 4. Copyrightability

##### a. *Person Has No Copyright in a Real Life Social Service Program*

Although the idea-expression dichotomy has long been recognized by the courts,<sup>1</sup> Copyright Act Section 102(b) accorded this dichotomy express statutory recognition for the first time.

"In no case does copyright protection for an original work of authorship extend to *any idea, procedure, process, system, method of operation, concept, principle, or discovery*, regardless of the form in which it is described, explained, illustrated, or embodied in such a work."<sup>2</sup>

In *Rowe v. Golden West Television Productions*,<sup>3</sup> the Superior Court of New Jersey concluded that an individual does not have a copyright in a "real life" social service program even though he originated as well as helped to carry out such project.<sup>4</sup> Such conclusion logically seems to follow the Copyright Act Section 102(b), as this program actually did stem from an idea or concept, etc.

Sometime in January, 1976, while an inmate at Rahway State Prison, Richard Rowe began a project at the prison known as the "Juvenile Awareness Program." The purpose of this program was to give juveniles who had begun experiencing "difficulties" with the law an opportunity to attend confrontational sessions conducted by inmates who were themselves serving life sentences.<sup>5</sup> The main thrust of these

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1. *E.g. Mazer v. Stein*, 347 U.S. 201 (1954). In *Mazer*, the respondents were engaged in the manufacture and sale of electric lamps. One of the respondents created original works of sculpture. From these sculpture models, china statuettes were made. These statuettes were then used as bases for the fully equipped electric lamps, which the respondents sold. The respondents submitted these statuettes, without any lamp components added, for registration under the copyright law as "works of art" or reproductions thereof. The Supreme Court held that these statuettes were copyrightable.

2. Copyright Act of 1976, 17 U.S.C.S. § 102(b) (emphasis added).

3. 184 N.J. Super. 264, 445 A.2d 1165 (1982).

4. 445 A.2d at 1170.

5. *Id.* at 1166.

sessions was for these juveniles to be "scared straight" by being exposed to the realities of prison life.<sup>6</sup> Each session depicted the harshness and brutality of the prisoner's incarceration in an uncensored and most frightening manner.<sup>7</sup>

Although the sessions were spontaneous, Rowe "instructed the inmates as to the contents of their talks with the juveniles as well as the method of conveying these thoughts to the juveniles."<sup>8</sup> Each session differed from the other, depending upon the reactions of the youths in attendance.<sup>9</sup> The sessions were unscripted, however sometimes rehearsals were held in order to insure that the "correct" message would be delivered to the children.<sup>10</sup>

About two years after the program's inception, upon reading about the Juvenile Awareness Program in the Reader's Digest, Arnold Shapiro asked for the permission of the prison officials to film one of the sessions. He also received the consent of some of the inmates who were participants in the program. However, Arnold Shapiro never asked Richard Rowe for his permission to film one of the sessions.<sup>11</sup> In March, 1979, an hour long documentary which came out of these sessions was first broadcast on television. This documentary eventually won an Academy Award for Best Feature Documentary, 1978.

Subsequently, with Shapiro as producer, CBS entered into an agreement with Golden West Television Productions to produce a television film which was inspired by the documentary. In November, 1980, "Scared Straight—Another Story" aired on CBS.

Richard Rowe, maintaining that he had a common law copyright in the Juvenile Awareness Program, brought a three count complaint against Golden West Television Productions, Columbia Broadcasting System (CBS), Arnold Shapiro (Director of Program Development for Golden West) and Frank Bindhammer (an employee of Golden West) seeking compensatory and punitive damages and injunctive relief.<sup>12</sup> The first count alleged that Golden West and Arnold Shapiro had infringed Rowe's common law copyright<sup>13</sup> in the Rahway Prison Juve-

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6. *Id.* at 1167.

7. *Id.* at 1166.

8. *Id.* at 1167.

9. *Id.* at 1166.

10. *Id.* at 1167.

11. *Id.*

12. *Id.* at 1166.

13. Until the advent of the Copyright Act of 1976, the American Law of copyright had been the subject of a dichotomy between federal and state law. Automatically a person's unpublished works were protected by state law, which was referred to as common law copy-

nile Awareness Program by making a television documentary entitled "Scared Straight." The second count alleged that Frank Bindhammer had committed a fraud upon the public by representing himself as the founder of the Juvenile Awareness Program. The third count alleged that CBS had infringed Rowe's common law copyright as well as his right of privacy by making a television movie based on the "scared straight" theme.

The trial judge granted defendants motion for summary judgment,<sup>14</sup> and held that Rowe did not have a common law copyright in the program. Because this type of show contained no script, the participation of the inmates changed with each presentation as well as the reaction by the juveniles.<sup>15</sup> Therefore it "was not a concrete expression of an idea of plaintiff's that rose to the level of a tangible product deserving of a common law copyright."<sup>16</sup> Further, as Rowe was neither mentioned, referred to or depicted, he had no privacy claim.<sup>17</sup>

The New Jersey Court of Appeals was called upon to determine whether the common law copyright protection which is afforded under New Jersey law to "literary property" which is the result of "mental labor" and which has been embodied in some "material form" could serve as a protection to the Juvenile Awareness Program.<sup>18</sup>

The court pointed out that in a common law copyright action "our courts have never extended protection to the ideas contained within the copyright material."<sup>19</sup> So that even if the court determined that Rowe's project should be granted the more inclusive common law copyright protection rather than statutory protection which is more limited, nonetheless this common law right still does not extend to the mere ideas contained within. It must be embodied in writing or some other material form.

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right. This protection lasted only from the moment of creation until publication. After publication, protection was available (if at all) only through federal law, known as statutory copyright. However as of January 1, 1978, common law copyright ended for all works that are the subject of federal preemption.

14. Defendant Bindhammer was never served in this action due to the unascertainability of his whereabouts. The motion for summary judgment was thus brought on behalf of the remaining defendants. Since Bindhammer was not a party to the summary judgment motion, the trial judge preserved the second count of the complaint. In order to perfect an appeal, plaintiff subsequently moved for voluntary dismissal of the second count without prejudice. That motion was granted.

15. *Rowe*, 445 A.2d at 1168.

16. *Id.*

17. *Id.* at 1177.

18. *Id.* at 1167.

19. *Id.*

After defining common law copyright<sup>20</sup> and statutory copyright<sup>21</sup> the court noted that regardless, Rowe's claim must fail as "New Jersey law does not protect literary property which is not in tangible form."<sup>22</sup> Quoting the trial judge's finding, it appears that the court agreed that "plaintiff's concept was never sufficiently fixed or frozen" to warrant any type of copyright protection.<sup>23</sup> Although Rowe originated the idea for this real life program, there was no one concrete expression of the idea.<sup>24</sup> Even every session was different from the one preceding it, depending on the participants involved.<sup>25</sup>

Further, even if afforded common law copyright protection, "New Jersey's common law copyright action is clearly equivalent to its federal counterpart, requiring only the act of copying to trigger its protection."<sup>26</sup> However, Rowe's common law copyright has not been preserved.<sup>27</sup> As reasoned by the court, this is because a state law action will be preempted by the Copyright Act of 1976, 17 U.S.C.S. Section 101 et seq., if it meets a two-prong test.<sup>28</sup>

Part one of this test preempts the state law action if the nature of the work of authorship in which rights are claimed comes within the subject matter of copyright as defined in sections 102 and 103.<sup>29</sup> Part two of the test preempts the state law action if the rights granted under state law are equivalent to any of the exclusive rights within the general scope of copyright as defined by section 106.<sup>30</sup> When this two-prong test was applied to Rowe's claim for copyright infringement, the court

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20. *Aronson v. Baker*, 43 N.J. Eq. 365, 367, 12 A. 177 (ch. 1887).

[E]very new and innocent product of mental labor, which has been embodied in writing, or some other material form, while it remains unpublished, is the exclusive property of its author, entitled to the same protection which the law throws around the possession and enjoyment of other kinds of property. Whether the product of such labor consists in literary, dramatic or musical compositions, or designs for works of ornament or utility, planned by the mind of an artist, they are equally inviolable while they remain unpublished, and their owner may exercise the same supreme dominion over them that the owner of any other species of property may exercise over it.

21. *Uneda Doll Co. v. P & M Doll Co.*, 353 F.2d 788, 789 (2d Cir., 1965). In the area of Statutory Copyright it is well settled that protection is afforded only to the tangible expression of an idea, and not to the idea itself.

22. *Rowe*, 445 A.2d at 1168.

23. *Id.*

24. *Id.*

25. *Id.*

26. *Id.* at 1169. Common law copyright encompasses a much broader scope than does statutory copyright.

27. *Id.* at 1170.

28. *Id.* at 1169.

29. The Copyright Act of 1976, 17 U.S.C.S. §§ 102, 103.

30. The Copyright Act of 1976, 17 U.S.C.S. § 106.

found it "clear that that action has been preempted by federal law."<sup>31</sup>

The court concluded its reasoning by emphasizing the fact that Rowe made no statutory copyright claim, nor could he have because of his failure to comply with the registration requirement of 17 U.S.C.S. section 411(a).<sup>32</sup> But of most importance, even if Rowe had a common law copyright in the Juvenile Awareness Program, his claim was preempted by federal law.<sup>33</sup>

The purpose of the Copyright Act is to encourage people to devote themselves to intellectual and artistic creation by granting authors the exclusive right to the fruits of their labor.<sup>34</sup> However, the decision in *Rowe v. Golden West* implies to the entertainment industry that real life events or programs should not lend themselves to the granting of such exclusive rights. This does not necessarily imply, however, that a real life event cannot be considered an intellectual or artistic creation.

Although the copyright provides a financial incentive to those who would add to the corpus of existing knowledge by creating original works, the protection afforded the copyright holder has never extended to history, be it documentary fact or explanatory hypothesis.<sup>35</sup> The rationale for this doctrine is that the cause of knowledge is best served when history is the common property of all, and each generation remains free to draw upon the discoveries and insights of the past.<sup>36</sup>

A similar rationale that applies to the copyright of historical events can be applied to the copyright of real life events, or programs such as the Juvenile Awareness Program. The public learns from as well as reaps other benefits from exposure to such types of programs. For instance, children or adults not yet experiencing difficulties with the law, but perhaps having a tendency to eventually do so, could possibly be

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31. *Rowe*, 445 A.2d at 1169.

32. *Id.* at 1170. 17 U.S.C.S. § 411(a) provides: "[S]ubject to the provisions of subsection (b), no action for infringement of the copyright in any work shall be instituted until registration of the copyright claim has been made in accordance with this title."

33. *Rowe*, 445 A.2d at 1170.

34. *Quinto v. Legal Times of Washington, Inc.*, 511 F. Supp. 579, 581 (D.C.D.C., 1981).

35. *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972, 974 (2d Cir. 1980). In *Hoehling*, the court of appeals held that historical interpretation, which was contained in copyrighted work concerning the triumphant introduction, last voyage and tragic destruction of the Hindenburg, the colossal dirigible constructed in Germany during Hitler's reign, and which contained the hypothesis that a "rigger" on the Hindenburg crew sabotaged the Hindenburg to please his lady friend, a suspected communist dedicated to exploding the myth of Nazi invincibility, whether or not such interpretation originated with the plaintiff was *not* protected by copyright. Therefore, it could be freely used by subsequent authors such as the individual and corporate defendants.

36. *Id.*

“scared straight” *before* actually robbing a bank, raping a teenager or killing a child. In other words, society would be placed at a severe disadvantage if deprived of the kinds of lessons real life events can teach us. Many times a dramatization of these real life events is the only way to expose society to them, and absent wholesale usurpation of another’s expression it does not appear that copyright laws can easily stand in the way. In the case of *Rowe*, having no *one* session nor *one* script, there could not even possibly be a copying verbatim or wholesale usurpation of another’s expression.

Knowledge is expanded by granting writers and producers of documentary and educational programs a relatively free hand to build upon the work of the inventors of the *real* programs of life. It would be far from beneficial if the progressive laws of copyright were allowed to have a stifling effect upon any individual’s gaining of knowledge.

*Joni Greenberg*

b. “*Exclusive Story*” *Must Be Original and Substantiated*

The mysterious death of the King of rock and roll, Elvis Presley, still breeds controversy in the New York courts today. Recently, in *Sellers v. American Broadcast Co. (ABC)*<sup>1</sup>, the parties presented a controversy over the legal rights to an investigative story discussing the cause of Presley’s death. The plaintiff Larry J. Sellers claimed he was entitled to legal protection for an exclusive story he had given to the defendants Geraldo Rivera and ABC.<sup>2</sup> Sellers filed suit on the grounds of breach of contract, copyright infringement and misappropriation.<sup>3</sup>

The Eleventh Circuit Court of Appeals denied Sellers recovery after concluding that his story did not meet the minimum requirements for breach of contract or misappropriation.<sup>4</sup> The court stated that an idea or theory must be both concrete and original before it is afforded the protection of the New York laws.<sup>5</sup> Upon evaluation, the court held that Sellers’ agreement with ABC was vague<sup>6</sup> and that Sellers’ theory

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1. *Sellers v. American Broadcasting Co.*, 668 F.2d 1207 (1982).

2. *Id.* at 1208.

3. *Id.*

4. *Id.*

5. *Id.* at 1210.

6. This defeated Sellers’ contract claim since under New York law the fact that an essential element is vague will make a contract unenforceable. *Id.*

that Presley died from an interaction of drugs, was not novel.<sup>7</sup>

In 1978, the plaintiff Sellers contacted the defendant Rivera, an investigative reporter for the co-defendant ABC, to inform him of his "exclusive story" regarding the death of Elvis Presley.<sup>8</sup> Prior to disclosing this information, Sellers required Rivera to sign a contract entitling Sellers to all copyright privileges and public credit by ABC for the discovery of the true cause of Elvis' death. In return, Sellers promised to withhold such knowledge from the other networks.<sup>9</sup> Pursuant to this agreement, Sellers told Rivera that he thought Presley was killed by his doctor and bodyguard in either of two ways.<sup>10</sup> Sellers first suggested that Elvis' personal doctor and personal bodyguard had replaced Presley's cortisone, which he had been taking for the past three years, with placebos.<sup>11</sup> Hypothetically, this deprivation of cortisone caused the collapse of Presley's cardiovascular system, resulting in his death. Alternatively, Sellers postulated that Presley had been suffocated by either his physician or bodyguard.<sup>12</sup> Sellers alleged that the motive behind this supposed murder was to prevent Presley from seeking the collection of a \$1.3 million loan made by him to the doctor and the bodyguard for the purpose of constructing a racketball center.<sup>13</sup>

At their meeting, Rivera told Sellers that the story could not be used until it was verified, and suggested that he investigate further.<sup>14</sup> In compliance with this suggestion Sellers traveled to Memphis to obtain information.<sup>15</sup> From there he called Rivera's wife and told her that he had discovered factual support for his contentions but would not reveal it over the telephone.<sup>16</sup> This was the last contact between Sellers and either Rivera or ABC until the filing of this suit.<sup>17</sup>

Approximately nine months after signing the agreement with Sellers, Rivera decided to do a feature story on the Presley death with producer Charles Thompson.<sup>18</sup> Following a two month investigation, they determined that Presley's death was not due to a cardiac arrhythmia as

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7. Since New York law requires an idea to be novel before a plaintiff may recover for misappropriation, plaintiff's second claim was defeated. *Id.*

8. *Id.* at 1208.

9. *Id.*

10. *Id.* at 1209.

11. *Id.* at 1207.

12. *Id.* at 1209.

13. *Id.*

14. *Id.*

15. *Id.*

16. *Id.*

17. *Id.*

18. *Id.*

was officially reported.<sup>19</sup> Instead, it was the result of an interaction of prescribed drugs, (polypharmacy).<sup>20</sup> Subsequently ABC broadcasted an hour-long special disclosing the facts uncovered by Rivera.<sup>21</sup> ABC also ran several follow-up stories.<sup>22</sup> At no time, however, did the network suggest that Presley was murdered by either cortisone withdrawal or suffocation.<sup>23</sup>

Sellers brought suit alleging that ABC and Rivera misappropriated his "exclusive story."<sup>24</sup> Additionally, Sellers claimed that the defendants breached their contract and infringed upon his copyright.<sup>25</sup>

The district court dismissed Sellers' copyright claim on the ground that Sellers never copyrighted his story.<sup>26</sup> As to Sellers' other two claims, the district court held that since Rivera and ABC had never used Sellers' "exclusive story" (that Presley died of withdrawal or suffocation) they had neither misappropriated nor breached the written agreement.<sup>27</sup> In accordance with these findings, the court entered summary judgment for the defendants.<sup>28</sup>

Sellers appealed to the New York Court of Appeals contesting the summary judgment of his claim for breach of contract on the ground that a dispute of material fact existed as to the precise scope of his "exclusive story."<sup>29</sup> Sellers claimed that he told Rivera that Presley's death might have been due to an interaction of prescribed drugs and that his physician had been grossly negligent in prescribing these drugs along with covering up the circumstances surrounding his death.<sup>30</sup> The court of appeals considered Sellers' contention, and found that even if Sellers had presented these additional theories to Rivera, they were too vague and uncertain to be enforceable as a matter of law.<sup>31</sup>

According to New York law, a contract will not be enforced if an

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19. *Id.*

20. *Id.*

21. *Id.*

22. *Id.*

23. The district court dismissed plaintiff's copyright claim after it concluded that Sellers had not copyrighted this story. Sellers did not challenge this issue on appeal. *Id.* at 1210, n.6.

24. *Id.*

25. *Id.*

26. *Id.* at 1210, n.6.

27. *Id.* at 1209 (emphasis added).

28. *Id.* at 1209.

29. *Id.*

30. *Id.* at n.3.

31. *Id.* at 1209-10.



essential element of that contract is vague, indefinite or incomplete.<sup>32</sup> The court considered the transcript of the conversation between Sellers and Rivera and determined that Sellers had failed to provide any details for his vague allegations.<sup>33</sup> Such missing details included Sellers' failure to identify the name of a specific drug and the lack of clarity as to whether Presley died from one single drug or a combination of drugs.<sup>34</sup>

The court concluded that at most, Sellers' statements were broad and general accusations of overdose, gross negligence and cover-up.<sup>35</sup>

Additionally, New York law states<sup>36</sup> that an idea will not constitute property and will not support the right to recover in contract unless it is original.<sup>37</sup> The court of appeals indicated that to the extent that Sellers' "exclusive story" had been publicly disseminated,<sup>38</sup> it was not novel.<sup>39</sup> Conversely, the court did suggest that Sellers' cortisone theory was probably sufficiently detailed and concrete enough to permit recovery for a breach of contract.<sup>40</sup> However, the district court previously held<sup>41</sup> that ABC did not use this theory and therefore did not breach the agreement.<sup>42</sup> Pursuant to the aforementioned analysis, the court held that plaintiff's cause of action for breach of contract could not stand.<sup>43</sup>

Finally the court addressed Sellers' claim for misappropriation.<sup>44</sup> The court found that in order for this claim to succeed, the following three conditions must first be met:

- 1) The idea must be novel;
- 2) The idea must be in a concrete form; and

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32. *Brown & Guenther v. North Queensville Homes, Inc.*, 28 A.D.2d 327, 239 N.Y.S. 2d 482, 484 (1963); 668 F.2d 1207, 1210 (1982).

33. 668 F.2d 1207, 1210 (1982).

34. *Id.*

35. *Id.*

36. The district court concluded that New York law controls the decision of plaintiff's contract claim. *Id.* at 1210, n.4.

37. *Downey v. Gen. Foods Corp.*, 31 N.Y.2d 56, 334 N.Y.S.2d 874, 877, 286 N.E.2d 257 (1972); 688 F.2d 1207, 1210 (1982).

38. The court found that the portion of plaintiff's "exclusive story" which stated that Presley had died from an interaction of drugs, had previously appeared in a number of newspapers prior to Rivera's discussion with him. 688 F.2d 1207, 1210, n.5. (1982).

39. *Id.* at n.5.

40. *Id.* at 1210.

41. Plaintiff did not challenge this holding on appeal. *Id.* at n.7.

42. *Id.*

43. *Id.*

44. *Id.*

3) The defendant must make use of the idea.<sup>45</sup>

As to plaintiff's theory regarding Presley's death from an interaction of drugs, the court found that it was neither "novel, unique, nor original" in light of the abundance of local newspapers which carried this theory prior to Sellers' discussion with Rivera.<sup>46</sup> As to Sellers' alternative theories, the court held that they were not concrete enough to pass the second requirement.<sup>47</sup>

This case suggests that New York law requires a concrete showing of the requisite elements for claims of misappropriation and breach of contract before such a case will be held to survive a summary judgment. In this case, the court concluded that even if Sellers did present his theory that Presley died from an interaction of drugs to ABC it was too "vague and uncertain as to be enforceable as a matter of law".<sup>48</sup> This conclusion implies that the New York courts are reluctant to permit recovery from a major broadcasting company when the claimant has done nothing more than suggest an idea for a story. The policy promoted by this decision is the protection of the entertainment industry from the frivolous claims of individuals who suggest unsubstantiated ideas with the expectation of compensation. Had the court found otherwise, the entire broadcasting industry could very likely have discontinued its use of outside sources to prevent such inequitable results. The possibility of such a chilling effect upon the creativeness of the entertainment industry is sufficient reasoning alone for the court of appeals decision in this case.

*Kimberly Sloan*

*c. Notice of Termination Strictly Construed*

One of the most controversial cases yet to arise under the new termination provision of the 1976 Copyright Act was recently decided by the Second Circuit Court of Appeals.<sup>1</sup> In addition to defining "remake rights," the court held in *Burroughs v. Metro-Goldwyn-Mayer, Inc.*<sup>2</sup> that when the right to use literary characters in "all or any" of an author's

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45. *Galanis v. Procter and Gamble Corp.*, 153 F. Supp. 34 (1957); 688 F.2d 1207, 1210 (1982).

46. 688 F.2d 1207, 1210 (1982).

47. *Id.*

48. *Id.* at 1210.

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1. 17 U.S.C. § 304(c) (1976).

2. 519 F. Supp. 388 (S.D.N.Y. 1981), *aff'd*, 683 F.2d 610 (2d Cir. 1982).

works is granted, notice of termination of that right must include a complete list of all such works.

Beginning in 1912, Edgar Rice Burroughs wrote a highly popular series of books about the adventures of Tarzan, the first of which was titled *Tarzan of the Apes*. In 1931, for twenty-thousand dollars,<sup>3</sup> MGM purchased the right to use the Tarzan character from ERB Inc. (ERB). ERB was the corporation Burroughs formed to own, license and control the rights to his works.<sup>4</sup> The Agreement granted MGM the right to create, for film, an original story based on the character Tarzan and on "all or any of the other characters used in all or any of the stories heretofore written by [Burroughs]."<sup>5</sup> MGM was also granted the right to create "remakes" of the film, as long as the remakes contained a substantially similar story to that in the first film.<sup>6</sup> In 1932, MGM released "Tarzan the Ape Man,"<sup>7</sup> and in 1959 released a remake under the same

3. Under the Agreement, ERB, Inc. was not to receive royalties or additional receipts for either the original film or any of the remakes.

4. Burroughs transferred the rights to ERB, Inc. in 1923. All stock in ERB, Inc. was held by the Burroughs family.

5. Paragraph One of the Agreement gave MGM, "[T]he right to create and write an original story, using as one of the characters therein, the character of "TARZAN", which character was originally created by [Burroughs], and including also, at the discretion of [MGM], all or any of the other characters used in all or any of the stories heretofore written by [Burroughs]." 683 F.2d 610, 614 (2d Cir. 1982) (emphasis added).

6. Paragraph 14 of the Agreement stated:

"[MGM] shall have the right to make a photoplay based on said story; and after the production of the first photoplay based on said story, shall thereafter have the right to reissue said first photoplay, and likewise to remake said first photoplay . . . . [MGM] agrees, however, that all "remakes" of the first photoplay produced by it hereunder . . . shall be based substantially upon the same story as that used by [MGM] in connection with the first photoplay and that in such subsequent remakes . . . there will be no material changes or material departures from the story used in connection with said first photoplay."

*Id.* at 614-15 (emphasis added). The Agreement further provided that MGM could use any title for its film except a title already used in one of Burroughs' then extant fourteen works. A list of these fourteen works was attached to the Agreement as an exhibit.

7. In accordance with Paragraph Three of the Agreement Burroughs reviewed a copy of the original script to make certain that MGM did not infringe any material from his books. After carefully reviewing the script, Burroughs noted similarities in the names of some of the characters. As a result, MGM changed the offending names. *Id.* at 615. Other similarities noted by Burroughs included Tarzan's inability to understand spoken English; Tarzan's seeing white people for the first time; and Tarzan's negative reaction to the killing of an ape. It is unclear whether MGM made any changes in response to these findings, or whether, if no changes were made, Burroughs either voluntarily or involuntarily dropped the matter. In any event, the Second Circuit Court ruled in the case presently under discussion that Burroughs' claimed similarities were not actually significant enough to constitute infringement. See *infra* note 26. In the book, for example, Tarzan saw white people for the first time and although he could not speak, he was able to read and write. In the movie, however, Tarzan was unable to communicate by spoken or written language and whether

title.

Section 304(c) of the 1976 Copyright Act, effective January 1, 1978, grants authors or their heirs the right to terminate a copyright grant fifty-six years after the original copyright was secured.<sup>8</sup> This newly created right of termination enables authors or their heirs to recapture the additional nineteen-year renewal term afforded by the Act.<sup>9</sup> To activate the termination right, advance written notice of termination must be served on the grantee whose rights are being terminated no less than two but no more than ten years before the effective termination date.<sup>10</sup> The termination notice must also comply in "form, content and manner of service" with U.S. Copyright Office regulations.<sup>11</sup> These regulations require inclusion of the title of each work to which the notice applies and a brief statement reasonably identifying the nature of the grant being terminated.<sup>12</sup>

On December 16, 1977, two weeks before the 1976 Copyright Act's effective date, Burroughs' heirs attempted to exercise their Section 304 termination rights by serving ERB with a two year advance notice of termination. Only thirty-five of Burroughs' forty Tarzan books were listed on the notice, including *Tarzan of the Apes*.<sup>13</sup> Although that notice was recorded in the Copyright Office in March, 1978, no notice was served on MGM.

In January, 1980, MGM announced plans to produce a second re-

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Tarzan had ever seen white people was left open to question. Also, in the book, Tarzan in great anguish stalks and savagely kills the native responsible for the death of Tarzan's foster mother Kala, a "huge" and "powerful" ape, whereas in the movie a safari member shoots a small, unidentified ape and Tarzan is upset but seeks no vengeance. 683 F.2d 610, 624-26 (2d Cir. 1982).

8. 17 U.S.C. § 304(c) applies only to contractual grants of a transfer or license of copyright executed before January 1, 1978. The corollary to § 304(c) is 17 U.S.C. § 203 which applies to grants of copyright executed on or after January 1, 1978.

9. 17 U.S.C.A. § 304(c) (West 1977) citing Notes of Committee on the Judiciary, H.R. 94-1476.

10. 17 U.S.C. § 304(c)(4) and (4)(A) (1976). See *infra* note 31 for a discussion of the grantee upon whom notice should be served.

11. 17 U.S.C. § 304(c)(4)(B) (1976).

12. The relevant portion of the Copyright Office Regulations reads as follows:

A notice of termination must include a clear identification of each of the following:

- (i) The name of each grantee whose rights are being terminated, or the grantee's successor in title . . .
- (ii) The title and the name of at least one author of, and the date copyright was originally secured in, each work to which the notice of termination applies . . .
- (iii) A brief statement reasonably identifying the grant to which the notice of termination applies . . .

37 C.F.R. § 201.10(b)(i)-(iii) (1977).

13. The five books omitted from the notice were among the fourteen books listed in the exhibit to the original 1931 Agreement between ERB, Inc. and MGM.

make of "Tarzan the Ape Man," starring Bo Derek as Jane. Burroughs' heirs subsequently filed suit in federal district court to enjoin the production of the film. The heirs claimed ERB's underlying copyright interest was now terminated and MGM's character license from ERB was thus "null and void."<sup>14</sup>

District court Judge Werker denied the injunction<sup>15</sup> finding that (1) the character license originally granted did not convey a copyright interest and was therefore not subject to the termination provision;<sup>16</sup> and (2) even if a copyright interest was conveyed, the notice of termination was a nullity because it was served prematurely,<sup>17</sup> it was never properly served on MGM,<sup>18</sup> and it omitted five titles from the notice and thus did not "reasonably identify" the grant being terminated.<sup>19</sup>

Both the heirs and MGM then moved for partial summary judgment. The heirs amended their complaint to allege that the 1981 film departed from the original film's story, thereby breaching the 1931 Agreement's requirement that remakes be based on "substantially the same story" as the original film. On July 10, 1981, the district court granted MGM summary judgment.<sup>20</sup>

This time Judge Werker held that the Tarzan character was copyrightable and therefore subject to the termination provisions of Section 304(c).<sup>21</sup> However, the judge again ruled that the termination notice

14. After serving ERB with the termination notice, the heirs later regranted to ERB the copyright interest in all of Burroughs' works. The notice of termination was apparently thus a strategic attempt to extinguish only MGM's rights.

15. The Second Circuit affirmed the denial of the preliminary injunction without ruling on the merits. 636 F.2d 1200 (2d Cir. 1980).

16. The court did not rule on whether the Tarzan characters were copyrightable, but rather on whether the 1931 Agreement purported to grant MGM a copyright interest. The court held that no copyright interest was granted because the last paragraph of the 1981 Agreement provided that the term of MGM's rights to use the character would be measured by the "full duration of the copyright and renewal copyright of MGM's film." 491 F. Supp. 1320, 1324 (S.D.N.Y. 1980).

17. The heirs' notice was served on December 12, 1977. The 1976 Copyright Act did not take effect until January 1, 1978. 17 U.S.C. § 102, 90 Stat. 2541, 2598 (1976).

18. See *supra* note 10 and accompanying text.

19. See *supra* note 12 and accompanying text.

20. 519 F. Supp. 388 (S.D.N.Y. 1981). The case was apparently decided on summary judgment because the issues involved were viewed as being legal and not factual. However, the contract was arguably ambiguous, in which case parol evidence should have been entered. If parol evidence was entered, the issue could not have been tried by a judge on summary judgment. K. Kress, *Tarzan Meets the Second Circuit: Reflections on Burroughs v. Metro-Goldwyn-Mayer*, 7 J. of Art & The Law, 336, 341-45 (1982).

21. In an apparent shift of position, Judge Werker now seemed to believe that whether the character Tarzan was subject to the termination provisions of § 304(c) did not depend on whether the Agreement intended to convey a copyright interest. Rather, it depended on whether the interest conveyed, whatever its nature, was protectible by rights arising under

was invalid.<sup>22</sup> As to the heirs' claim that the 1981 film breached the 1931 Agreement, the court screened both the 1981 and 1932 films and found no breach because both films were based on substantially the same story.<sup>23</sup> This finding was made only after MGM followed the court's suggestion to cut out portions of the film which might be in breach of the Agreement.<sup>24</sup>

After the film's release, the Second Circuit affirmed the district court's ruling.<sup>25</sup> The circuit court held that because the heirs had not complied with the regulations for the content of a termination notice, the court need not decide whether the manner of service had been proper.<sup>26</sup> The court also held that the 1981 film was in fact a "remake" of the 1932 film and therefore not in breach of the 1932 Agreement.<sup>27</sup>

The circuit court found that the termination notice's incomplete list of titles violated Copyright Office regulations that a termination notice include a list of each work and "reasonably identify" the nature of

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copyright. Judge Werker concluded that the interest was in fact protectible because Tarzan was a sufficiently well-delineated character to be copyrightable. 519 F. Supp. 388, 391 (S.D.N.Y. 1981). See generally *infra* notes 58-67 and accompanying text.

22. 519 F. Supp. 388, 392 (S.D.N.Y. 1981).

23. *Id.* at 392-94. See also Kress, *supra* at note 20, who suggests that questions of similarity between art works are factual in nature and should not be decided by a judge on summary judgment.

24. 519 F. Supp. 388, 392-94 (S.D.N.Y. 1981). For a discussion of the appropriateness of this action see *infra* notes 68-70 and accompanying text.

25. 683 F.2d 610 (2d Cir. 1982).

26. *Id.* at 621. The court also held that it need not decide whether Tarzan was a copyrightable character. See *infra* notes 58-67 and accompanying text.

An issue decided by the court but not within the scope of this Note regarded the heirs' alternative claim that the 1932 film infringed Burroughs' original book, *Tarzan of the Apes*. The heirs argued that even if the termination notice left MGM's character license intact, the 1981 film, if a faithful remake of the 1932 film, infringed the book, and if not a faithful remake of the 1932 film, breached the 1931 Agreement.

To determine if the 1932 film infringed the book *Tarzan of the Apes*, the court engaged in an extensive and detailed comparison of the book and the film. The similarities which Burroughs had originally noted were found not to be significant enough to constitute infringement. (See *supra* note 7 for a discussion of these purported similarities.) As to other possible similarities, the court concluded that "as a matter of law" no infringement had occurred since "no reasonable jury could find the two works substantially similar beyond the level of generalized ideas or themes." 683 F.2d 610, 624 (2d Cir. 1982). The court discussed almost fifteen similarities which it viewed as too general and abstract to be protected by copyright. For example, although both works were set in sub-Saharan Africa, one was set mostly on an ocean beach while the other was set far inland on a river. Another example was that both works portrayed Jane as having two suitors but in the movie, unlike the book, Jane chose Tarzan, and even if she had not, said the court, the "story of a woman choosing between two suitors is at least as old as literature." *Id.* at 627.

27. *Id.* at 628-31.

the grant being terminated.<sup>28</sup> The notice of termination was thus held ineffective to terminate MGM's interest in the five works omitted from the notice.<sup>29</sup> The court reasoned that since MGM's original grant encompassed the right to use the Tarzan character as it appeared in "any" of Burroughs' works, MGM retained its right to use the Tarzan character because the character appeared in the five works not terminated.<sup>30</sup>

In a concurring opinion, Judge Newman disagreed that the heirs' omission of the five titles rendered MGM's interest in the Tarzan character intact. However, he still viewed the notice as ineffective because it was never served on MGM.<sup>31</sup> In analyzing the effect of the heirs' omission of five titles, Judge Newman noted that a copyright protects only original works of authorship.<sup>32</sup> According to Judge Newman, a character exploited in a series of works is an original work of authorship only with respect to the first work and not thereafter.<sup>33</sup> Because the Tarzan character was not an "original work of authorship" in the five works omitted from the notice, Judge Newman concluded that ERB had lost the right to license, and thus to convey to MGM, the use of the Tarzan character independent of the five stories in which ERB retained an interest.<sup>34</sup>

The majority did not dispute that the Tarzan character, if copyrightable at all, was copyrightable only in its first appearance.<sup>35</sup> But according to the majority, a grant of rights to the use of a work implicitly licenses the use of all material from that work regardless of whether that material is protected by an earlier copyright.<sup>36</sup> Thus, claimed the majority, ERB's rights in the "Surviving Five" titles included the im-

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28. *Id.* at 622.

29. *Id.*

30. *Id.*

31. The Copyright Act requires that a notice of termination be served on the "grantee or the grantee's successor in title." 17 U.S.C. § 304(c)(4) (1976). Judge Newman stated that it was not technically necessary to serve MGM in their capacity as successor in title. 683 F.2d 610, 633-35 (2d Cir. 1982) (Newman, J., dissenting). Technicalities notwithstanding, however, Judge Newman believed that MGM should still have been served. The existence of MGM's right was well known to the heirs. Further, ERB was a corporation owned by the Burroughs family. Because of these circumstances, by serving ERB the heirs were essentially "serving themselves." *Id.* at 635 (Newman, J., dissenting). Therefore, claimed Judge Newman, ERB could not fairly be considered the "realistic grantee" upon whom notice should be served. *Id.* (Newman, J., dissenting).

32. *Id.* at 631 (Newman, J., dissenting).

33. *Id.* at 632 (Newman, J., dissenting).

34. *Id.* (Newman, J., dissenting).

35. The court left open the question of whether the Tarzan character was even copyrightable. For a fuller discussion of the issue *see infra* notes 58-67 and accompanying text.

36. *Id.* at 622.

PLICIT authority to license to MGM the use of the Tarzan character depicted therein.<sup>37</sup>

The majority's result appears correct, although perhaps not for the reasons stated. Undoubtedly, as Judge Newman noted in his concurrence, if characters are copyrightable only in their original appearance, holders of copyrights in later works in a series would not have the right to exploit the characters independent of the stories.<sup>38</sup> This principal of law would undercut the majority's suggestion that as a matter of copyright, MGM could exploit the Tarzan character merely by virtue of MGM's remaining interest in five Tarzan works.<sup>39</sup>

It appears that the reason MGM retained the right to exploit the Tarzan character was because MGM still owned the right under contract law. A license to use a literary work exists as a contract right, independent of the underlying copyright interest from which the right originated.<sup>40</sup> Therefore, extinguishing an underlying copyright interest in a character will not automatically terminate existing contractual rights to use the character. From this it follows that the only way to have extinguished MGM's right to use the characters from "any and all" Tarzan books would have been to terminate MGM's interest in *each and every one* of the forty books. As the majority thus appropriately held, the termination notice's omission of five works did not extinguish MGM's interest in the Tarzan character as it appeared in forty books.<sup>41</sup> It only extinguished MGM's interest in the Tarzan character as it appeared in thirty-five books.

Unquestionably then, the heirs did not technically comply with the Copyright Office regulations. It should be noted, however, that according to these regulations, "[h]armless errors . . . that do not materially affect the adequacy of the information required to serve the purpose of [the termination provision] . . . shall not render the notice invalid."<sup>42</sup> The omission of the five titles was arguably the type of "harmless error" contemplated by the Copyright Office. The notice of termination was extensive in scope, and there would seem to be no reason for the

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37. *Id.* Under the majority's view, ERB would still have had the implicit authority to grant MGM a license for the use of the character Tarzan even if in 1923 Burroughs had only granted ERB the rights to the "Surviving Five" titles. *Id.*

38. *See supra* note 34 and accompanying text.

39. *See supra* note 37.

40. By implication, the majority in fact alluded to this concept when distinguishing rights to the use of a work from the fact that a work may be protected by an earlier copyright. *See supra* note 36 and accompanying text.

41. *See supra* notes 28-30 and accompanying text.

42. 37 C.F.R. § 201.10(e)(1) (1977).



heirs to have purposefully excluded the five titles. A party upon whom the notice was served would probably have considered the omissions an oversight. The court itself stated that the omission was "undoubtedly inadvertant."<sup>43</sup> The court's insistence that the heirs' omission nevertheless invalidated the notice perhaps suggests that only the most trivial of errors in a notice of termination will be tolerated.

In addition to holding the termination notice invalid, the circuit court held that the 1981 film did not breach the 1931 Agreement because the film contained a story substantially similar to the 1932 film and thus constituted a "remake."<sup>44</sup> The 1931 Agreement stated that a remake of the original film<sup>45</sup> could not materially depart from the original "story."<sup>46</sup> According to the court, the stories in both films were the same because they were comprised of the same major incidents.<sup>47</sup> The 1981 film's differences in characterization, setting and effect, although substantial, were considered dismissable as they were either subsumed under the right to "update, modernize and adapt"<sup>48</sup> or were differences which had no impact on the "story."<sup>49</sup>

By this broad interpretation of "story," the court was able to gloss over major and disturbing differences between the 1932 and the 1981 films. In the earlier film, Tarzan, although ignorant of civilized ways,

43. 683 F.2d 610, 622 (2d Cir. 1982).

44. *Id.* at 628-31.

45. Because the court did not consider whether the meaning of the remake clause was ambiguous, it did not look to parol evidence or attempt to analyze the meaning of the contract as a whole. The court's failure to consider ambiguity in the contract terms may have been inappropriate. See Kress, *supra* note 20, at 341-43.

46. The court ruled that to qualify as a "remake", the contract only required there be similarities with regard to the story itself. 683 F.2d 610, 628 (2d Cir. 1982). A "story", said the court, was definable in its "broadest sense" as "any account . . . of actions in a time sequence; any narrative of events in a sequential arrangement . . ." *Id.* (quoting C. Hugh Holman, *A Handbook to Literature* 428 [4th ed. 1980]). But see, Kress, *supra* note 20, at 347 (a story is a "comprehensive literary entity").

47. 683 F.2d 610, 628-31 (2d Cir. 1982). As with the issue of whether the 1982 film infringed the original Tarzan book, (*supra*, note 26) the court engaged in an extensive comparison of the two stories.

48. 683 F.2d 610, 628 (2d Cir. 1982). The court cited the 1959 case of *Edgar Rice Burroughs, Inc. v. Metro-Goldwyn-Mayer, Inc.*, 205 Cal.App.2d 441, 23 Cal.Rptr. 14 (1962). In the 1959 case the heirs unsuccessfully sued MGM for breach of contract over MGM's 1959 remake of "Tarzan the Ape Man." As with the case presently under discussion, the heirs claimed that MGM's remake materially departed from the 1932 film. The California Court of Appeals found that " 'the right to update, modernize and adapt the story to life in today's generation' was inherent in the remake right." *Id.* at 447, 18 [quoted in *Burroughs v. Metro-Goldwyn-Mayer, Inc.* 683 F.2d 610, 628 (2d Cir. 1982)].

49. *Id.* at 628-31. For example, the court found that the 1981 film's nudity, "[i]f anything . . . contribute[d] to the story, [by] adding some degree of modern-day realism to an otherwise highly improbable scene." *Id.* at 630.

had the ability to read and write, and was a sensitive, intelligent and heroic man whom Jane came to love.<sup>50</sup> The "civilized" characters in the story were generally portrayed as far less human than Tarzan.<sup>51</sup> Although the predominant theme of the earlier film was undoubtedly, to the uncritical eye, a love story, the true literary theme was to depict man in his pure state as having an innate humanity which civilization corrupts.<sup>52</sup> In the 1981 film, Tarzan was essentially a sexual beast, illiterate and without intellect.<sup>53</sup> The theme of the second film was a sexual fantasy of unrestrained erotica in the jungle.<sup>54</sup>

While the court's conclusion that the stories were substantially similar is certainly supportable under an extremely broad definition of "story," the 1981 film indisputably distorts Burroughs' literary conceptualization of Tarzan and Jane. Some countries protect an author's right to prevent others from making deforming changes in his works under the principle of "droit moral" or, moral rights.<sup>55</sup> Droit moral is not recognized by the Copyright Act.<sup>56</sup> However, a few cases of which the court could not have been unaware support recognition of droit moral.<sup>57</sup> The court's allowance of MGM's flagrant distortion of the

50. See Kress, *supra* note 20, at 347.

51. *Id.* at 348.

52. *Id.*

53. *Id.* at 347.

54. *Id.* at 349.

55. 2 M. Nimmer, *Nimmer on Copyright*, § 8.21[A], at 8-247 (1983).

56. *Id.* at § 8.21[B], at 8-248.

57. See *Gilliam v. American Broadcasting Companies, Inc.*, 538 F.2d 14 (2d Cir. 1976). See also *Nat'l Bank of Commerce v. Shaklee Corp.*, 503 F.Supp. 533, 207 U.S.P.Q. 1005 (W.D. Tex. 1980) citing *Gilliam* with approval. Although some prior cases had made statements that an author has a right to prevent deforming changes in his work, *Gilliam* was the first case to officially recognize the moral rights doctrine. 2 M. Nimmer, *supra* note 55, at § 8.21[C], at 8-249. In the *Gilliam* case, Monty Python wrote a series of television programs for broadcast by British Broadcasting Corporation. American Broadcasting Corporation (ABC) attempted to broadcast edited versions of the programs. The court upheld an author's moral right to prevent deforming changes in his work, and stated,

"seek[ing] redress for deformation of an artist's work, finds its roots in the continental concept of droit moral . . .

American copyright law, as presently written, does not recognize moral rights or provide a cause of action for their violation . . . . Thus courts have long granted relief for misrepresentation of an artist's work by relying on theories outside the statutory law of copyright, such as contract law, *Granz v. Harris*, 198 F.2d 585 (2d Cir. 1952) (substantial cutting of original work constitutes misrepresentation), or the tort of unfair competition, *Prouty v. Nat'l Broadcasting Co.*, 26 F.Supp. 265 (D.Mass. 1939) . . . . Although such decisions are clothed in terms of proprietary right in one's creation, they also properly vindicate the author's personal right to prevent the presentation of his work to the public in a distorted form . . .

538 F.2d 14, 24 (2d Cir. 1976). To grant relief to plaintiffs, the *Gilliam* court invoked the 1946 Lanham Act. This Act prohibits using false descriptions or false representations which may injure a person's business or personal reputation. The court found that ABC's unau-

Tarzan character can only reflect a judicial stance that notwithstanding these cases, *droit moral* is not a recognizable right under American copyright law.

A number of interesting issues raised but not decided in the court's opinion regarded the copyrightability of characters and the appropriateness of the district court's participation in the film editing process.

After Burroughs' heirs filed their appeal, MGM filed a cross-appeal asking the circuit court to hold that the character Tarzan was insufficiently delineated in Burroughs' books to be copyrightable. The circuit court did not rule on this issue because the issue was moot: if the character Tarzan was not copyrightable, MGM's interest was not a copyright interest subject to termination under Section 304; if the character Tarzan was copyrightable, MGM's rights would still remain intact because the notice of termination was insufficient to extinguish MGM's interest.<sup>58</sup>

Tarzan's copyrightability would become relevant if MGM should desire to produce a third remake of "Tarzan the Ape Man" before 1987, when the first Tarzan book and thus the Tarzan character enters the public domain.<sup>59</sup> Because the heirs served a second termination notice which MGM conceded was in full compliance with the regulations, MGM has no right to use the character Tarzan before 1987 unless it can be shown that the character is not a copyright interest subject to termination.<sup>60</sup>

Whether the Second Circuit would have held Tarzan copyrightable is open to question. Most courts agree that "distinctively delineated" characters are copyrightable, but disagree as to what constitutes "distinctive delineation" of literary characters.<sup>61</sup> Under the Ninth Circuit's restrictive view, the character must "constitute the story being told."<sup>62</sup> In 1954 the Ninth Circuit held that this standard was not met by Dashiell Hammett's detective character Sam Spade in the famous film "The Maltese Falcon."<sup>63</sup>

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thorized changes in the television program "mutilated" the author's work, "impair[ing] the integrity of [the author's work] and represent[ing] to the public as the product of [the author] what was actually a mere caricature of [the author's] talents." *Id.* at 25. The court thus held that plaintiff's claim created a valid cause of action under the Lanham Act.

58. 683 F.2d 610, 621 n.11 (2d Cir. 1982).

59. *Id.*

60. *Id.*

61. See generally 1 M. Nimmer, *supra* note 55, at § 2.12, at 2-169-174.3.

62. Warner Bros. Pictures v. Columbia Broadcasting System, 216 F.2d 945, 950 (9th Cir. 1954). ("[I]f the character is only a chessman in the game of telling the story he is not within the area of the protection afforded by the copyright." *Id.*)

63. *Id.*

Since 1954, only courts lower than the circuit court level have directly addressed the copyrightability of literary characters (as distinct from cartoon-like or computer-style characters).<sup>64</sup> Many of these courts have purported to adopt the Sam Spade test.<sup>65</sup> But the only characters since 1954 found not to be "distinctively delineated" were general character types far more ordinary and far less publicly known than Tarzan or even Sam Spade.<sup>66</sup> If the Tarzan character could not be distinguished from characters too general in "type" to meet the "sufficiently delineated" test, it would seem no literary character could meet the test.<sup>67</sup> If this were the case, no literary character would be copyrightable, a result even the Ninth Circuit could hardly have intended.

Another interesting issue raised by the case was the propriety of the district court's "suggestion" that MGM cut out portions of the 1981 film to assure compliance with the 1931 Agreement. The circuit court noted that "the district court normally should not assume the role of film editor."<sup>68</sup> Though originally objected to by all parties, the issue was not raised on appeal and therefore not ruled on by the court.<sup>69</sup>

64. Cartoon-like and computer-style characters are universally recognized as being distinctively delineated. *See, e.g.*, *Walt Disney Prods., v. Air Pirates*, 581 F.2d 751 (9th Cir. 1978); *Sid & Marty Krofft Television Prods., Inc. v. McDonald's Corp.*, 562 F.2d 1157 (9th Cir. 1977); *Atari, Inc. v. North American Philips Consumer Electronics Corp.*, 672 F.2d 607 (7th Cir. 1982); *Detective Comics, Inc. v. Bruns Publications, Inc.* 111 F.2d 432 (2d Cir. 1940).

65. *See infra* note 66.

66. *See, e.g.*, *Fuld v. Nat'l Broadcasting Co.*, 390 F.Supp. 877 (S.D.N.Y. 1975) (a group of gangsters); *Tralins v. Kaiser Aluminum & Chem. Corp.*, 160 F.Supp. 511 (D.C. Md. 1958) (serviceman trying to "fake" his way through the "psycho" ward) (citing with approval *Columbia Pictures Corp. v. Nat'l Broadcasting Co.*, 137 F.Supp. 348 (S.D. Cal. 1955); *Columbia Pictures supra* (numerous general character types in a burlesque version of "From Here to Eternity" titled "From Here to Obscurity") (citing with approval *Warner supra* note 62); *Miller v. Columbia Broadcasting Sys., Inc.*, 209 U.S.P.Q. 502 (C.D. Cal. 1980) (an ex-convict who studied law and passed the bar while in prison). *Compare* *Filmvideo Releasing Corp. v. Hastings*, 509 F. Supp. 60, 66 (S.D.N.Y. 1981) (Werker, J., holding that the western-style, quick-tempered but kind and sentimental character "Hopalong Cassidy" is sufficiently delineated, developed and well-known to the public to be copyrightable) *aff'd on other grounds*, 668 F.2d 91 (2d Cir. 1981) *and* *Burroughs v. Metro-Goldwyn-Mayer, Inc.*, 519 F. Supp. 388 (S.D.N.Y. 1981) (Werker, J. holding that the Tarzan character is sufficiently well-delineated to be copyrightable) (*quoted infra* note 67) *aff'd on other grounds* 683 F.2d 610 (2d Cir. 1982).

67. Judge Werker characterized Tarzan as follows: "Tarzan is the ape-man. He is an individual closely in tune with his jungle environment, able to communicate with animals yet able to experience human emotions. He is athletic, innocent, youthful, gentle and strong. He is Tarzan." 519 F.Supp. 388, 391 (S.D.N.Y. 1981). *See also generally* *Edgar Rice Burroughs, Inc. v. Mann Theaters*, 195 U.S.P.Q. 159 (C.D. Cal. 1976) (Tarzan characters are distinctively delineated and were infringed by the unauthorized production and distribution of the film "Tarz and Jane and Boy and Cheeta").

68. 683 F.2d 610, 620 n.9 (2d Cir. 1982).

69. *Id.*

One argument against allowing a judge to "assume the role of film editor" is that it may create a dangerous precedent of censorship and intrusion into the artistic process.<sup>70</sup> Whether Judge Werker's actions can fairly be characterized as censoring and intrusive is questionable. The changes were not orders but suggestions which MGM could arguably have rejected.

However, a serious issue raised by Judge Werker's actions is whether judicially prompted alterations in a work should be permitted when the work being changed forms the very basis of a litigation. Does a judge have the power to arbitrarily change that basis, thereby allowing a defendant to avoid an unfavorable ruling? Is it not the responsibility of a judge to decide cases on their merits as presented, and then either grant or deny the requested legal or equitable remedy? It seems fundamentally unfair for a party to spend considerable time and money litigating a case, only to have those merits judicially orchestrated out of the case.

The Second Circuit's ruling that the heirs' notice of termination failed may reflect an unreasonably strict interpretation of termination notice regulations. It is evident, however, that even had the content of the termination notice been ruled sufficient, the notice would probably have still failed, either for untimely service or for service on the wrong party. It is less clear that MGM's 1981 film was in compliance with the 1932 Agreement.

The court's ruling may suggest a judicial attitude of resistance, or at the very least hesitance, to enforce termination rights unless absolutely necessary. The purpose of the 1976 Copyright Act termination provision was to offer a second chance for authors and their heirs to market previously sold copyright interests.<sup>71</sup> This greater economic protection was felt justified because works of authorship, unlike other forms of property, are often incapable of accurate economic evaluation until after a work has been exploited.<sup>72</sup> Under traditional American contract law, a party who contracts to sell property is not offered a "second chance" to market that property.<sup>73</sup> Rather, the seller is bound to his bargain, even if his estimation of the property's value later proves to be incorrect. For courts accustomed to viewing freely negotiated

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70. See generally *Kress, supra* note 20, at 352-53.

71. 2 M. Nimmer, *supra* note 55, at § 9.02, at 9-23.

72. *Id.*

73. *Id.*

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contracts as binding instruments, the newly created right to terminate a contractual grant of copyright may be a bitter pill to swallow.

*Shelley Berger*

## 5. Satellite Retransmission

### a. *Program Retransmission Via Satellite*

Recent developments in the cable television (CATV) industry pose a perplexing question to the legal community—how do the copyright laws affect the transmission of television shows by licensed communication carriers? Two federal circuit courts of appeal addressed variations of this issue at length.

In *Eastern Microwave, Inc. v. Doubleday Sports, Inc.*,<sup>1</sup> the Second Circuit, construing the language of 17 U.S.C.A. Section 111 (a)(3),<sup>2</sup> held that the licensed communication common carrier, EMI, was entitled to the passive carrier exemption as *Eastern Microwave* (EMI) had not exerted control over the content and selection of the primary transmission or the recipients of EMI's secondary transmission.<sup>3</sup> EMI merely provided wires, cables or other communications channels for the use of others.<sup>4</sup>

In this case, the satellite resale carrier, EMI, brought a declaratory judgment action against Doubleday Sports, Inc., owner of the New York Mets. EMI sought a ruling that its retransmission of the New York Mets games without the consent of Doubleday did not infringe upon Doubleday's copyright of Mets broadcasts.<sup>5</sup> At that time, EMI's services included the retransmission of the television signals of broadcast stations to markets outside the service areas of the broadcast stations. EMI converted these broadcast signals into microwave signals via satellite or a string of line-of sight terrestrial microwave repeater stations. These microwave signals were delivered to the headends of the customers of its transmitting services, usually the CATV systems,

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1. 691 F.2d 125 (2nd Cir. 1982), *cert. denied*, 103 S. Ct. 1232 (1983).

2. 17 U.S.C.A. § 111(a)(3) states in part:

(a) CERTAIN SECONDARY TRANSMISSION EXEMPTED.—The secondary transmission of a primary transmission embodying a performance or display of a work is not an infringement of copyright if:

(3) The secondary transmission is made by any carrier who has no direct or indirect control over the content or selection of the primary transmission or over the particular recipients of the secondary transmission, and whose activities with respect to the secondary transmission consist solely of providing wires, cables, and other communication channels for the use of others.

3. 691 F.2d at 130-31.

4. *Id.* at 131.

5. *Id.* at 126-27.

who convert the microwave signals to television signals for distribution to, and viewing by, the CATV subscribers.<sup>6</sup>

EMI supplied its customers, the CATV stations, with a choice of various television signals. One of these signals, WOR-TV, carried the New York Mets baseball games which EMI retransmitted, without alteration to approximately six hundred CATV systems across the country.<sup>7</sup> Prior to selecting WOR-TV for satellite retransmission, EMI had conducted a marketing survey among cable television systems to determine the marketability of the WOR signal. Based on the demand for WOR-TV, demonstrated by EMI's survey, EMI selected the WOR signal.<sup>8</sup>

The district court held that the retransmission did not fall within the common carrier exemption of the Act.<sup>9</sup> The district court first noted that EMI had control over the selection of the primary transmission. The court opined:

It was EMI which selected WOR's signal to be retransmitted to the public. The decision to retransmit WOR by satellite relay was made after EMI had conducted a survey to determine the marketability of WOR signal. Originally, EMI had planned to transmit two television signals via satellite, WOR and WSBK, broadcast from Boston. EMI was only able to contract for one channel over the satellite, therefore, it had to select between the two already selected for the one signal to be retransmitted. Based on the demand for WOR-TV demonstrated by EMI's survey, EMI selected the WOR signal. It is clear that EMI selected the primary transmission.<sup>10</sup>

The district court noted that EMI also exercised control over the recipients of the secondary transmission. The district court posited:

It is EMI which chooses the customers with which it will deal . . . . [and] the recipients of the secondary transmission carried by EMI are the CATV systems, not their subscribing members.<sup>11</sup>

The district court finally noted that EMI did not limit its activities to

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6. *Id.* at 126.

7. 534 F. Supp. 533, 535 (N.D.N.Y. 1982). For example, two hotels and a casino in Las Vegas were recipients of these signals. 691 F.2d at 126, n.1.

8. 534 F. Supp. at 537.

9. *Id.* at 538. The district court also held that EMI's service constituted a "public performance" of the audiovisual works retransmitted. This issue was, however, moot on appeal. *See*, 691 F.2d at 127 n.5.

10. 534 F. Supp. at 537.

11. *Id.* at 538.

providing wires, cables, or other communication channels for the use of others. The district court remarked:

It is true that EMI makes its service available by providing these avenues of communication. It does not, however, provide them solely for the use of others. Rather, they are used to make available the product it is marketing, WOR-TV . . . . In its brief, EMI likens itself to carriers such as AT&T, which do provide wires, etc., for the use of others . . . . There is, however, at least one major difference between AT&T and EMI. AT&T markets its service; EMI markets a product. The advertisement (by EMI) demonstrates that EMI is doing more than providing cables, etc., for the use of others. It is selling a product, the signals of WOR-TV.<sup>12</sup>

Based on these reasons, the district court held that EMI was not entitled to the passive carrier exemption enumerated under 17 U.S.C.A. Section 111 (a)(3).

The Second Circuit reversed the holding and rejected the reasons given by the district court. The Second Circuit accepted EMI's argument that the satellite resale carrier did not exercise control over the selection of the primary transmission. In rejecting the district court's position that EMI chose between WSBK and WOR-TV, the Second Circuit noted that there are technical restrictions that force EMI to make this determination on which station's signals it chooses to transmit. The Second Circuit concluded that the initial one-time determination to retransmit a particular station did not evidence the control over the content and selection of the primary transmission intended to be precluded under Section 111 (a)(3):

When the communication service is technologically limited to one sender, however, a type of "selection" is impelled. That type of forced selection cannot be the type precluded by the statute . . . for to so hold would be to require that exemption be denied to any carrier that did not retransmit every television broadcast of every television station in the country.<sup>13</sup>

The Second Circuit next ruled that EMI did not exert direct or indirect control over the particular recipients of the transmission. Because EMI had been licensed by the Federal Communications Commission (FCC) as a common carrier,<sup>14</sup> the Second Circuit gave great

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12. *Id.*

13. 691 F.2d at 130.

14. *In re* Application of Eastern Microwave Inc., 70 F.C.C. 2d 2195, 2201-03 (1979).



deference to the judgment of the licensing procedure of this administrative agency. In rejecting the district court's analysis, the Second Circuit posited:

EMI is subject to FCC regulation and has been granted authority under 47 U.S.C. Section 214 to operate as a common carrier . . . . That EMI operates under FCC-approved tariffs which a particular CATV system might not be able to meet does not mean that EMI exercises control over its recipient CATV customers. The record indicates that no reasonable request for its services was ever refused by EMI.<sup>15</sup>

The Second Circuit finally held that EMI merely provided wires, cables or other communication channels for the use of others. Earlier, the district court had adopted Doubleday's position that EMI was, in effect, selling the Mets games. The district court noted that the resale carrier was advertising, *inter alia*, WOR-TV's broadcasting of the Mets games. The appellate court, however, saw the facts in a different light. The Second Circuit was quick to point out that EMI is merely selling its transmission services. Furthermore, EMI transmitted nothing of its own creation. The Second Circuit remarked:

[EMI] transmits only to the headends of its customers who employ its services in lieu of obtaining their own wires, cables, etc . . . . That it transmits particular signals in response to contracts with its customers specifying those signals, and that it announces to potential customers its ability to transmit those signals, are actions not in conflict with an exempt carrier status.<sup>16</sup>

The appellate court took note of the legislative pronouncements concerning the district court's ruling. Although these later pronouncements were not viewed as congressional intent, the justices sided with Congressional judgment regarding the application of Section III (a)(3) on resale carriers. The Congressional report in part stated:

In the course of Committee deliberations on this legislation, a decision was issued in a case involving the interpretation of Section 111 (a)(3), *Eastern Microwave, Inc. v. Doubleday Sports, Inc.*, 534 F. supp. 533 (N.D. N.Y. 1982), which leaves the cable industry in a state of turmoil. The holding of that case was that the carrier, Eastern Microwave, Inc., failed to qualify for the Section 111 (a)(3) exemption. In the Commit-

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15. 691 F.2d at 131.

16. *Id.*

tee's view, the decision incorrectly construed the carrier exemption. If the decision is applied to other parties, all satellite resale carriers could be liable for copyright infringement when they deliver distant signals to cable systems . . . . There has never been any doubt by this Committee that carriers are exempt from copyright liability when retransmitting television signals to cable systems via terrestrial microwave or satellite facilities.<sup>17</sup>

In the interest of uniformity with legislative intent, the Second Circuit held that EMI's retransmission of WOR-TV's signals did not violate Doubleday's interest in the Mets games.<sup>18</sup>

*Thompson Ong*

b. *Vertical Blanking Interval on Retransmission*

In *WGN Continental Broadcasting Co. v. United Video, Inc.*,<sup>19</sup> the Seventh Circuit held that where the satellite carrier deletes a copyrighted portion of the retransmitted broadcast signals, the vertical blanking interval,<sup>20</sup> the carrier is not entitled to the passive carrier exemption under 17 U.S.C.A. Section 111 (a)(3).

In *WGN*, an independent broadcasting station in Chicago, WGN-TV, brought an action to enjoin the satellite resale carrier, United Video (UVI), from retransmitting WGN's copyrighted television programming, the nine o'clock news. UVI was stripping the vertical blanking interval of teletext information generated by WGN and substituting a Dow Jones news service.<sup>21</sup> Specifically, WGN contended that UVI's deletion of the teletext information in WGN's vertical blanking interval and substitution of a Dow Jones news service is evi-

17. H.R. Rep. No. 559, 97th Cong. 2d Sess. 4 (1982), cited in 691 F.2d at 129-31, n.11.

18. 691 F.2d at 133.

19. 693 F.2d 622 (7th Cir. 1982).

20. *Id.* at 623-24. The Seventh Circuit explained:

Each picture that flashes on a television screen is generated by an electron gun behind the screen that moves rapidly back and forth from the top to the bottom of the screen. When the gun reaches the bottom it shuts off and returns to the top of the screen to begin again. The interval in which the gun is shut off—an interval too brief for the viewer to be aware of—is the vertical blanking interval. It has traditionally been used to carry certain signals that "tell" the television set how to set up the next picture on the screen, but the time required for this function is only a fraction of the interval, and the rest is available, and increasingly is used, to carry other information. Subtitles for deaf people are the most common use . . . . But all sorts of other information can be encoded the unused portion of the vertical blanking interval—news bulletin, weather reports, ballgame scores, station announcements, the stock ticker, etc.

21. 523 F. Supp. 403, 404 (N.D. Ill. 1981), *reversed*, 693 F.2d 622.

dence of copyright infringement.<sup>22</sup> As the WGN experts testified:

To an engineer [the vertical blanking interval] is all one part of the same signal. One cannot exist without the other. It is an integral part of the signal.<sup>23</sup>

UVI, on the other hand, urged that WGN's vertical blanking interval signals are not essential to UVI's retransmission of the TV signals to its customers. UVI, as a microwave and satellite common carrier, did not directly transmit to the ultimate television viewers. Further, vertical blanking was not integral to a television program's transmission. Finally, it was more efficient and economical for UVI to strip the vertical blanking interval from WGN's TV signals before transmitting the signal to the satellite.<sup>24</sup> The lower court had held<sup>25</sup> *inter alia* that UVI's activities in stripping WGN's vertical blanking interval did not constitute control over or selection of WGN's news program.<sup>26</sup>

The district court reasoned that activity which changes the content of a copyrighted work clearly has a copyright significance. However, the mere alteration of the signal which does not affect the retransmission of the broadcaster's copyrighted work has no copyright significance. The district court adopted UVI's position that the copyright laws are designed to protect intellectual property, not methods of communication.<sup>27</sup> The court further opined that the news program, plus its teletext transmission, did not constitute one copyrighted work. The district court adopted the test which mandated that in order for the teletext transmission to be part of the nine o'clock news program, it must be part of the same "series of related images" which made up WGN's regular news program.<sup>28</sup> Based on these two reasons, the dis-

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22. *Id.* at 408.

23. *Id.* at 406.

24. *Id.*

25. The district court also held that:

(a) television company's news program, plus teletext transmission of a program, did not constitute one copyrighted "audio-visual work" under copyright law;

(b) carrier was not guilty of copyright infringement in their rebroadcast of news program on the basis that its secondary transmissions were made to the public; and,

(c) counts of complaint alleging that carrier's stripping of its teletext program constituted tortious interference with company's contract or expectancy rights with one of its subsidiaries failed to state a cause of action.

The Seventh Circuit, however, incorporated or summarily dismissed these issues and chose to only discuss the effects of the stripping of vertical blanking intervals. 691 F.2d at 623.

26. 523 F. Supp. at 413.

27. *Id.* at 411.

28. *Id.* at 412. The district court was persuaded by 1 Nimmer on Copyright, § 209[A] (1980) which lists three required elements for an audiovisual work: It must consist of (1) "images"; (2) such images must be sequential, that is, they must be "related" and

strict court concluded that UVI was entitled to the benefits of the passive carrier exemption of Section 111 (a)(3) because the vertical blanking interval was not part of the copyrighted work and was not of copyright significance. Hence, stripping the vertical blanking interval did not constitute control over, or selection of, WGN's nine o'clock news program.

The Seventh Circuit, however, rejected the district court's position. The appellate court acknowledged the exemptions enumerated under Section 111 (a)(3).<sup>29</sup> The Seventh Circuit then noted that UVI did not fall within the passive carrier exemption of Section 111 (a)(3) because it had altered WGN's programming.<sup>30</sup> The circuit court refuted the district court's rationale through a series of comparisons with other forms of communication methods:

[T]hough WGN chooses not to use the vertical blanking interval to overlap additional images on those in the nine o'clock news, it is clear that United Video may not use it for that purpose without WGN's permission, any more than if the publisher of a book leaves the inside covers blank the book seller (or book wholesaler, to make the analogy more precise) may inscribe the Lord's Prayer on them in order to broaden the book's appeal.<sup>31</sup>

The appellate court was quick to point out that each frame in a motion picture is covered by the copyright on the motion picture even though the frames are not intended to be viewed simultaneously. The circuit court adhered only to the "related image" test and rejected that such images must be viewed sequentially to be copyrightable.<sup>32</sup> Citing examples given in Nimmer's treatise, the court noted that a television frame is no different than entries in dictionaries, fold-out maps on history books or pages in a book.<sup>33</sup> Thus, the appellate court concluded

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presented in a "series"; (3) such images must be capable of being shown by a machine or device.

29. 693 F.2d at 624.

30. *Id.* at 628. The Seventh Circuit did admit that "[t]he copyright is in the programming rather than in the method which it was transmitted." In doing so, WGN did not own the vertical blanking interval that it has allegedly copyrighted.

31. *Id.* at 626. See, *National Bank of Commerce v. Shaklee Corp.*, 503 F. Supp. 533, 543-44 (W.D. Tex. 1980).

32. *Id.* at 626.

33. *Id.* at 626-27. See, also, 1 Nimmer, *supra*, at § 2.08 [A][2]. The court remarked:

The pages of books are also usually read sequentially, but this has never been thought a condition of copyright protection. A dictionary can be copyrighted although its pages, and the entries on each page, are not intended to be read in sequence . . . a history book includes a fold out map as an endpaper for the reader to consult from time to time while reading the text, the copyright on the

that WGN's nine o'clock news is an audiovisual work, a work that consists of a series of "related images" which are intrinsically intended to be shown by the use of machine or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds.<sup>34</sup> The court further noted that there is no question that WGN's teletext was intended to be viewed in conjunction with the nine o'clock news. Based on these reasons, the Seventh Circuit enjoined UVI's stripping of WGN's vertical blanking intervals and held that such stripping infringed on the copyrighted programming of WGN's nine o'clock news.<sup>35</sup>

The cases herein analyzed have particular significance to the CATV industry. The *EMI* decision has broad implications. First, technical necessity now requires a one-time determination by the resale carrier to transmit to its customers the most preferred signal.<sup>36</sup> Second, so long as the satellite resale carrier does not alter the original signal, passive carrier exemption will be granted.<sup>37</sup> Third, a passive carrier status would be granted to the intermediate carrier so long as it transmits "nothing of its own creation."<sup>38</sup> Fourth, the intermediate carrier's advertisement will not affect its status as a passive carrier.<sup>39</sup>

The *WGN* opinion, however, has much narrower implications. The court noted that UVI "cannot avail itself of the passive carrier exemption, because it was not passive—it did not retransmit WGN's signal intact."<sup>40</sup> Admittedly, the Seventh Circuit did not say whether UVI's retransmission of WGN's signal intact would have availed UVI to the passive carrier exemption. However, one may imply the converse of the circuit court's statement. In fact, the *EMI* court has noted this implication as a basis for its decision.<sup>41</sup>

*Thompson Ong*

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book includes the map although the map is not intended to be read either simultaneously with the text or in same prescribed sequence with it.

34. *Id.* at 626.

35. *Id.* at 628.

36. 693 F.2d at 130.

37. *Id.* at 128.

38. *Id.* at 131.

39. *Id.* at 131-32.

40. 693 F.2d at 625.

41. 691 F.2d at 132, n.16.

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## B. Antitrust

### 1. "All Rights" Acting Contracts Preclude Future Royalties

*Rooney v. Columbia Pictures Industries, Inc.*,<sup>1</sup> is an example of a type of lawsuit that may become very common in the next few years, as the legal profession begins to adapt to the presence of the ever-growing pay television/home entertainment industry. As new markets for entertainment products emerge, a new generation of attorneys will attempt to apportion the royalty windfall between labor and management.

In *Rooney v. Columbia Pictures*, actor Mickey Rooney attempted to profit from the pay television/home entertainment industry by escaping the confines of several pre-1960 film contracts, in which he surrendered all rights to future royalties. Understandably, Rooney did not anticipate the future profits of home entertainment. He brought an action on behalf of himself and a class of motion picture performers who appeared in films produced by the defendants and affiliated parties prior to February 1, 1960. He claimed that contracts between himself and many major studios, as well as similar contracts signed by thousands of other performers, were invalid because of the alleged participation of these studios in a conspiracy in violation of the Sherman Antitrust Act.<sup>2</sup>

Defendants Columbia Pictures and seven other motion picture producers and distributors moved to have the action dismissed, alleging that Rooney failed to state a claim, in violation of Federal Rule of Civil Procedure 12(b)(6). They alternatively petitioned for a ruling of summary judgment.

The U.S. District Court granted defendants' motion for summary judgment, holding that the disputed agreements were enforceable even if a conspiracy between the various studios existed because no action in violation of the Sherman Antitrust Act was required to execute the agreement. The court also ruled that the contract rights Rooney attempted to assert did not exist, and therefore, a charge of deprivation of these rights was impossible.

Sometime before 1930, eight major producers and distributors of motion pictures: Columbia Pictures Industries, Inc., Metro-Goldwyn-Mayer, Inc., Paramount Pictures Corp., United Artists Corp., RKO General, Inc., Twentieth Century-Fox Film Corp., United Artists Corp., Universal Studios, Inc., and Warner Brothers, Inc., allegedly en-

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1. *Rooney v. Columbia Pictures Indus.*, 538 F. Supp. 211 (S.D.N.Y. 1982).

2. 15 U.S.C. § 1 (1982).

gaged in a conspiracy to retain all rights to the proceeds coming from their films. After the formation of this alleged conspiracy, and up until 1960, innumerable performance contracts were signed between the defendant studios and the plaintiffs in this class action. Most of these contracts were "all rights" contracts, in which the studios retained all rights to the proceeds earned by these films, while the performers were paid a flat fee for their work. Rooney claimed that as alternative markets for films began developing, the defendants again conspired—this time to refuse to deal with Rooney regarding his "publicity rights" in these pre-1960 films. Publicity rights are the rights a performer has with respect to the use of his name in connection with a product. These rights are worth money to the performer, as he can charge a fee for the use of his name.

The complaint was in four counts. The first count alleged a conspiracy between the defendant studios which began sometime before July 1, 1977 to not deal with Rooney regarding the disputed publicity rights. The purpose of the conspiracy, according to plaintiffs, was to exploit alternative markets without compensating Rooney and the other members of his class. The second count alleged wrongful receipt of all profits gained by the studios from this exploitation. Count three alleged a violation of the Lanham Act<sup>3</sup> by the studios who purportedly represented that (1) the films in question could be commercially exploited in alternative markets, and (2) Rooney and his class sponsored, endorsed, or approved the use of these films in alternative markets. Count four alleged that defendants misappropriated the names, likenesses, and valuable property rights of Rooney and his class due to this unfair competition.

The court held that the common assumption behind all four counts was that although the studios secured the rights to the proceeds of the films if exhibited in movie theaters, they did not secure the rights to the proceeds of the films if exhibited in alternative markets. It is by rejecting this contention that the court effortlessly resolved this issue, and ruled in defendants' favor.

The court then moved its attention to Rooney's claim that the contracts in question were invalid because they were the product of an illegal conspiracy. Judge Conner of the *Rooney* court said that defendants' argument that plaintiffs offered no evidence of the alleged conspiracy was unnecessary, as it would not affect the enforceability of the

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3. 15 U.S.C. § 1125(a) (1982). Briefly, this section of the Lanham Act proscribes the false labeling of any goods, services, or containers of goods, with respect to designations of origin or descriptions of the goods or services.

contract, even if proved. Citing *Kelly v. Kosuga*,<sup>4</sup> the court stated that if a contract is legal on its face and does not require activity in violation of antitrust laws, it is not voidable simply because it is the result of an antitrust conspiracy. The court then said that the contracts in question were legal on their faces, and that the enforcement of "all rights" contracts does not require any conduct violative of antitrust laws.

In concluding, the court held that the contracts in question here granted defendants the right to use and exploit in alterative markets the pre-1960 films in which Rooney and the rest of the class appeared. As a result, the court granted summary judgment on each count in this fashion: (1) As Rooney had no publicity rights in pre-1960 films, there could be no conspiracy to not deal with the plaintiffs regarding their publicity rights;<sup>5</sup> (2) since the contracts were valid, no wrongful receipt of profits under them could accrue; (3) because defendants had all the rights with respect to the films, representations made regarding the potential uses of the films were not false and; (4) any so-called "rights of publicity" claimed by Rooney with respect to the pre-1960 films were waived by him in the contracts.

This lawsuit appeared to be a vain attempt to recover money to which Rooney was not legally entitled. Because the court recognized that Rooney was looking for any angle that would favor him, its decision will have limited impact on future cases. The first implication that can be drawn from this case is that courts will not tolerate frivolous suits, even in cases where the "little" performer squares off against the "big" studios. This decision conveyed the message that past conspiracies, substantiated or not, will have no effect on the validity of present contracts if they do not require activity in violation of antitrust laws. This eliminates one method of escaping the confines of an unfavorable contract. Also reiterated by the court is the idea that in order to use the antitrust charge successfully, a plaintiff must prove an injury of the type antitrust laws were intended to prevent.<sup>6</sup>

With regard to the circumstances which created this lawsuit in the first place (the eruption of alternative sources of revenue) early indications are that "all rights" contracts mean "all rights". If this case is any indication of the trend of the law, courts will be viewing these after-the-

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4. *Kelly v. Kosuga*, 358 U.S. 516, 518 (1959). The court in *Kelly* stressed that unless its decision would force conduct made unlawful by the Sherman Antitrust Act, the contract would be upheld.

5. *Herrin v. Collins & Associates*, 483 F. Supp. 288 (W.D. Pa. 1980), held that where plaintiff had no property to lose, allegations of conspiracy to deprive him of his property rights must fail.

6. *Brunswick Corp. v. Pueblo Bowl-O-Mat, Inc.*, 429 U.S. 477 (1977).



fact attempts to get out from under what looks to be an increasingly raw deal for performers as an effort to get something for nothing. A major consideration in the court's decision was that Rooney and the studios had bargained for the contract in good faith. Rooney had ostensibly received a larger lump sum than he normally would have received in exchange for surrender of his future interest in the films. The court did not feel it was proper to allow Rooney, who surrendered his future interest in the films for a greater lump sum, to turn around and make a royalty deal twenty-plus years later.<sup>7</sup> Another obvious implication of the summary resolution of this case is the probable extinction of "all rights" contracts in the entertainment industry.

The court's decision was the proper resolution of the case for several reasons. First, as discussed above, there are sound policy reasons for rejecting Rooney's attempt to get something for nothing. Any industry will suffer severe economic hardship if its members are allowed to renege on contracts because the other party winds up with a better deal. Second, one of Rooney's major rationales for the invalidity of the contracts was the alleged conspiracy between the major Hollywood film studios. Unfortunately for Rooney, he never offered any evidence (alleged or otherwise) that would have made it even debatable as to whether or not any such conspiracy existed. Finally, there is ample precedent to show that, even if a conspiracy existed, that fact alone would have no effect on the contracts in question. Therefore, in issuing a summary judgment against Rooney on all four counts, the court properly disposed of a case that never should have been filed in the first place.

*Michael Leventhal*

## *2. Participation in Split Agreements Constitutes Unlawful Price-Fixing*

Since the dawn of the film industry many theatre owners and film distributors have engaged in a practice known as "splits." In a split agreement, participating theatre owners divide among themselves upcoming films to be released, allocate to a single theatre owner a first right of negotiation, and refrain from competing against the designee while its right to negotiate continues. In the case of *General Cinema*

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7. *Kelly v. Kosuga*, 358 U.S. 516 (1959), in which the Court relied on general policy grounds stated by Mr. Justice Holmes of "preventing people from getting other people's property for nothing when they purport to be buying it." *Continental Wall Paper Co. v. Voight*, 212 U.S. 227, 271 (1909).

*Corp. v. Buena Vista Distribution Co., Inc.*,<sup>1</sup> the distributor (Buena Vista) counterclaimed, asserting that the theatre owner's (General Cinema Corporation, hereinafter referred to as GCC) participation in split agreements constituted unlawful price fixing. The district court granted Buena Vista's motion for a partial summary judgment on this issue,<sup>2</sup> and held that split agreements constituted per se violations of the Sherman Antitrust Act.<sup>3</sup>

In September, 1978, Buena Vista filed a counterclaim<sup>4</sup> against GCC asserting that the latter's participation in split agreements constituted unlawful price fixing under the Sherman Antitrust Act.<sup>5</sup> Buena Vista sought injunctive and declaratory relief, as well as treble damages for the splits involving GCC.<sup>6</sup> In May, 1980, Buena Vista's motion for a partial summary judgment on its counterclaim was denied. Approximately one year later Buena Vista renewed its motion for a partial summary judgment as to the issue of liability.

Buena Vista argued that the split agreements in question should be declared per se illegal price fixing, because the purpose and effect of such agreements is to reduce price competition. In essence, Buena Vista argued that under the Sherman Act, the licensing of films properly occurs only under competitive conditions.<sup>7</sup>

In response, GCC argued that the motion for partial summary judgment should be denied because splits are properly evaluated under the rule of reason,<sup>8</sup> not the per se rule. Furthermore, GCC contended that splits result in only minimal restraint on competition, and that they have significant benefits for distributors and exhibitors. Thus, GCC argued that the proper standard for review was the rule of reason, since the legality of splits can only be determined on a case-by-case basis at trial.

The court's opinion was divided into five parts. In the first part, the court addressed the propriety of granting a motion for summary judgment in antitrust cases. The next two parts contained an analysis

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1. 532 F. Supp. 1244 (C.D. Cal. 1982).

2. "Liability" for price fixing was the issue.

3. 15 U.S.C. § 1 (1975).

4. The original claim was filed by GCC against Buena Vista in August, 1978.

5. 15 U.S.C. § 1 (1975).

6. For splits occurring during and after the four year statute of limitations period prior to the date of the suit.

7. Examples include competitive bidding and competitive negotiations.

8. Two methods of antitrust analysis have developed. Under the rule of reason, the courts weigh the pro- and anti-competitive effects of a challenged restraint to determine if it is reasonable. The second method is the per se rule, which applies to practices that facially appear to always restrict competition.

of the asserted anti-competitive and pro-competitive effects of splits under the relevant case law. Part four addressed GCC's assertion that distributor participation or consent is material to the legality of splits. The final part of the opinion dealt with GCC's argument that splits should be analyzed on a case-by-case basis.

The court concluded that partial summary judgment was proper here for two reasons. First, to withstand a motion for summary judgment it simply is not enough to refer to disputed factual issues. Rather, the factual issues must be material. Here, the court concluded that although many of the factual issues raised by GCC may be material to the issue of damages, the present motion concerned only the issue of liability. Secondly, the court noted that case law supports the granting of partial summary judgment where the per se rule applies. In a 1963 case, the Supreme Court stated, "[P]rice-fixing arrangements, both vertical and horizontal, have . . . been held to be per se violations of the antitrust laws; and a trial to show their nature, extent, and degree is no longer necessary."<sup>9</sup>

Next, the court examined the anti-competitive nature of splits. Buena Vista argued that it was not necessary to examine evidence of anti-competitive effects, in this case, in view of the obvious nature and effect of splits. Although the court agreed that Buena Vista's argument was valid, it decided to analyze the evidence in the record since splits had never before been held to be per se illegal price fixing. In a three-pronged analysis, the court concluded that the effect of splits is to block the free flow of price information and competitive offers, and thus interfere with the price mechanism on which our society depends.<sup>10</sup>

Furthermore, the court concluded that prior precedents (on splits) and the position of the Justice Department highlighted the anti-competitive nature of splits, and offered additional support for applying the per se rule.<sup>11</sup> In *Cinema-Tex Enterprises, Inc. v. Santikos Theatres, Inc.*,<sup>12</sup> splits were found to be per se violations of the antitrust laws. The anti-competitive nature of splits was also recognized by the court in *Admiral Theatre Corp. v. Douglas Theatre Co.*<sup>13</sup> Likewise, the Justice Department, since April 1, 1977, has taken the position that splits are uniformly illegal per se because they are severely anti-competitive.<sup>14</sup>

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9. *White Motor Co. v. United States*, 372 U.S. 253 (1963).

10. 532 F. Supp. at 1262.

11. *Id.* at 1264.

12. 414 F. Supp. 640 (W.D. Tex. 1975).

13. 585 F.2d 877 (8th Cir. 1978).

14. 532 F. Supp. at 1266.

GCC set forth six justifications which it contended were pro-competitive benefits that required analysis under the rule of reason.<sup>15</sup> The court stated that based on the record establishing the manifestly anti-competitive nature of splits, it was difficult to imagine any pro-competitive benefits of sufficient importance to outweigh the anti-competitive aspects of splits under the rule of reason. On the other hand, the court noted that the law is not entirely clear as to how far a court must go before it properly characterizes a practice as falling within the per se rule.<sup>16</sup> The court recognized that there is some authority that both the asserted pro-competitive and anti-competitive aspects of a challenged practice should be evaluated in determining whether it should be characterized as price fixing.<sup>17</sup> In its desire to be convinced that splits have no redeeming competitive virtue, the court, before applying the per se rule, decided to examine GCC's asserted justifications.

Upon examination of each of the asserted pro-competitive benefits, the court concluded that none of them justified the resulting suppression of competition. As authority, the court cited a Supreme Court decision which stated that restraints on price competition never inure to the public benefit.<sup>18</sup>

The court next evaluated GCC's argument for the rule of reason based on acquiescence, consent, and participation in splits by distributors.<sup>19</sup> The court agreed with Buena Vista's argument, however, that evidence of acquiescence was not material to the question of GCC's liability under the Sherman Act. Nevertheless, the court examined GCC's four part argument<sup>20</sup> because of the rigorous standards for summary judgment. The court concluded, however, that none of GCC's arguments were persuasive enough to justify application of the rule of reason, because all that GCC had offered were conclusionary assertions that Buena Vista's alleged participation yielded pro-competitive bene-

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15. 1) greater lead time for advertising and other methods of exploiting the pictures; 2) greater flexibility in scheduling runs; 3) less paperwork, time and effort; 4) less risk that an exhibitor will be without a picture and a distributor will be without a theater in which to play it; 5) assurance to distributors of the outlets and play times of their choice; and 6) protection of smaller, independent exhibitors.

16. 532 F. Supp. at 1267.

17. *State of Ariz. v. Maricopa County Medical Soc'y*, 643 F.2d 553 (9th Cir. 1980).

18. *Nat'l Soc'y of Professional Engineers v. United States*, 435 U.S. 679, 693-94 (1978).

19. Including Buena Vista.

20. 1) If Buena Vista has participated in or consented to splits, it has no standing to sue because it cannot have been damaged; 2) participation or consent by distributors converts splits into vertical agreements; 3) Buena Vista's participation in splits amounted to "complete involvement"; and 4) prior precedents regarding splits have considered similar evidence.

fits to splits. In fact, many practices that have openly and widely occurred for many years have later been held to be unlawful per se.<sup>21</sup>

In the final portion of its opinion, the court firmly stated that splits need not be evaluated on a case-by-case basis.<sup>22</sup> The record showed that all splits involve an agreement not to interfere with the split designee's initial opportunity to negotiate. Therefore, all splits, including the ones at issue, have the purpose and effect of suppressing competition, and thus, are per se illegal.<sup>23</sup> When the per se rule applies, as it does here, all splits are conclusively presumed illegal without a burdensome inquiry as to the precise harm they have caused. The per se rule in this manner serves to make the types of restraints proscribed by the Sherman Act more certain, to the benefit of all concerned.<sup>24</sup>

Based on the Supreme Court's recent decision in *Catalano, Inc. v. Target Sales, Inc.*,<sup>25</sup> the decision in this case appears sound. In *Catalano*, retailers of beer in California brought an action alleging that certain wholesalers of beer had violated section 1 of the Sherman Act when they abandoned their prior practice of extending credit to their retailers without interest, and thereafter refused to sell to retailers unless payments were made in advance or upon delivery. The district court and the Court of Appeals for the Ninth Circuit agreed that a horizontal agreement among competitors to fix credit terms does not contravene antitrust laws.<sup>26</sup> The United States Supreme Court reversed and held that the horizontal agreement was plainly anti-competitive and constituted price fixing that is illegal per se under the Sherman Act. The Court noted that horizontal agreements to fix prices were archetypal examples of practices that were plainly anti-competitive. The Court stated that it has long been settled that an agreement to fix prices is illegal per se.<sup>27</sup>

The court here relied heavily on *Catalano*, holding for the first time that splits are per se illegal price fixing. The court reasoned that splits fell into the category of plainly anti-competitive practices that the Supreme Court recognized in *Catalano*. Moreover, in its zeal to be absolutely certain of its decision, the court here engaged in a more detailed analysis than did the Supreme Court in *Catalano*, while reaching

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21. 532 F. Supp. at 1278.

22. *Id.* at 1273.

23. *Id.* at 1279.

24. *Id.*

25. 446 U.S. 643 (1979).

26. *Id.* at 644.

27. *Id.* at 647.

the same conclusion. Thus, the court's decision appears reasonable and well-founded.

Since splits have been taking place for years, this decision, if it is widely followed, could have a profound effect on the film industry. The question arises: will film exhibitors and distributors abide by the holding in this case or will they continue to "wheel and deal" as has been their practice for years? There is no conclusive answer to this inquiry now. All we can do is keep our eyes focused on this skittish industry and on the cases that will undoubtedly arise in the future.

*Randy Berg*

### C. Breach of Contract

#### 1. *Director's Right to Receive Sole Film Credit*

In *Nuchtern v. Vanderbes*,<sup>1</sup> the United States District Court, Southern District of New York, granted a preliminary injunction against defendant producer to enjoin him from releasing, marketing, or publicizing the film, "New York Nights," in any manner which would fail to give plaintiff director sole credit as director of the film.<sup>2</sup> Jurisdiction was premised on the Lanham Act.<sup>3</sup> Plaintiff's cause of action for breach of contract was adjudicated on pendent jurisdiction.<sup>4</sup>

Vanderbes began working on his film project in 1979, planning on writing and producing the film himself. He hired Nuchtern as director at \$35,000 and released publicity for the film which named Nuchtern as director.<sup>5</sup> However, prior to any production, the project was set aside for a period. Vanderbes reactivated the project in 1981 with funds received from another film. Vanderbes approached Nuchtern with a reiteration of his offer of the director position but at a lower compensation of \$25,000. The reason for a reduction in the salary was that Vanderbes wished to recoup his individual investment.<sup>6</sup>

The movie was filmed between October 1981 and December 1981 with Nuchtern acting as director. During the entire filming of the picture, Vanderbes introduced Nuchtern as the director of the film at parties and budget meetings. Nuchtern was recognized by the crew as director during daily filming activities.<sup>7</sup>

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1. *Nuchtern v. Vanderbes*, No. 82 Civ. 6182, slip op. (S.D.N.Y. Oct. 12, 1982).

2. *Id.* slip op. at 6.

3. 15 U.S.C. 1051 *et. seq.* (1976).

4. *Nuchtern* at 6.

5. *Id.* at 2.

6. *Id.*

7. *Id.* at 4.

Plaintiff first noticed changes regarding his director's credit in the spring of 1982 when a publicity poster was issued which listed Vanderbes as producer "in association with" Nuchtern. Also, Vanderbes gave an interview in which he named himself as director.<sup>8</sup> When the film was released with Vanderbes and Nuchtern billed as co-directors, Nuchtern filed suit for sole director's credit.

Vanderbes first contended that he had renegotiated Nuchtern's status when the film was reactivated. Secondly, he claimed that since he had done so much work on the film and had put so much of his life into it that he deserved the director's credit.

The court found as a matter of fact that Nuchtern's status as director was never renegotiated as evidenced by the incidences in which Vanderbes held Nuchtern out as director.<sup>9</sup> The court also dismissed Vanderbes second contention, that he deserved the credit, as "without legal significance."<sup>10</sup> The court found Vanderbes had contracted with Nuchtern to be the director and receive the credit due. Nuchtern had fully performed his contract and, even though he had been assisted to some extent by Vanderbes as producer, Nuchtern was entitled to sole credit.

Further, the court held that Nuchtern had suffered irreparable harm and loss to his reputation due to the failure to receive credit for his work after he had held himself out to the film world as the director of "New York Nights." Monetary damages alone would be insufficient to remediate the damage caused by the lack of proper billing. Therefore, the court granted a preliminary injunction prohibiting release of the film until Nuchtern was given his sole director's credit.<sup>11</sup>

This case reflects the importance of compliance with contracts for credit in the entertainment field. Credit for work done provides a resume for artists and enhances their reputation and public recognition.<sup>12</sup> Breach of contracts in this area require remedies quite specific to the entertainment business.

The importance of credit for a director is reflected by the many requirements set out in the Directors Guild of America, Inc., Basic Agreement for 1981, as to size, position, amount and quality of credit

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8. *Id.* at 3.

9. *Id.*

10. *Id.* at 5.

11. *Id.* at 6.

12. See *In re Arbitration between Directors Guild of America, Inc., and Metro Goldwyn-Mayer Film Co., re: "Poltergeist", (DGA) (June 15 and June 22, 1982) (Mosk, Arb.)* [hereinafter cited as *DGA Arbitration*].

to be given.<sup>13</sup> Failure to comply with these regulations leaves the court or arbitrator with the task of ordering an appropriate remedy for the breach. In *Nuchtern*, the court ordered a temporary injunction on the showing of the film until proper credit was given Nuchtern. However, under a different situation, injunction might cause more harm than the breach of contract and not provide a feasible remedy. The money lost because of failure to meet contracts or because of further production costs may equitably dictate that an injunction would be improper. Injunction, again, would also have been ineffective if the film had already been widely circulated, and damage already done to the claimant's career.

However, other remedies are available where appropriate. In 1982, an arbitration between the Directors Guild Association and Metro Goldwyn-Mayer concerning "Poltergeist," the provisions of Directors Guild of America, Inc. Basic Agreement of 1981 section 8-200, were interpreted as they related specifically to director's credit on trailer advertising. After concluding that MGM had violated these sections, in credit given to Director Tobe Hooper, the arbitrator ordered that: 1) MGM immediately fix credits on trailers released in Los Angeles County and New York City to comply with the DGA Basic Agreement regulations; 2) MGM publish a full page advertisement in three trade magazines, "containing an appropriate expression of regret for

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13. Directors Guild of America, Inc., Basic Agreement of 1981, § 8-200, sets out the following provisions, under "Credit for Directors of Theatrical Motion Pictures."

§ 8-201 *Screen Credit*. The Director shall be given credit on all positive prints in size of type not less than 50% of the size of which the title of the motion picture is displayed or of the largest size in which credit is accorded to any other person, whichever is greater, and no other credit shall appear on such card, which shall be the last title card appearing prior to principal photography. If more than one Director is given such credit, in accordance with the provisions of Paragraph 8-101, then such 50% may be reduced to 30% for each. The Employer shall furnish to the Guild copies of the main and end titles as soon as the same are prepared in final form but before the prints are made, for the purpose of checking compliance with the credit provisions of this BA. After such copies are furnished, there can be no changes relating to the term Director, Direction or any derivation thereof, without first giving the Guild notice of such proposed changes or elimination.

§ 8-202 *Visibility of Director's Name*. Because the Employer pledges to use its best efforts to improve the visibility of the Director's name in publicity, the Guild agrees to the following provision in Paragraph 8-203 relating to paid advertising.

§ 8-203 *Credits on Paid Advertising*. The foregoing obligations of Employer are subject to the following:

a. Size and Location of Credit

Except as states otherwise in the Section 8-200, the location of the Director's credit shall be discretionary with the Employer, and the size of type of the Director's credit shall be no less than 15% of the size of type used for the title of the motion picture, but in no event less than the size and style of type for any credit accorded any persons other than actors."



the breach of the Basic Agreement;" and 3) a \$15,000 award for damages be paid.<sup>14</sup>

The DGA Basic Agreement appears to grant broad remedial authority to arbitrators in these cases.<sup>15</sup> But, whatever the reasoning of the judge or arbitrator, it is obvious that orders in this area will vary widely depending on the particular facts of the case, the damage which may already have occurred and the damage which may be prevented.

*Karen D. Honeyman*

## 2. *Restrictive, Covenant Protects a Television Station's Image*

Although restrictive covenants are generally disfavored at law because of their restraint of trade effect, in *Beckman v. Cox Broadcasting Corp.*, the Supreme Court of Georgia affirmed a lower court's opinion which held a restrictive covenant valid.<sup>1</sup> The court held the Cox television station's image, which had been created by promoting its weatherman's personality, was an interest entitled to protection. Thus, the court upheld the contract between Cox Broadcasting Corp. and its weatherman, Johnny Beckman, which required that Beckman be absent for six months from any television appearances if he ever left the Cox station.<sup>2</sup>

Johnny Beckman, appellant, was employed by Cox Broadcasting

14. DGA Arbitration at 13-14 (June 15, 1982). The arbitrator stated that the DGA Basic Agreement intentionally provides for special import to be given to the Los Angeles and New York markets and trade papers. *Id.* at 11. See DGA Basic Agreement, § 8-203(f).

Reflecting this importance, the arbitrator ordered that all advertising trailers in use in the Los Angeles County and New York City areas should conform to the decision within fifteen days. Respondent was allowed to "continue to utilize existing trailers in the remainder of the country except that no new trailers including the offending titles shall be printed." (DGA Arbitration at 13). The arbitrator required the ads to be placed in *Daily Variety*, *Hollywood Reporter*, and *Weekly Variety*. *Id.* at 13.

15. DGA Basic Agreement of 1981, § 2-500 Arbitral Remedies—

2-501 *Authority of Arbitrator*. The Arbitrator shall have the authority to grant or award one or more of money damages, orders to withdraw, cancel, change or re-do advertising material already issued or prepared, or to require Employer to change or re-do any film titles, or to order back pay or reinstatement, or to order any other reasonable relief the Arbitrator deems appropriate in the circumstances. . . .

2-502 *Consideration for Determining Remedies*. In determining the appropriate remedy, the Arbitrator shall take into account such evidence as may be adduced by the claimant of similar prior violations by the respondent. The Arbitrator shall also take into account evidence of failure on the part of the claimant to notify the respondent promptly of the violation, and evidence of inadvertent breach."

1. *Beckman v. Cox Broadcasting Corp.*, 250 Ga. 127, 296 S.E.2d 566 (1982).

2. 296 S.E.2d at 566.

Corp., appellee, from 1962 until 1982 as a weatherman and "television personality". During this employment period, Cox allegedly spent over a million dollars promoting "Beckman's name, voice and image as an individual television personality as part of an 'Action News Team'."<sup>3</sup> In 1982, as Beckman neared the end of his contract with Cox, Beckman contracted with a competing television station to commence immediate employment in the same capacity.<sup>4</sup>

Cox filed a declaratory judgment to determine the validity of the covenant not to compete contained in Beckman's contract. However, the proceeding was dismissed for lack of evidence that Beckman actually would violate the agreement.<sup>5</sup> Later, Beckman demanded that Cox release him from the covenant but Cox refused. Similarly, a declaratory judgment action was filed, this time by Beckman. Beckman sought determination whether his new employment contract would violate the covenant contained in his old contract with Cox.<sup>6</sup> The trial court held that the restrictive covenant was valid and enforceable since Cox would be injured by Beckman's competition and Beckman would not be substantially injured by the restriction. Beckman appealed the trial court's decision.

The Supreme Court of Georgia found the trial court decision correct. The court reasoned that although a covenant not to compete is not favored due to its effect as a restraint on trade,<sup>7</sup> such a covenant may be upheld when it is strictly limited in time, in territorial effect, in the capacity in which the employee is prohibited from competing, and when reasonable.<sup>8</sup> In determining whether the limitations in the covenant were reasonable, the court balanced the interest the employer sought to protect against the impact the covenant would have on the employee, and factored in the public's interest in promoting competition and the freedom of individuals to contract.<sup>9</sup>

The court held that Cox sought to protect a large investment which it had made promoting Beckman. Cox alleged television viewers selected the local newscast to some extent by the personalities appearing

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3. *Id.* at 567.

4. *Id.*

5. *Id.*

6. *Id.*

7. *Id.* at 568. *See also*, Georgia Annotated Code § 20-504. Contracts against public policy—

(a) A contract which is against the policy of the law cannot be enforced. Contracts deemed contrary to public policy include but are not limited to:

. . . (2) Contracts in general restraint of trade; . . .

8. *Id.*

9. *Id.*

on the newscast and thus stations were largely identified by the viewers through the personalities that appeared which was why Cox wanted to restrain Beckman's appearances.<sup>10</sup>

Therefore, the court found the restraint on Beckman's career did not outweigh the interest sought to be protected by Cox. Furthermore, the court recognized that Beckman had already secured a new contract of employment, which indicated that Beckman was and would remain in demand. In addition, expert witnesses testified that Beckman would not suffer substantial damage or loss to his reputation or recognition by restraining his appearances for six months.<sup>11</sup>

The court also held that no unreasonable restrictions in time and territory were included in the covenant. The time period was only six months and the applicable territory was limited solely to stations which had transmission towers located within a radius of 35 miles from Cox (unless it was a national broadcast).<sup>12</sup>

In opposition, Beckman argued that the television personality of Johnny Beckman was his own, developed solely through his own skills and resources. Although the court held that Beckman had a right to take his skills with him, it further held that Cox had the right to restrict the use of the popularity Beckman's character had attained. The court concluded that Beckman's character had been promoted through Cox' publicity efforts and thus was a part of Cox' television station's image which was an interest entitled to protection.<sup>13</sup>

It appears this decision, determining the validity of a covenant not to compete, was based on using a reasonableness standard. For example, all of the cases cited by the court as supporting their decision dealt with restrictions on the use of trade secrets and customer lists in a new job. The applicable test for cases involving trade secrets and customer lists, is the "reasonableness test."<sup>14</sup> However, in *Beckman*, there was a transfer of unique services and thus it appears the issues should have been analyzed in terms of uniqueness of service.

The uniqueness of an employee's services has emerged in several courts as an alternative analysis to test the validity of covenants not to

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10. *Id.* at 567.

11. *Id.* at 568.

12. *Id.* at 567.

13. *Id.* at 568.

14. *Howard Schultz & Assoc. v. Broniec*, 239 Ga. 181, 236 S.E.2d 265 (1977); *Rollins Protective Services, Co. v. Palermo*, 249 Ga. 138 287 S.E.2d 546 (1982); *Uni-Worth Enterprises v. Wilson*, 244 Ga. 636, 269 S.E.2d 572 (1979).

compete.<sup>15</sup> In *Purchasing Associates, Inc. v. Weitz*, the New York Court of Appeals held a covenant not to compete, which was based on an employee's services, was enforceable if the employee's services were "special, unique, or extraordinary."<sup>16</sup> In addition, the New York court held that "more must be shown to establish such a quality than that the employee excels at his work or that his performance is of high value to his employer. It must also appear that his services are of such character as to make his replacement impossible or that the loss of such services would cause the employer irreparable injury."<sup>17</sup>

Therefore, it appears the question that should have been presented in *Beckman* was whether the service performed by Beckman was of such character as to make his replacement impossible. Furthermore, the court should have considered whether the loss of Beckman's services would have caused Cox irreparable injury. Under the "unique services" reasoning, as used in *Purchasing Associates*, Cox may not have been successful.<sup>18</sup> For example, Cox admitted that a new person would gradually be substituted for Beckman; thus, Beckman's replacement was not impossible. In addition, Cox would have had to prove that the loss of Beckman's services would have caused the station irreparable injury, an extremely difficult injury to prove.

In conclusion, it appears the court in *Beckman* used an incorrect analysis in arriving at their decision to uphold the validity of the aforementioned restrictive covenant. When the court decided to rely on the "reasonableness test", Cox should have been required to prove its right to Beckman's services as part of its business, as this has traditionally been the applicable test in cases dealing with trade secrets and customer lists. Moreover, it is possible that if the "unique services" test had been used, Beckman would have encountered no obstacle to his thriving career in Georgia and the restrictive covenant contained in his contract would have been held invalid.

*Karen Honeyman*

### 3. Actor's Right to Receive Credit

Screen credits have long been an important consideration in contract negotiations between talent and producers as the size, sequences

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15. Kniffin, *Employee Noncompetition Covenants: The Perils of Performing Unique Services*, 10 Rutgers-Camden Law Journal 25 (1978).

16. *Purchasing Associates v. Weitz*, 13 N.Y.2d 267, 196 N.E.2d 245 (1963).

17. *Id.* at 249.

18. Kniffin at 47.

and timing of credits have significant meaning and value within the entertainment industry. The importance of screen credit and relative billing to an actor's career and earning potential has now been recognized and affirmed in *Smithers v. Metro-Goldwyn-Mayer Studios, Inc.*<sup>1</sup> Further, *Smithers* extended the tort of bad faith breach of contract beyond insurance contracts and employee discharge cases.<sup>2</sup>

Plaintiff, William Smithers, entered into negotiations with defendant, Metro-Goldwyn-Mayer Studios, Inc. in January of 1976. Metro-Goldwyn-Mayer (MGM) wanted to cast Smithers, a professional actor, in the role of Anderson Galt in the television series "Executive Suite". Smithers was offered a "Most-Favored-Nations" billing status by the casting director for MGM, where no more than three actors were to receive more prominent billing than Smithers and no other artists would receive better billing.<sup>3</sup> Smithers accepted the role for less than his usual salary because of this agreed upon billing arrangement. An Outline Deal Memo was signed by the casting director and Smithers' agent. The memo was to be binding pending the execution of a long form contract.

MGM breached the billing arrangement commencing with the pilot film by giving a fourth actor "upfront" star billing. Smithers' credit was relegated to an "end-of-show-name-only billing". Eventually ten or eleven actors were given "upfront" billing ahead of Smithers. In November of 1976, after the show began broadcasting over the CBS television network, Smithers complained about the billing changes and examined the still unsigned long-form contract. Smithers found that the most-favored-nations provision had been left out of the long-form contract.<sup>4</sup>

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1. *Smithers v. Metro-Goldwyn-Mayer Studios, Inc.*, 139 Cal. App. 3d 643, 189 Cal. Rptr. 20 (1983).

2. See Louderback and Jurika, *Standards for Limiting the Tort of Bad Faith Breach of Contract*, 16 U.S.F.L. Rev. 187 (1982).

3. "Most-Favored-Nations" agreement read as follows:

Except for the parts of DON WALLING, HELEN WALLING, and HOWARD RUTLEDGE, this is on a Most Favored Nations basis, i.e. if any other performer receives greater compensation than Artist, Artist shall receive that compensation.

Additionally, no other performer shall receive more prominent billing or a better billing provision than Artist (except with respect to where his name is placed alphabetically on the crawl).

*Smithers*, 139 Cal. App. 3d at 647, 189 Cal. Rptr. at 22.

4. MGM's attorney in charge of drafting the contracts testified concerning the change: "There were only two plausible explanations. Either I made a mistake or someone told me to do it." and "Generally somebody who had more authority than I told me to change it" *Id.* at 648, 189 Cal. Rptr. at 22.

MGM's response to Smithers' complaint was that the prior agreement regarding the most-favored-nations provision, had been a mistake. MGM told Smithers he should accept the change and waive the provision. When Smithers refused to agree to the change, Smithers was threatened by Harris Katleman, president of MGM Television at the time. Katleman essentially told Smithers he would be blacklisted from television if he did not forego his contractual rights.<sup>5</sup> Smithers again refused to go along with the change and MGM continued to breach the agreement.

As a result of MGM's action, Smithers instituted suit against MGM and two of its officers for breach of contract, tortious breach of contract (covenant of good faith and dealing), and fraud. The jury returned a verdict in favor of Smithers and damages were awarded as follows: \$500,000.00 for breach of contract, \$300,000.00 for tortious breach of contract, and \$200,000.00 for fraud. Further, punitive damages of two million were awarded. However, the trial court reduced the jury award for punitive damages from two million to one million. The court saw this as a more reasonable award, and reduced the jury award for fraud damages from \$200,000.00 to \$1.00. The court ruled the fraud award constituted a duplication of the awards for breach of contract and tortious breach of contract.

MGM appealed the trial court's decision contending that Smithers had no cause of action for tortious breach of contract and no evidence of fraud. Thus, MGM claimed there was no basis for punitive damages. Further, MGM contended that Smithers had not shown actual damages resulting from the change in credits. Smithers cross-appealed contending that the fraud damages were not duplicative and the punitive damages should not have been reduced.

The court of appeal found the threat of blacklisting by MGM fit the definition of the tort of breaching an implied covenant of good faith which was enunciated in *Sawyer v. Bank of America*.<sup>6</sup> The aforementioned tort consists of "bad faith action, extraneous to the contract, with the motive intentionally to frustrate the obligee's enjoyment of contract

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5. The threat communicated to Smithers through his agent went as follows:

[I]f he didn't, that he (Katlman) would be hard pressed to use Mr. Smithers again on any shows that he (Katlman) was involved with, and that if he (Katlman) were to tell this to Bud Grant, who was then the head of CBS programming, if he (Katlman) were to tell him (Grant) this, that he (Katlman) was certain he (Grant) would go along as well with not using Mr. Smithers.

*Id.* at 648, 189 Cal. Rptr. at 23.

6. *Sawyer v. Bank of America*, 83 Cal. App. 3d 135, 145 Cal. Rptr. 623 (1978).

rights.”<sup>7</sup>

The appeals court did not accept MGM's position that the tort of bad faith breach of contract<sup>8</sup> was limited to insurance contracts and contracts of adhesion. The court based its extension of the tort on the holding in *Cleary v. American Airlines*.<sup>9</sup> “*Cleary* noted that the doctrine was first formulated in insurance contracts, but applies to all contracts.”<sup>10</sup>

As for the issue of fraud, the court saw ample evidence that there was fraud and deceit in MGM's offer of a most-favored-nations provision to induce Smithers to work for less than his usual rate of compensation. Smithers detrimentally relied on the provision and MGM, according to the evidence, never had any intention of living up to the provision.<sup>11</sup> MGM's position that damages were improperly allowed for emotional distress based upon a fraud theory was answered by *Crisci v. Security Ins. Co.*,<sup>12</sup> which held there could be actual damages for emotional distress.

While MGM conceded that its contract with Smithers was breached, they refused to admit that the change in billing status resulted in any actual damages. The jury heard considerable testimony on the importance of billing to an actor's future career and billing was recognized to have a definite impact on an actor's compensation in present and future roles. The court held that this testimony constituted a sufficient and reasonable basis upon which to calculate damages, even though no precise formula for computation was presented.<sup>13</sup>

As to Smithers' cross-appeal, the court found the trial court to be correct in determining that the fraud theory was too similar to the theories of breach of contract and the tort of bad faith breach of contract to be distinguished. The trial court was preventing double recovery and was acting well within its discretion in reducing fraud damages to a

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7. *Id.* a 139, 145 Cal. Rptr. at 625.

8. Diamond, *The Tort of Bad Faith Breach of Contract: When If at all Should it be Extended Beyond Insurance Transactions*, 64 Marq. L. Rev. 425, 428 (1981). This article suggests the use of the “tort of bad faith breach of contract” as an appropriate name for this new tort of breaching an implied covenant of good faith and fair dealing in contract.

9. *Cleary v. American Airlines*, 111 Cal. App. 3d 443, 455, 168 Cal. Rptr. 722, 728 (1980). (a wrongful discharge case).

10. *Smithers*, 139 Cal. App. 3d at 649, 189 Cal. Rptr. at 23.

11. *Id.* at 650, 189 Cal. Rptr. at 24.

12. “[M]ental suffering constitutes an aggravation of damages when it naturally ensues from the act complained of, and in this connection mental suffering includes nervousness, grief, anxiety, worry, shock, humiliation and indignity as well as physical pain.”

*Crisci v. Security Ins. Co.*, 66 Cal. 2d 425, 433, 426 P.2d 173, 58 Cal. Rptr. 13 (1967).

13. *Smithers*, 139 Cal. App. 3d at 650, 189 Cal. Rptr. at 24.

\$1.00 nominal award.<sup>14</sup>

Similarly, the court affirmed the trial court's reduction of punitive damages to \$1 million. While noting that MGM's conduct was extreme and outrageous, the threat was not carried out and did not cause any perceived economic loss. Punitive damages were awarded for the emotional distress caused and one million seemed reasonable to the court in view of MGM's size, wealth, and superior bargaining position.<sup>15</sup> Since the trial court's exercise of discretion in lowering the damages award was sound, the court was obliged to presume the correctness of that order.<sup>16</sup>

The *Smithers* case highlights the importance and value of credits to an artist. The courts in California now recognize the advantages of star billing to the professional future of an actor. Actual damages were assessed by a jury and affirmed on appeal for the loss of bargained for billing. The court held that there was a direct connection between the billing Smithers received and his status in the profession, the quality of roles he could expect in the future, and thus his ability to practice his craft and earn a living.<sup>17</sup>

An actor renders his services to a production in return for compensation. This compensation goes beyond the salary received by the actor. The credit received can now be considered as part of an actor's compensation. Further, since credits now have a recognizable value they can be considered as a property interest for actors and other artists. The more "good" credits an actor accumulates, the more they add to the worth of services rendered.

During the course of a thirty year career as an actor Smithers had accumulated credits in motion pictures, theater, radio productions, and television series. On television, he had been accustomed to guest star billing usually with his name and picture appearing alone on the screen.<sup>18</sup> Smithers collection of credits was his equity in his career and provided a means for valuing the worth of his professional services. MGM's billing of Smithers on "Executive Suite" reduced the value of those prior credits and thus damaged his equity.

MGM clearly breached its contract with Smithers by relegating his

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14. *Id.* at 652, 189 Cal. Rptr. at 24-25.

15. *Id.* at 653, 189 Cal. Rptr. at 25.

16. *Neal v. Farmers Ins. Exchange*, 21 Cal. 3d 910, 923-33, 582 P.2d 980, 148 Cal. Rptr. 389 (1978).

17. *Cf. Ericson v. Playgirl, Inc.*, 73 Cal. App. 3d 850, 856, 140 Cal. Rptr. 921 (1977) (loss of publicity is compensable to an actor when it grows out of his profession and directly affects his earning power).

18. *Smithers*, 139 Cal. App. 3d at 647, 189 Cal. Rptr. at 22.



credit to a rapid crawl at the end of the show while placing additional actors at the head of the show with star billing. It is less clear when a breach of contract can be considered a tortious breach. The courts in California have now expanded the scope for the tort of bad faith breach of contract to cover employment contracts.

California recognizes that there is an implied covenant of good faith and fair dealing in every contract. However, not every breach of that covenant should give rise to an action in tort. The courts wish to protect members of society from unreasonable conduct while ensuring the rights of parties to freely contract and define their activities by the terms of the contract itself. For an action in tort to be valid, the courts will look for more than a simple breach of contract because a tort action involves extracontractual damages. In order to maintain the integrity of contract law and its remedies, the breach of the implied covenant of good faith and fair dealing should be distinguished from the tort of bad faith breach of contract.<sup>19</sup>

If *Smithers* were only able to show a bad faith breach of contract he would not have received punitive damages. Even in insurance cases (where the tort originated) the insurer must be guilty of malice, fraud, or oppression for punitive damages to be awarded.<sup>20</sup> The court in *Smithers* found MGM's conduct to be "extreme and outrageous."<sup>21</sup> The court also found MGM guilty of fraud. The threat of blacklisting by a company in MGM's strong bargaining position coupled with its fraudulent use of a contractual provision forced the court to make an example and award punitive damages.

The court reached a fair decision in *Smithers*. MGM's conduct was unjustified and the court saw a clear need to eliminate the threat of blacklisting from contract disputes. MGM could have lived up to its end of the contract with little effort or cost, but instead it chose to use its superior position and ability to punish as a means to coerce an actor to waive his contracted rights.

Finally, the *Smithers* decision is important in that it shows that the courts in California are willing to protect legitimate bargained for credit. Thus, producers and studios should be careful about inducements made to actors with whom they wish to enter into an agreement

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19. Louderback and Jurika, *Standards for Limiting the Tort of Bad Faith Breach of Contract*, 16 U.S.F.L. Rev. 187, 190-91 (1982).

20. *Sibberg v. California Life Ins. Co.*, 11 Cal. 3d 452, 462, 521 P.2d 1103, 113 Cal. Rptr. 711 (1974).

21. *Smithers*, 139 Cal. App. 3d at 652, 189 Cal. Rptr. at 25.

and should bargain in good faith. Clearly, it is unwise for studios or producers to attempt to threaten a party to acquiesce their contractual rights in favor of the studios as the damage award in this case indicates.

*Frank Lupo*

#### 4. *First Right of Refusal Provision*

The importance of including exclusive negotiation and first refusal right provisions in agreements to televise sports events has long been recognized by the networks. These provisions insure that a network who has a present right to broadcast an event will have a preference over other networks bargaining for those rights in the future. In *CBS v. French Tennis Federation*,<sup>1</sup> a New York supreme court granted CBS a preliminary injunction after the network made a prima facie showing that the exclusive negotiation and first refusal rights provisions of its 1980 agreement with the French Tennis Federation ("FTF") had been breached.<sup>2</sup> Specifically, the court enjoined FTF from entering into or enforcing any contract with NBC concerning the televising or publicizing of the 1983 French Tennis Open ("French Open").<sup>3</sup>

During the years of 1980 to 1982, CBS had the United States television broadcast rights to the French Open. These broadcast rights were embodied in a 1980 agreement executed between CBS and FTF's agent, ProServ.<sup>4</sup> Section 6<sup>5</sup> of that agreement set forth the exclusive

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1. N.Y.L.J., Jan. 24, 1983 at 5, col. 3 (N.Y. Cty., Special Term, Jan. 24, 1983).

2. *Id.*

3. *Id.*, The French Open Tennis Tournament is the first of four world class tennis tournaments referred to as the "Grand Slam." The Grand Slam consist of Wimbledon, the United States Open and the Australian Open as well as the French Open.

4. *CBS*, N.Y.L.J., Jan. 24, 1983 at 5, col. 3.

5. *Id.*, Section 6 of the 1980 agreement entered into between CBS and ProServ states the following:

6. If CBS exercises the applicable option as set forth in subdivision 5(a)(iii) hereof, then for a period of forty-five (45) days following completion of the 1982 Event (the "Negotiating Period") Licensor shall negotiate exclusively with CBS in good faith with respect to the acquisition by CBS of broadcasting rights to subsequent Events. At no time prior to the Negotiating Period shall Licensor negotiate with any third party with respect to the television broadcast rights to any subsequent Event. If the parties fail to reach agreement by the conclusion of the Negotiating Period, Licensor will not enter into any agreement with any third party for the exclusive television broadcasting rights in and to subsequent Event(s) for a period of one (1) year from the date of the last Event broadcast hereunder without according CBS a final refusal on a five business day turnaround as to outside offers which are equal to or less favorable to Licensor than Licensor's last offer to CBS, which offer Licensor shall submit to CBS in writing at the end of said Negotiating Period. It is understood that CBS has to meet only those terms and conditions contained in such offer which shall readily be reducible to a payment of a determinable sum of money.

negotiation and first refusal right provisions that were in issue in the case. In addition, Section 6 provided that CBS and FTF would engage in exclusive good-faith negotiations for 45 days after the 1982 Open. At the end of these negotiations, FTF was to submit its final offer for the 1983 French Open to CBS in writing. After the offer was submitted, FTF was not to accept another offer from a third party equal to or less than its final offer to CBS without giving CBS a right to match the third party's offer. Further, CBS was only required to match those terms in the third party's offer which were "readily reducible" to a sum of money.

The exclusive negotiation period ran from June 6, 1982 to July 21, 1982.<sup>6</sup> With only three days left in the negotiation period, CBS telexed ProServ to request a thirty-day extension.<sup>7</sup> Although ProServ rejected CBS's request for an extension, it did propose the immediate scheduling of further negotiation sessions with CBS personnel.<sup>8</sup> At this point, no final offer had been presented to CBS by FTF. In the months that followed, negotiations between the parties continued though no agreement was reached. During these same months, however, ProServ was negotiating with NBC.<sup>9</sup>

By mid-October of 1982, ProServ advised CBS that its last proposal to FTF was unacceptable and that FTF was presenting its final offer in compliance with section 6.<sup>10</sup> FTF's final offer to CBS began with the initial sum of \$390,000 for the television rights to the French Open. However, FTF's inclusion of two terms in its final offer to CBS substantially raised the sum CBS would have ultimately paid for those rights. The first term was that CBS televise the French Open live or pay \$300,000.<sup>11</sup> The second term was that CBS agree to a special promotional tie-in with Wimbledon which was going to be aired by NBC or pay \$250,000.<sup>12</sup> In short, CBS's failure to comply with those two terms would have cost CBS an additional \$550,000 on top of the \$390,000 for the broadcast rights.

CBS immediately refused to accept FTF's offer as being bonafide.<sup>13</sup> In particular, CBS viewed FTF's inclusion of the "televise live" and "Wimbledon tie-in" terms as being an attempt to circumvent

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6. *CBS*, N.Y.L.J., Jan. 24, 1983 at 5, col. 3.

7. *Id.*

8. *Id.*

9. *Id.*

10. *Id.*

11. *Id.* at 6.

12. *Id.*

13. *Id.*

CBS's right of first refusal.<sup>14</sup> On the day CBS made its view of the offer known to ProServ, it concurrently sent NBC a warning not to interfere with the contractual rights existing between itself and FTF.<sup>15</sup>

Despite CBS's warning, FTF and NBC entered into an agreement on October 25, 1982 to televise the French Open.<sup>16</sup> The NBC-FTF agreement appeared to be basically the same as FTF's offer to CBS except that it provided for NBC to pay \$475,000 for the television rights.<sup>17</sup> However, NBC's true cost was actually \$165,000 less than what FTF offered to CBS because NBC could easily comply with the Wimbledon tie-in term.<sup>18</sup>

When CBS learned of the NBC-FTF agreement, it filed a complaint for a permanent injunction and moved for an injunction *pendente lite*.<sup>19</sup> NBC responded by filing a cross-motion for summary judgment on the grounds that it did not have knowledge of the specific terms between FTF and CBS.<sup>20</sup>

CBS offered two arguments in support of its request for injunctive relief. First, CBS argued that since FTF had failed to provide its final offer until October of 1982, FTF, by its own actions had extended the exclusive negotiation period. Thus, any negotiations conducted with NBC before the October offer violated CBS's exclusive rights.<sup>21</sup> Since this argument presupposed that the breach occurred during the exclusive negotiation period, it did not mention CBS's right of first refusal.

In CBS's second argument, it asserted that even if the exclusive negotiation period did end on July 21, 1982, FTF frustrated CBS's right of first refusal by not presenting CBS with its final offer until October.<sup>22</sup> In other words, if FTF had presented its final offer at the end of the negotiation period instead of after ProServ had negotiated with

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14. *Id.*

15. Affidavit of Craig Foster filed with Plaintiff's Order to Show Cause for a Preliminary Injunction at 12 (*supra* at n.5).

16. *CBS*, N.Y.L.J. at 6, col. 1.

17. *Id.*

18. *Id.* NBC was to pay \$475,000 for the French Open television rights without being subject to the \$250,000 'penalty' for not promoting Wimbledon. On the other hand, CBS was to pay \$390,000 for those rights plus the additional \$250,000 for not promoting Wimbledon. Thus, CBS was going to have to pay \$640,000 for the same rights NBC acquired for \$475,000. The difference between their costs equals \$165,000.

19. *CBS*, N.Y.L.J., Jan. 24, 1983 at 5, col. 3.

20. *Id.*

21. *Id.* at 6, *See also* Plaintiff's Memorandum of Points and Authorities filed in Support of the Preliminary Injunction.

22. *See supra* note 21.

NBC, the term relating to the Wimbledon tie-in probably would not have been included.

The court adopted CBS's second line of reasoning. In so doing, the court took a common-sense approach to the case by questioning FTF's assertions that the Wimbledon tie-in would greatly enhance the prestige of the French Open. The court stated that a promotional tie-in to the U.S. Open, which CBS already had the rights to air, would have equally enhanced the prestige of the French Open.<sup>23</sup> In short, the court found that FTF had frustrated CBS's first refusal rights by including the Wimbledon tie-in term and that CBS did have a likelihood of success on the merits.

Moreover, the court found that CBS did not have an adequate remedy at law.<sup>24</sup> The court reasoned that placing a value on CBS's loss of the French Open's viewing audience would be too difficult to calculate, even though such a loss would be real.<sup>25</sup>

The court concluded that an injunction in CBS's favor should be issued in order to maintain the status quo until the merits of the case could be heard.<sup>26</sup> It further concluded that NBC's motion for summary judgment should be denied on the grounds that CBS's warning to NBC put NBC on notice of the FTF-CBS agreement terms.<sup>27</sup>

The significance of this case is the court's recognition of the dilemma faced by the holder of a first refusal right when a third party is able to offer the seller something which the holder is incapable or precluded from matching. The facts of the CBS case illustrate this dilemma. FTF as the licensor or seller of the televising rights effectively precluded CBS from exercising its first refusal rights by incorporating the Wimbledon tie-in term in its final offer. The Wimbledon tie-in term was an intangible; an intangible being a term in an offer which can not be readily reducible to a sum of money.<sup>28</sup> Since NBC already had the broadcast rights to Wimbledon and CBS was not about to promote an NBC program, CBS was incapable of matching the NBC offer. Ironically, it appears that CBS included the "readily reducible" to a sum of money language in Section 6 to protect itself from being faced with just such a dilemma.<sup>29</sup> Yet, even with CBS's careful drafting,

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23. *CBS*, N.Y.L.J., Jan. 24, 1893 at 6, col. 1.

24. *Id.* at 6.

25. *Id.*

26. *Id.*

27. *Id.*

28. Affidavit of Craig Foster filed with Plaintiff's Order to Show Cause for a Preliminary Injunction, at 10.

29. *Id.* at 11-12.

FTF maneuvered around the language by giving CBS the choice of promoting Wimbledon or paying an additional \$250,000 which FTF arbitrarily set as the term's monetary equivalent.

Despite the above, the court in *CBS* found both the French Open and Wimbledon to be of unique and extraordinary value.<sup>30</sup> In effect, the court not only impliedly recognized FTF's \$250,000 alternative to promoting Wimbledon as being arbitrary, but also recognized CBS's inability to match a term which entailed promoting an event aired by a competing network.<sup>31</sup>

The fact remains, however, that CBS's first refusal rights were circumvented even though CBS took care in drafting its agreement with FTF. A possible solution for CBS may have been for it to have expanded the "readily reducible" to a sum of money language contained in Section 6. For instance, CBS could have provided for an independent appraisal of the fair market value of any intangible terms which appeared in FTF's final offer. This approach has been taken in collective bargaining agreements between sports associations and their players.<sup>32</sup> Another approach suggested by at least one commentator was to abandon the use of the exclusive negotiation and right of first refusal provisions altogether. Instead of using these provisions, it was suggested that an automatic renewal option clause be used in their place.<sup>33</sup>

A further complication in this area is the type of relief a court will grant should the aforementioned provisions be breached. In the recent case of *American Broadcasting Co. v. Wolf*,<sup>34</sup> the New York Court of Appeals denied injunctive relief to a network which sought to exercise the first refusal rights contained in its employment contract with a well-known sportscaster.<sup>35</sup> The Court of Appeals concluded that ABC should pursue its legal rather than equitable remedies.<sup>36</sup> As it stands, CBS settled with FTF and the 1983 French Open was televised by

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30. *CBS*, N.Y.L.J., Jan. 24, 1983 at 6 col. 2.

31. *Id.*

32. P. Hochberg, *Representing Professional and College Sports Teams and Leagues* 189, 215-217 app.II-7 (1976).

33. Note, *Has the Right of First Refusal Been Thrown to the Wolves? American Broadcasting Co. v. Wolf*, 1 Cardozo Arts & Entertainment L.J. 137 (1982).

34. 52 N.Y. 2d 394, 420 N.E. 2d 363, 438 N.Y.S. 2d 482 (1981).

35. *Wolf*, 52 N.Y.2d at 392 (1981).

36. *Wolf*, 52 N.Y.2d at 405-406 (1981). Although the *Wolf* case focuses upon personal service employment contracts and the public policy against having someone enjoined from earning a livelihood, the Court's decision concerning good-faith negotiation and right of first refusal provisions should be noted as a trend which could influence the use of such provisions in contracts similar to the one used by CBS.

NBC.<sup>37</sup> Thus, the question of whether the court would have issued a permanent injunction to enforce CBS's right of first refusal is left to speculation.

In sum, it is evident that the purpose behind the continued use of the right of first refusal and exclusive negotiation provisions is to protect a network from losing a viewing audience which it has attracted after acquiring, publicizing, and televising a sports event like the French Open. The court in *CBS* recognized the purpose behind these provisions and by its decision offered a temporary remedy. However, it is equally evident that the holder of a first refusal right can have that right circumvented or frustrated when a third party can offer an intangible which can not be matched. In this regard, the dilemma of what such a holder of the right should do to protect himself is still unresolved.

*Cecelia Reid*

#### D. Constitutional Law

##### 1. *Adult Entertainment Zoning Ordinances*

*Local governments may use zoning ordinances to restrict the location of "adult entertainment" establishments so long as those ordinances do not constitute a complete ban on such forms of expression.*<sup>1</sup> The court in *Castner v. City of Oakland*<sup>2</sup> sustained this use of zoning in California where a number of municipalities had enacted such ordinances.<sup>3</sup>

Richard A. Castner, plaintiff and appellant, was the owner of an "adult bookstore entertainment" facility in the city of Oakland. Castner's bookstore was equipped with motion picture machines and was located within 600 feet of a residential zone. The City of Oakland, defendant and respondent, passed a zoning ordinance which banned "adult entertainment" activity within 1000 feet of a residential zone.<sup>4</sup>

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37. Telephone conversation with Plaintiff's attorney, Barbara L. Wartelle, in October of 1983.

1. *Young v. American Mini Theaters, Inc.*, 427 U.S. 50 (1976).

2. *Castner v. City of Oakland*, 129 Cal. App. 3d 94, 180 Cal. Rptr. 682 (1982).

3. Other cities which have passed zoning ordinances regulating the "adult entertainment" business include Los Angeles, Covina, Santa Maria, Long Beach, and Whittier.

4. *Castner*, 129 Cal. App. 3d at 97, 180 Cal. Rptr. at 683; The Oakland ordinance defined adult entertainment activities as:

Any commercial activity, whether conducted intermittently or full time, which primarily involves the sale, display, exhibition, or viewing of books, magazines, films, photographs or other materials, distinguished or characterized by an emphasis on matter depicting, describing, or relating to human sex acts, or by an emphasis on male or female genitals, buttocks, or female breasts.

The passage of the ordinance made Castner's bookstore a nonconforming activity. Under the ordinance, Castner had a one year grace period for amortization.<sup>5</sup> Castner sought to obtain a major conditional use permit to continue operation beyond the one year period. The application for the permit was denied by the city. Castner challenged the validity of the statute and petitioned the superior court for a peremptory writ of mandate to compel the granting of a conditional use permit. The superior court denied Castner's request and he appealed.

The Fourth District Court of Appeal affirmed the decision of the superior court. The appeals court rejected Castner's contention of unconstitutional denial of a vested right to operate his "adult entertainment" business and held that since the ordinance provided for an amortization period commensurate with the investment involved, the termination of the nonconforming activity was valid and reasonable.<sup>6</sup> Castner did not offer any evidence that the one year amortization period was unreasonable.<sup>7</sup> In its determination denying the conditional use permit, the court noted the close proximity (one block) of another bookstore owned by Castner which did conform to the zoning ordinance.

In answer to Castner's contention that the Oakland ordinance constituted a prior restraint on his freedom of speech, the court relied on the United States Supreme Court holding in *Young v. American Mini Theaters*.<sup>8</sup> In *Young*, a similar challenge was made to a Detroit zoning ordinance.<sup>9</sup> The Supreme Court held that the zoning of adult theaters by local government is not proscribed by the First Amendment and that the public policy of preserving the quality of urban life must be accorded high respect.<sup>10</sup>

The court in *Castner* noted the similarity between the Oakland and Detroit ordinances which both regulated the location of "adult en-

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Oakland, Ca., Planning Code § 2110(e) (1976).

5. [A]ll nonconforming adult entertainment establishments are allowed one year to terminate operation or conform to the law. In addition, those operations obligated by a written lease exceeding one year from the effective date of the ordinance, or whose activity involves investment of money in leasehold or improvements such that a longer period is necessary to prevent undue financial hardship, are eligible for up to two additional years grace period. *Castner*, 129 Cal. App. 3d at 96, 180 Cal. Rptr. at 683.

6. *National Advertising Co. v. County of Monterey*, 1 Cal. 3d 875, 878, 464 P.2d 33, 83 Cal. Rptr. 577 (1970).

7. *United Business Comm. v. City of San Diego*, 91 Cal. App. 3d 156, 181, 154 Cal. Rptr. 263, 280 (1979).

8. *Young*, 427 U.S. at 50.

9. Detroit, Mich. Official Zoning Ordinance §§ 66.0000, 66.0101, 66.0103 (1972).

10. *Young*, 427 U.S. at 71-72.



tainment" activities with no total suppression of or even limit on the number of such activities permitted in the city.<sup>11</sup> The fact that Castner still had three similar facilities operating in the City of Oakland was seen as proof that his freedom of expression was not impaired. Here, as in *Young*, the market for "adult entertainment" was essentially unrestrained.<sup>12</sup>

The court in *Castner* also held that the categorization of Castner's business as "adult entertainment" and subsequent regulation of that entertainment, was a proper function of the zoning ordinance as had been previously decided in *Walnut Properties Inc. v. City Council*.<sup>13</sup> In *Walnut*, the California Court of Appeal followed the *Young* decision which allowed the classification of theaters according to the content of the films exhibited, if such classification had a reasonable basis. The *Young* court held that the classification of "adult entertainment" was within a city's power so long as the classification had a reasonable basis.<sup>14</sup>

The court also held that Castner lacked standing to challenge the vagueness of the definition of "adult entertainment"<sup>15</sup> since there was no doubt that Castner was involved in "adult entertainment activity", thus the element of vagueness had not affected Castner. Similarly, the court held since the ordinance in question would have little or no effect on legitimate expression on the part of persons not before the court, there was no need to grant Castner standing on this issue. Again this holding follows the *Young* decision.<sup>16</sup>

The *Castner* opinion reflects the growing concern over the spread of "adult entertainment activities" into areas where people work and live. Since efforts to directly suppress and censor such activities have failed due to a direct conflict with First Amendment rights and privileges, alternative methods such as land use controls have been implemented. By carefully following the Supreme Court decision in *Young*, local governments have been able to control the spread and clustering of "adult entertainment" business without infringing upon First

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11. *Castner*, 129 Cal. App. 3d at 98, 180 Cal. Rptr. at 685.

12. *Young*, 427 U.S. at 62.

13. *Walnut Properties, Inc. v. City Council*, 100 Cal. App. 3d 1018, 161 Cal. Rptr. 411 (1980).

14. *Id.* at 1023, 161 Cal. Rptr. at 414.

15. *See supra* note 4.

16. "[I]f the statute's deterrent effect on legitimate expression is not 'both real and substantial,' and if the statute is 'readily subject to a narrowing construction by the state courts, . . . the litigant is not permitted to assert the rights of third parties.'" (citation omitted). *Young*, 427 U.S. at 60.

Amendment rights. The ordinance that was challenged in *Castner*, is just one of many similar ordinances that have been passed in California and throughout the nation.<sup>17</sup>

However, the *Young* decision did not sanction the use of land-use controls to zone "adult entertainment" out of existence. The court in *Castner* properly recognized that a total ban on "adult entertainment" would not be constitutional, while reasonable regulations as to the location of such activities are. The effect of the ordinance upon freedom of expression protected by the First Amendment was minimal since access to and volume of adult entertainment activity was essentially undiminished.

The court in *Castner* did not address the issue of why the zoning ordinance was needed. The court did not seem to feel the need to justify the use of the ordinance in terms of the public policy of preventing demonstrable damage to neighborhoods and the quality of life which were addressed in the *Young* decision.<sup>18</sup> Perhaps the court did not feel the need to address the policy issue because that policy is now taken for granted.

The decision in *Castner* is a product of the Supreme Court's holding in *Young* which was narrow and yet has caused significant impact. The use of narrowly construed zoning ordinances to regulate "adult entertainment activity" is acceptable after *Young*, so long as it does not create a total suppression of such activities. Such laws can be compatible with the freedoms guaranteed under the constitution.

In conclusion, as long as the motive for the aforementioned zoning ordinances is regulation, as opposed to suppression, the ordinances appear to be acceptable. However, the division between sex and politics is considered artificial by many<sup>19</sup> and the idea that expression on the subject of sex is less deserving of protection than expression on political matters,<sup>20</sup> is a dangerous one. For example, there could be a danger that local governments would attempt to suppress sexual expression in artistic forms; consequently, artistically recognized films and plays could be affected. Regulations of expression should be content neu-

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17. Similar ordinances have been passed in Boston, Chicago, and Dallas among other places.

18. *Young*, 427 U.S. at 71-72.

19. "For some groups, notably the women's movement, sex is itself part of a political message." Note, *Constitutional Law—Freedom of Speech, Press and Association: Zoning Regulation of Adult Theaters*, 90 Harv. L. Rev. 196, 200 n.31 (1976).

20. *Young*, 427 U.S. at 70.

tral.<sup>21</sup> Therefore, a regulation to control an activity should be proper only where it is shown that the activity causes some demonstrable harm on the quality of life. Thus, the policy aspect of regulation is imperative to the analysis and should not be left out of judicial decisions on a *Castner* type zoning ordinance case. Where the policy analysis is left out, as it was in *Castner*, regulations based on suppressive motives may be improperly upheld.

*Frank Lupo*

## 2. *Viewer's Right to Compel TV Broadcast*

It is the purpose of the First Amendment to preserve an uninhibited marketplace of ideas in which truth will ultimately prevail, rather than to countenance monopolization of the market, whether it be by the Government itself or a private licensee. . . . It is the right of the public to receive suitable access to social, political, esthetic, moral, and other ideas and experiences which is crucial here. That right may not constitutionally be abridged. . . .<sup>1</sup>

The First Amendment protects both the right to send and the right to receive<sup>2</sup> information. This constitutional guarantee means that the government should not be able to justify restrictions on free expression merely because certain information, when broadcasted, may produce adverse consequences.<sup>3</sup> Ultimately, the choice between the dangers of suppressing information and the dangers of allowing information to enter the realm of discussion and awareness is a choice that the First Amendment makes for us.<sup>4</sup>

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21. [B]ut, above all else, the First Amendment means that government has no power to restrict expression because of its message, its ideas, its subject matter or its content . . . . To permit the continued building of our politics and our culture, and to assure self-fulfillment for each individual, our people are guaranteed the right to express any thought free from government censorship. The essence of this forbidden censorship is content control.

Police Dep't of Chicago v. Mosley, 408 U.S. 92, 95-96 (1972).

1. Red Lion Broadcasting Co., Inc. v. FCC, 395 U.S. 367, 390 (1969).

2. Lamont v. Postmaster Gen., 381 U.S. 301 (1965) (holding a Postal service requirement that the Postmaster General detain foreign mailings of "communist political propaganda" was unconstitutional and abridged the addressees' First Amendment rights to receive the publications).

3. L. Tribe, *American Constitutional Law*, 580-84 (1978).

4. Va. State Bd. Pharmacy v. Va. Citizens Consumer Council, Inc., 425 U.S. 748 (1976) (holding that a statute prohibiting advertisement of drug prices by pharmacists was invalid because the state's goals of maintaining professional standards among pharmacists was achieved by "keeping people in ignorance").

The Supreme Court has unanimously held that "it is the right of the viewers and listeners, not the right of the broadcasters, which is paramount."<sup>5</sup> However, in *Muir v. Alabama Educational Television Commission*,<sup>6</sup> viewers' rights became secondary to broadcasters' rights.

The national television broadcast of "Death of a Princess," a film depicting the 1977 public execution of a Saudi Arabian princess and her commoner lover for adultery, created controversy as well as litigation. Prior to the broadcast, which was scheduled to air May 12, 1980, the Alabama Educational Television Commission (AETC) received numerous complaints from Alabama residents protesting the broadcast of the film and expressing fear for the personal safety of Alabama citizens in the Middle East.<sup>7</sup> In Texas, KUHT-TV, a public television station licensed by the University of Houston, received similar complaints and protests.<sup>8</sup> In California, a suit seeking twenty billion dollars in damages, claiming that all Muslims were defamed by the broadcast of the film,<sup>9</sup> was dismissed for failure to state a cause of action.

On May 10, 1980, AETC announced that it would not broadcast "Death of a Princess" as previously scheduled. Donald E. Muir and several other Alabama residents who had planned to watch the program brought suit under the First and Fourteenth Amendments of the United State Constitution and under 42 U.S.C. § 1983,<sup>10</sup> seeking to compel broadcast of the film. They also requested preliminary and permanent injunctions against AETC's "political" programming decisions.

The district court denied the viewers' motion and granted summary judgment for AETC. On appeal, the decision was affirmed,<sup>11</sup> and the court held that (1) plaintiffs had no constitutional right to compel a broadcast and (2) AETC's refusal to broadcast was a legitimate exercise of its authority and was protected by the First Amendment.

5. *Red Lion*, 395 U.S. at 390.

6. 688 F.2d 1033 (5th Cir. 1982) (en banc), cert. denied, 51 U.S.L.W. 3466 (U.S. Mar. 8, 1983).

7. *Id.* at 1036.

8. *Barnstone v. Univ. of Houston KUHT-TV*, 514 F. Supp. 670 (S.D. Tex. 1980), rev'd on appeal 660 F.2d 137 (5th Cir. 1981).

9. *Faissal Fahd Al Talai v. Fanning*, 506 F. Supp. 186 (N.D. Cal. 1980).

10. 42 U.S.C. § 1983 (1981) provides:

Every person who, under color of any statute, ordinance, regulation, custom or usage, of any state or territory or the District of Columbia, subjects, or causes to be subjected, any citizen of the United States or other person within the jurisdiction thereof to the deprivation of any rights, privileges, or immunities secured by the Constitution and its laws shall be liable to the party injured in an action at law, suit in equity, or other proper proceeding for redress.

11. (*Muir II*) *Muir v. Ala. Educ. Television Comm'n*, 656 F.2d 1012 (5th Cir. 1981).

Meanwhile, in Texas, a different result was unfolding in *Barnstone v. University of Houston KUHT-TV*,<sup>12</sup> where the district court granted a viewer's request for an injunction and ordered KUHT-TV to broadcast "Death of a Princess." A University Vice President made the decision to cancel the broadcast based on "strong and understandable objections by the government of Saudi Arabia."<sup>13</sup> Ms. Gertrude Barnstone, a subscriber and regular viewer of KUHT-TV, argued successfully that her First and Fourteenth Amendment rights were violated by the decision to cancel. On appeal,<sup>14</sup> the court found that the decision in *Muir* required that the district court judgment be reversed and the injunction dissolved.

Finally, the United States Court of Appeals directed that both *Muir* and *Barnstone* be consolidated and reheard en banc. The court, with two concurring and three dissenting opinions, affirmed the *Muir* decision and reversed *Barnstone*.<sup>15</sup> Therefore, the broadcaster's right to cancel was not a violation of plaintiffs' rights, according to the federal court of appeals.

The court articulated three major reasons for concluding that the cancellation did not violate plaintiffs' rights: 1) Although public broadcast licensees are without First Amendment protection, they still possess the same rights to make programming decisions as their private counterparts;<sup>16</sup> 2) the public television stations involved were not "public forums;" and 3) the broadcaster's editorial decision did not constitute government censorship.<sup>17</sup>

On the first issue, the court acknowledged that the government is without First Amendment protection under *Columbia Broadcasting Systems, Inc. v. Democratic National Committee*, (CBS),<sup>18</sup> yet it further established a distinction between protection and rights<sup>19</sup> by stating: "To find that the government is without First Amendment protection is not to find that government is prohibited from speaking or that private individuals have the right to limit or control the expression of government."<sup>20</sup>

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12. 514 F. Supp. 670 (S.D. Tex. 1980).

13. *Id.* at 674.

14. (*Barnstone II*), 660 F.2d 137 (5th Cir. 1981).

15. (*Muir III*), 688 F.2d 1033, 1036 (5th Cir. 1982).

16. *Id.* at 1041.

17. *Id.* at 1041-1047.

18. 412 U.S. 94, 139 (1973). *CBS*, (Stewart J. Concurring) held that, "The First Amendment protects the press from government interference; it confers no analogous protection on the government."

19. 688 F.2d 1033, 1038 (5th Cir. 1982).

20. *Id.*

In classifying the programming decisions as government expression, the court was able to short circuit the issue of whether the public stations had a right to make content-based programming decisions. Instead, the court focused on whether the decision to cancel violated any statutory or constitutional requirements and concluded that it did not.<sup>21</sup>

In analyzing the regulatory scheme adopted by Congress,<sup>22</sup> the *Muir* court found that "[u]nder the existing statutes public licensees such as AETC and the University of Houston possess the same rights and obligations to make free programming decisions as their private counterparts . . . however, as state instrumentalities, these public licensees are without the protection of the First Amendment."<sup>23</sup> Thus, the government could impose certain restrictions on those licensees, but it "does not result in individual viewers gaining any greater right to influence the programming discretion of the public licensees."<sup>24</sup>

This analysis by the *Muir* court gravely misses the issue raised by plaintiffs who urged that the decision to cancel was made on the basis of content and thus was an infringement of the right to receive information, a right which is guaranteed by the First Amendment. Plaintiffs never claimed they had a right to influence programming discretion.

The court's second major reason for holding that the cancellation did not violate plaintiffs' rights was that the stations are not public forums and that "Congress did not deem it necessary for viewers to be accorded a right of access to television broadcast stations in order for the public's First Amendment interests in this medium to be fully realized."<sup>25</sup> Citing *United States Postal Service v. Council of Greenburgh Civil Associations*,<sup>26</sup> the court held that a facility is a public forum only if it is designed to provide a "general public right of access to its use, or if such public access has historically existed and is not incompatible with the facility's primary activity."<sup>27</sup> The court then interpreted this right of access to exclude the right to schedule or compel broadcasts and to include only the right to watch or to decline watching what is offered.<sup>28</sup>

Using circular reasoning the court found that a right of access is

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21. *Id.*

22. Specifically, the Communication Act of 1934, 47 U.S.C. § 151 et. seq. (1934), successor to the Radio Act of 1927.

23. 688 F.2d 1033, 1041 (5th Cir. 1982).

24. *Id.*

25. *Id.*

26. 453 U.S. 114 (1981).

27. *Muir*, 688 F.2d 1033, 1042 (5th Cir. 1982).

28. *Id.* at 1043.

necessary for a facility to be deemed a "public forum" and that a public forum is necessary to a right of access (i.e., to challenge a programming decision based on communication impact). One wonders what station could qualify as a public forum under this analysis.

The third reason the court gave for holding that cancellation of the broadcast was not a violation of plaintiffs' rights was that the decision to cancel did not constitute government censorship. The court gets around the established rule that government may not restrict expression due to its message or content,<sup>29</sup> by distinguishing among media. Here, the court says that television "pose[s] unique and special problems not present in the traditional free speech case."<sup>30</sup> The unfortunate consequence of this is that it creates an exception which allows government broadcasters to make editorial decisions on the basis of content where a government agency in another medium or context would not have this power.<sup>31</sup> The court rejects plaintiffs' argument that there is a distinction between scheduling and cancelling an already scheduled program.<sup>32</sup> However, in *Board of Education v. Pico*,<sup>33</sup> the Supreme Court, in a plurality opinion, found that a school board's removal of several books from the district's school libraries was an abridgement of the First Amendment rights of students if the purpose was to deny access to ideas.

An unfortunate consequence of the *Muir* decision is that it grants state authorities unlimited discretion to influence the content of public television. By finding that government "expressions" of editorial decisions are constitutionally protected and federally regulated, it has placed the Communication Act above the Constitution. As the dissent in *Muir* points out, "The fact that state operated television stations are entitled to exercise editorial discretion, however, does not absolve [the viewers] of their First Amendment responsibilities."<sup>34</sup>

The majority suggests that review of programming decisions is a remedy provided by the Federal Communications Commission (FCC).

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29. *Police Dep't of Chicago v. Mosley*, 408 U.S. 92, 95-96 (1972).

30. *Muir*, 688 F.2d 1033, 1043 (5th Cir. 1982) citing *Columbia Broadcasting Sys., Inc., v. Democratic Nat'l Comm.*, 412 U.S. 94, 101 (1973).

31. Judge Rubins' concurring opinion states: "If the state is conducting an activity that functions as a marketplace of ideas, the constitution requires content neutrality." *Muir*, 688 F.2d at 1050.

32. *Muir*, 688 F.2d at 1045 (stating that "The decision to cancel a scheduled program is no less editorial in nature than an initial decision to schedule the program").

33. The *Muir* court concluded that "*Pico* is of no precedential value as to the application of the First Amendment to these issues." *Muir*, 688 F.2d at 1045, n.30 (5th Cir. 1982).

34. 688 F.2d at 1056 (Johnson J. dissenting).

However, reliance on the FCC is inadequate to insure viewers' First Amendment rights. Further, the FCC does not distinguish between private and public broadcasting in its regulation, and thus cannot protect against the censorship alleged by plaintiffs in the *Muir* case. Given that selection of programming is a necessary and inevitable part of television broadcasting, the need to provide viewers with some remedy against abridgement of their First Amendment rights is now greater than ever.

*Alisa Freundlich*

### E. Blind Bidding

#### 1. *Ohio Film Trade Regulation Challenge*

In *Allied Artists Picture Corp. v. Rhodes*,<sup>1</sup> motion picture producers and distributors<sup>2</sup> challenged an Ohio trade regulation statute which placed certain restrictions on marketing of films to Ohio exhibitors. The Ohio statute prohibits blind bidding, provides competitive bidding guidelines and restricts distributors from charging theatres advance and guarantee payments in addition to charging a percentage of box office receipts.<sup>3</sup> The plaintiff distributors contended that the provisions of the regulation abridge free speech and violate the commerce clause, antitrust and copyright laws.

The Ohio statute prohibits blind bidding, a distribution procedure which requires that motion picture exhibitors enter into licensing agreements for a film before a trade screening of the motion picture.<sup>4</sup> The Ohio regulation compels the distributors to screen their films to potential exhibitors prior to entering into a bidding process.

Distributors argued that the prohibition of blind bidding violated their first amendment rights of free expression. Plaintiffs contended that since motion pictures are protected forms of expression,<sup>5</sup> and that the Ohio statute has a direct impact on their films,<sup>6</sup> strict judicial scru-

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1. 679 F.2d 656 (6th Cir. 1982).

2. Plaintiff-appellants in *Allied Artists* are the country's nine major producers and distributors of films, who account for approximately ninety percent of film industry revenues. *Id.* at 659.

3. *Id.* at 658-59 n.1.

4. *Id.*

5. *Allied Artists Picture Corp. v. Rhodes* 496 F. Supp. 408, 432 (S.D. Ohio, E.D. 1981) (holding plaintiffs films were protected forms of expression under the first amendment, citing *Interstate Circuit v. Dallas*, 390 U.S. 676, 682 (1968) and *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 166 (1948)). The parties stipulated that none of the films was obscene. 496 F. Supp. at 432 n.12.

6. Plaintiff distributors argued that the Ohio statute would delay opening dates, fore-



tiny was the appropriate standard of review. Relying on the Supreme Court decision in *Konigsberg v. State Bar of California*,<sup>7</sup> the court stated that strict judicial scrutiny was not the appropriate test. The court noted that the provision was content neutral under the first amendment; the provision operates on all distributors and exhibitors regardless of the subject matter of the film involved. The court found that the provision was of a general regulatory nature, not one intended to control content of speech.<sup>8</sup>

Employing the balancing test established by the Supreme Court in *United States v. O'Brien*,<sup>9</sup> the court upheld the blind bidding prohibition provision concluding that it did not impose undue burdens on producers and distributors under the first amendment.<sup>10</sup> The appellate court approved the district court's finding that Ohio has a legitimate interest in preventing blind bidding because of the potential abuses which arise from a practice inhibiting the flow of accurate information regarding marketing films.<sup>11</sup> The court found that a mandatory trade screening was an acceptable remedy.

[B]y permitting Ohio exhibitors to view the film before bidding, it permits the exhibitors to use their own business judgment in determining whether and on what terms, to bid for a picture license. It effectively removes the unfairness inherent in the blind bidding process exhibitors described as 'buying a pig in a poke'.<sup>12</sup>

The court found that the mandatory trade screening requirement did not impose undue burdens on distributors under the first amendment. The appellate court upheld the district court finding that the only conceivable effect of the provision on free expression would be the delays in film release caused by the trade screening requirement. The court further approved the district court's conclusion that these delays, although possible, would be infrequent and relatively minor in nature, and thus the state's legitimate interest in restraining deceptive trade

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close access to certain theaters, reduce the quantity, quality and diversity of films, and interfere with planning and promotional efforts. 496 F. Supp. at 432-33.

7. 366 U.S. 36, 49 (1961).

8. 679 F.2d at 661.

9. 391 U.S. 367, 377 (1968) (stating that governmental regulation is sufficiently justified if it furthers an important governmental function and if the interest is unrelated to freedom of expression. The O'Brien court weighed the legitimate governmental interest against the impact on the protected expression).

10. 679 F.2d at 661-62.

11. *Id.*

12. *Id.* at 661 (quoting *Allied Artists v. Rhodes*, 496 F. Supp. at 431).

practices by encouraging the flow of accurate information prior to contracting, clearly outweighs such incidental restriction on expression.<sup>13</sup>

Plaintiff distributors also claimed that the trade screening requirement violates the commerce clause because the statute favors exhibitors in Ohio and places distributors, the vast majority of whom have their principal places of business outside of Ohio and operate in interstate commerce, at a disadvantage.<sup>14</sup> The court noted that the trade screening requirement was facially neutral and did not distinguish between in-state and out-of-state distributors. Having determined that the regulation operates evenhandedly to effectuate a legitimate local public interest, and its effects on interstate commerce are only incidental, the district court then examined whether the burden imposed on commerce was clearly excessive in relation to the putative local benefits.<sup>15</sup> The district court justice concluded:

[T]he burden of delay is slight in relation to the state's stated objective to establish a framework for the exercise of an informed business judgment by Ohio theater owners in selecting films for their theaters. I cannot find that the burdens on interstate commerce occasioned by the Ohio Act are undue.<sup>16</sup>

The appellate court, while upholding the district court's ruling, recognized that the impact of the statute falls on out-of-state distributors since there were no in-state producers and distributors, and thus applied a "more penetrating [standard of] review."<sup>17</sup> The appellate court, however, agreed with the district court dicta that no less restrictive alternative was presented to effectuate the same purpose.<sup>18</sup>

The court summarily dismissed plaintiffs' claims that the trade screening requirement violated federal antitrust laws. The court opined that "[t]he anti-competitive effects that may be incidental to trade screening—that exhibitors willing to blind bid are now forbidden to do so—are not the types of restraints the antitrust laws were designed to prohibit."<sup>19</sup> The court, quoting the Supreme Court in *Ex-*

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13. 679 F.2d at 661.

14. The district court rejected plaintiffs' claim that their product is not amenable to local regulation because of the need for uniformity. The court held the lack of uniformity would not impede the flow of goods at the state borders. 496 F. Supp. at 435-37.

15. *Id.* at 438, 441.

16. *Id.* at 441.

17. 679 F.2d at 662.

18. *Id.*

19. *Id.*

*xon Corp. v. Governor of Maryland*,<sup>20</sup> noted, "if an adverse effect on competition were, in and of itself, enough to render a state statute invalid, the State's power to engage in economic regulation would effectively be destroyed."<sup>21</sup> Moreover, the *Allied* court asserted that Ohio's regulation of motion picture licensing falls within the state action exemption to the antitrust laws.<sup>22</sup> The court held that the self-executing nature of the statute plus judicial enforcement satisfies the active state supervision requirement of *California Retail Liquor Dealers Assoc. v. Midcal Aluminum, Inc.*<sup>23</sup>

Plaintiffs alleged that the Ohio Act, on its face and in its application, will deprive them of their rights under the Federal Copyright Act,<sup>24</sup> and is therefore preempted. The plaintiffs claimed that the blind bidding prohibition interferes with distributors' objective to perform their motion pictures under optimum circumstances.<sup>25</sup> Plaintiffs further contended that the Ohio Act so restricts the exercise of federally created rights that it otherwise "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress."<sup>26</sup>

The district court noted that the fundamental purpose of the constitutional grant of copyright is to promote the progress of sciences and useful arts,<sup>27</sup> and not to reward the copyright owner by conferring upon her the right to dispose of its subject matter on the optimum terms.<sup>28</sup>

The district court added that "Congress carefully and expressly limited preemption to laws governing all rights equivalent to those within the scope of copyright, and excluded from preemption all other legal and equitable rights."<sup>29</sup> The appellate court explicitly approved the district court's analysis of the law and its holding that the Ohio Act neither creates rights equivalent to those within the scope of the Federal Copyright Act nor deprives copyright owners of the protections afforded by the Federal Copyright Act.<sup>30</sup>

In addition, the appellate court implicitly accepted the district

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20. 437 U.S. 117 (1978) (quoting *Exxon Corp. v. Governor of Maryland*, 437 U.S. 117, 133 (1978)).

21. 679 F.2d at 662.

22. 679 F.2d at 662.

23. 444 U.S. 97 (1980).

24. 17 U.S.C. 101 *et seq.* (1976).

25. 496 F. Supp. at 445.

26. *Id.* at 443.

27. *Id.* at 442, 446.

28. *Id.* at 446.

29. *Id.* at 444.

30. 679 F.2d at 663.

court's rejection of plaintiffs' assertions that the Ohio trade screening requirement interferes with a copyright owner's rights of performance by compelling him to perform his product in front of a group of people as a condition to licensing it in Ohio.<sup>31</sup> The district court reasoned that the trade screening requirement only affects copyright holders who wish to license their films in Ohio: it does not compel performance in any other circumstances.<sup>32</sup> The district court opined:

Thus they [copyright owners] retain complete control over the rights granted by the Copyright Act: to prohibit display, performance, reproduction and distribution. It is only *after* the copyright owner has made the decision to perform the work—to release the motion picture—in Ohio that the Ohio Act steps in and compels a performance before exhibitors as a condition to the distribution of films in Ohio.<sup>33</sup>

The district court further concluded that blind bidding “does nothing to encourage the creative excellence the copyright laws are designed to foster.”<sup>34</sup>

The Ohio bidding guidelines set standards for distributors who *choose* to sell their films through a bidding process in lieu of negotiations.<sup>35</sup> The Ohio guidelines require disclosure of invitation to bid lists and the bids themselves after they are opened, and if all bids are rejected, the distributor must rebid the film rather than negotiate with exhibitors.<sup>36</sup>

The court affirmed the district court's decision upholding the competitive bidding guidelines of the Ohio Act. The court applied reasoning very similar to that used by the court in upholding the trade screening requirement. Recognizing the legitimate state interest in counteracting deceptive and unfair manipulation of the bidding process,<sup>37</sup> the court found that the guidelines did not place undue burdens on the right of distributors under the first amendment or the commerce clause. The court noted that the prevailing bidding process would be only minimally affected, and any delays because of possible rebidding, if they could not be avoided, would be rare.<sup>38</sup>

The district court upon hearing plaintiffs' argument that the prohi-

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31. *Id.*

32. 496 F. Supp. at 447.

33. *Id.*

34. *Id.*

35. 679 F.2d at 658-59 n.1.

36. *Id.*

37. *Id.* at 663.

38. *Id.*

bition of negotiations subsequent to an unsuccessful bidding will tend to diminish copyright owners' abilities to license their creations on the best available terms, reiterated that the Copyright Act does not confer upon a copyright owner the right to dispose of his protected work pursuant to optimum terms.<sup>39</sup>

The appellate court succinctly stated that the bidding procedures, like the trade screening requirements, do not interfere with any of the rights of the producers and distributors under the copyright statutes.<sup>40</sup>

Lastly, the court affirmed the district court's finding that the challenged bidding requirements survive federal antitrust analysis as the Ohio Act does not sanction illegal activity feared by film distributors: the misuse of price information and collusion among exhibitors.<sup>41</sup> Such activity, the court noted, would still be subject to punishment under federal antitrust laws.<sup>42</sup>

The *Allied* court rejected the district court's decision to uphold Ohio's prohibition of advance and guarantee payments.<sup>43</sup> The district court upheld the provision using reasoning analogous to that it used to uphold the Ohio trade screening requirement and the bidding guidelines.<sup>44</sup> The appellate court found that the trade screening and bidding requirements foster disclosure of information and fair business practices which validity effectuate the legitimate state interest of restraining misleading, fraudulent or otherwise unfair trade practices. The court, however, asserted that the price provision may not be regulatory means to achieve the valid state interest of fostering fair business practices.<sup>45</sup> The court stated that outlawing advance and guarantee payments when box office receipts are used as a measure of payment seems to be simply a restriction on price, not necessarily supporting any valid state interest.<sup>46</sup> The court noted that the provision appears to be primarily a risk shifting device,<sup>47</sup> taking the risks from the in state exhibitors to the distributors. The appellate court rejected the district court's assertion that this was a valid state interest. The appellate court concluded that, "a state's interest in righting a bargaining imbalance, standing alone, is

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39. 496 F. Supp. at 447.

40. 679 F.2d at 663.

41. *Id.*

42. *Id.*

43. *Id.*

44. The district court found the valid state interest in promoting fair business dealings outweighed the minimal burdens on distributors. 496 F. Supp. at 434.

45. 679 F.2d at 663.

46. *Id.* at 664.

47. *Id.* The district court noted that the prohibition against guarantee payments is a risk shifting device. The court did not identify any other state interest. 496 F. Supp. at 413.

not sufficient under the commerce clause to permit direct interference with pricing where it burdens interstate commerce."<sup>48</sup>

The court remanded the decision on the issue of prohibition of guarantee and advance payments to the district court, instructing the court to evaluate the provision according to the test in *Pike v. Bruce Church, Inc.*,<sup>49</sup> and thereby determine the extent of the burden on interstate commerce, and whether any other legitimate local public interest is present to support the pricing provisions of the Ohio statute under the commerce clause.<sup>50</sup>

*Deborah Kaplan*

## 2. *Pennsylvania Film Trade Regulation Challenge*

In *Associated Film Distribution Corp. v. Thornburgh*,<sup>1</sup> thirteen motion picture distributors and producers challenged a Pennsylvania trade regulation statute aimed at the film distribution industry. The Pennsylvania statute is similar, but somewhat more comprehensive than the Ohio statute examined by the Sixth Circuit in *Allied Artists Picture Corp. v. Rhodes*.<sup>2</sup> The Pennsylvania trade regulation prohibits blind bidding, regulates the bidding process and prohibits advance and some guarantee payments.<sup>3</sup> Plaintiffs in *Associated Film* made arguments similar to those made by plaintiffs in *Allied Artists*: The statute abridges their rights under the first and fourteenth amendments, and violates the commerce clause as well as federal copyright and antitrust laws.<sup>4</sup>

The district court granted summary judgment to the producer-distributor plaintiffs in *Associated Film*, holding that the Pennsylvania statute violated the first and fourteenth amendments and was preempted by federal copyright law.<sup>5</sup> The district court held that the Pennsylvania act on its face "creates the risk of a delay in licensing and of shifting financial burdens and uncertainties [from the exhibitors to the distributors.]"<sup>6</sup>

The appellate court reversed the grant of summary judgment and

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48. 679 F.2d at 664.

49. *Id.*

50. *Id.* See *Pike v. Bruce Church, Inc.*, 397 U.S. 137, 142 (1970).

1. 683 F.2d 808 (3d. Cir. 1982).

2. 679 F.2d 656 (6th Cir. 1982).

3. 683 F.2d at 809-11 n.2.

4. 683 F.2d at 809.

5. *Id.* at 812.

6. *Id.* (quoting *Assoc. Film Distribution Corp. v. Thornburgh*, 520 F. Supp. 971, 983 (E.D. Pa. 1981)).

remanded the case to the district court. The court cited with approval the analytical framework established by the Ohio district court in *Allied Artists*<sup>7</sup> to address similar challenges to statutes analogous to the Pennsylvania statute. The Ohio district court, having established that the Ohio regulation was not designed to regulate the content of expression, proceeded to balance the state's legitimate interests against the impact on the protected forms of expression.<sup>8</sup> The Third Circuit further noted that the district court's grant of summary judgment in *Associated Film* precluded the application of the *Allied Artists* analyses leaving vital questions of fact unanswered.<sup>9</sup>

The district court also ruled that the Pennsylvania regulation on its face is preempted by the Federal Copyright Act.<sup>10</sup> The regulation is therefore unconstitutional under the Supremacy Clause because it limits the exercise of federally created rights and "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress."<sup>11</sup>

The Third Circuit again turned to the analyses of the district and appellate courts in *Allied Films*,<sup>12</sup> and held that the district court in *Associated Film* was premature in granting summary judgment on the copyright preemption issue. The court opined:

The question of whether and to what extent the Pennsylvania Act interferes with attaining the "purposes and objectives of Congress" is one which must be resolved before the trial court can decide, as a matter of law, whether the interference (if any) is such as to require invalidation of all or part of the Pennsylvania Act on preemption grounds.<sup>13</sup>

The appellate court remanded the decision to the district court, instructing the court to use the standards set by the Sixth Circuit in *Allied Artists*.<sup>14</sup>

*Deborah Kaplan*

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7. 683 F.2d at 812.

8. *Id.* at 813.

9. *Id.* at 813-14.

10. *Id.* at 814.

11. *Id.* at 816 (citing *Jones v. Rath Packing Co.*, 430 U.S. 519, 526 (1977)).

12. 683 F.2d at 815-16.

13. *Id.* at 816.

14. *Id.* at 816-17.

## F. Television Regulation

### 1. *Repeal of Three-Year Trafficking Rule*

Effective December 14, 1982, the Federal Communications Commission (FCC) repealed what was commonly known as the "three-year trafficking<sup>1</sup> or holding rule."<sup>2</sup> This rule required that an assignment or transfer of a license submitted prior to the expiration of a three-year holding period had to be set down for hearing unless specified extenuating circumstances were present or a waiver petition was granted.<sup>3</sup> In the same action, the FCC established a one-year holding period from the start of operations under construction permits granted following a comparative hearing.<sup>4</sup>

The three-year rule was adopted by the FCC in 1962,<sup>5</sup> as a result of the Commission's concern that the yearly turnover of a substantial number of broadcast licenses reflected trafficking in broadcast interests, and the fear that frequent station sales might lead to deterioration in programming.<sup>6</sup>

At the time the rule was proposed, the majority of comments received by the Commission were opposed to its adoption.<sup>7</sup> The opposition alleged: (1) a lack of legal authority to adopt such a rule; (2) that the hearings required under the rule were inconsistent with Commission policy to expedite transfer applications because of business exigencies; (3) business practicalities rendered hearings meaningless; (4) no basis existed for the three-year period; and (5) the Commission's concern with trafficking was not backed up by available statistics.<sup>8</sup>

Most of these comments were dealt with in an off-hand manner, and dismissed as having little merit. As to the business exigencies, the Commission concluded that broadcasters had dealt with hearings on other matters and knew how to contract around delays. Legal authority was founded on section 309(e), under which the Commission stated that it had "not only a right, but a duty . . . to require any questions reasonably related to the public interest which cannot be resolved on

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1. Trafficking is defined as the "speculation, barter, or trade in licenses to the detriment of the public interest." 32 F.C.C. 689 (1962).

2. Applications for Voluntary Assignments or Transfers of Control, 47 C.F.R. § 73.3597 (1982).

3. 47 C.F.R. § 73.3597 (a) - .3957(d).

4. 47 Fed. Reg. 55924, 55929, codified at 47 C.F.R. 73.3597 § (c)(1)(i) (1982).

5. Procedures on Transfer and Assignment Applications, 32 F.C.C. 689 (1962).

6. *Id.* at 690.

7. *Id.* at 693.

8. *Id.* at 694-95.



the information in the application itself, to be explored through the hearing process."<sup>9</sup> The three year-period was justified by the Commission's concern with short-term sales, and as three years was the term of a license, this was a reasonable length of time.<sup>10</sup>

The Commission relied heavily on the public interest standard in adopting the three-year rule. For example, the Report and Order stated:

The Commission must subordinate these private concerns [of broadcasters] to more paramount public interest factors. These contentions ignore the fact that the broadcast industry is one affected with a public interest. We would be remiss in our responsibilities in administering the Communications Act if we did not effectuate the new procedure here adopted.<sup>11</sup>

The Commission did acknowledge that the three year time factor in and of itself would not effectively deal with the trafficking problem, but added subsection (d)<sup>12</sup> to address the problem of trafficking beyond the three year period.<sup>13</sup>

These objections and responses by the FCC have been described in order to provide some understanding of the reasoning which led to the rule. The rationale voiced in the 1962 Order contrasts sharply with the current Commission's reasoning in repealing the rule.

The move to repeal the three-year rule took official shape in January, 1982, when the FCC issued its Notice of Proposed Rule Making.<sup>14</sup> In support of the repeal, the Notice stated that "the rule has outlived whatever validity and utility it may have had . . . [I]ts continuance in effect would not serve the public interest."<sup>15</sup>

The Notice stressed the change in the broadcasting business in the twenty years since the rule's adoption, noting that the number of operating stations had almost doubled and that broadcasting was now an established and profitable business.<sup>16</sup> Based upon this observation, the Commission concluded "that it will be the rare case in which sale of a station held less than three years leads to a deterioration of service."<sup>17</sup>

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9. Communications Act of 1934, 47 U.S.C. § 309(e) (1976).

10. 32 F.C.C. 689 at 696.

11. *Id.* at 697.

12. 47 C.F.R. § 73.3597(d).

13. *Id.*

14. Applications for Voluntary Assignments or Transfers of Control, 47 Fed. Reg. 985 (January 8, 1982).

15. *Id.* at 986.

16. *Id.*

17. *Id.*

Indeed, the Commission went on to state: "Continuing the rule in effect is more likely to have such an impact [deterioration of service]. This is because the 'three-year rule' artificially restricts a station from going to its 'higher valued use.'"<sup>18</sup> As an illustration of 'higher valued use,' the Notice stated: "A buyer ready and willing to utilize its resources to pay the required price for a given property is more likely to provide the service more desired in a community than an unwilling owner restricted from selling a property it no longer desires only by Commission fiat."<sup>19</sup>

In the Notice, the FCC proposed that the traditional concern with trafficking was no longer appropriate, as marketplace factors would control: a station purchaser who is in the business to turn a quick profit will be especially attuned to the audience and will have great incentive to provide quality ownership. The marketplace was also viewed as controlling overcommercialization and prices for available stations.

The public interest factor was considered last in the Notice of the proposed repeal: "[W]e believe that allowing the marketplace to operate as to transactions involving on-air stations will undoubtedly lead to better broadcasting in the public interest."<sup>20</sup>

Thus, "public interest," the front rider in 1962, took a back seat to the marketplace in 1982.

The legal authority for the repeal was founded on sections 4(i), 303(g) and (r) of the Communications Act, sections dealing with general and specific powers of the Commission to regulate as public convenience, interest or necessity requires.<sup>21</sup>

Following the public response period, the FCC repealed the sections discussed in its Proposed Order of January 8, 1982.<sup>22</sup> It should be noted that the Commission retained sections 73.3597(e) and (f), which restrict payment upon transfer of construction permits to reimbursement of expenses, and limit the equity interest which a transferor may retain in the permittee.<sup>23</sup>

However, there was strong statutory authority for retaining these sections, unlike sections (a) through (d). This authority was found in sections 301 and 304 of the Communications Act, which prohibit con-

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18. *Id.*

19. 47 Fed. Reg. 985 at 986.

20. *Id.* at 987.

21. 47 U.S.C. §§ 4(i), 303(g), (r) (1976).

22. The majority of the comments received by the Commission were in favor of repeal of the three-year rule. 47 Fed. Reg. 55924 at 55925 (December 14, 1982).

23. 47 C.F.R. § 73.3597(e), .3597(f).

veyance of a property interest in the issuance of a license.<sup>24</sup> The Proposed Notice of Rulemaking had stated,

to allow a permit to be transferred in a situation in which the station seller obtains a profit, prior to the time the program tests have commenced, would appear to violate this prohibition. The permittee would appear to have nothing to convey for profit other than the mere expectation of future profits, which appends to the permit itself.<sup>25</sup>

The FCC also imposed a one-year holding period on construction permits granted after a comparative hearing.<sup>26</sup> The FCC stressed that this restraint grew not from any traditional concern over trafficking, but from its "desire to prevent abuse of the Commission's licensing process."<sup>27</sup>

The overall rationale behind the repeal can best be summarized as "let the marketplace control." The marketplace was heralded as the answer to the concerns regarding prices of station sale transactions, the availability of properties for sale, overcommercialization, and speculation in licenses.<sup>28</sup>

The decision to repeal relied on the FCC's findings in its Deregulation of Radio,<sup>29</sup> as to the efficacy of the marketplace to control the public interest concerns patrolled under the three-year rule.<sup>30</sup>

However, one commentator, writing on the legality and the wisdom of the Deregulation of Radio, espoused the view that marketplace control might provide quantity and quality of entertainment broadcasting, but other important values of the Communication Act's charge of serving the public interest would suffer.<sup>31</sup> Given as examples were coverage of public issues, service to minorities, and editorialization by licensees.<sup>32</sup> While the areas affected may not parallel one another, the principle that marketplace control does not necessarily guarantee operation in the public interest should not be lightly dismissed.

The Commission's historical concern with trafficking was also replaced with an assurance that the marketplace will effectively control

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24. 47 U.S.C. §§ 301, 304 (1976).

25. 47 Fed. Reg. 985 at 987.

26. 47 C.F.R. § 73.3597.

27. 47 Fed. Reg. 55924 at 55928-29.

28. Note that these were all problems historically thought to be caused by trafficking. See *Procedures on Transfer and Assignment Applications*, 32 F.C.C. 689 (1962).

29. *Deregulation of Radio*, 84 F.C.C. 2d 968 (1981).

30. *Id.*

31. Campbell, *The FCC's Proposal to Deregulate Radio*, 32 Fed. Com. L. J. 233 (1981).

32. *Id.* at 246-51.

any of the harms long thought to arise from trafficking.<sup>33</sup>

The Concurring Statement of Commissioner Henry M. Rivera emphasized the weaknesses in the Commission's reasoning. In its rush to run up the banner of marketplace control, the FCC simply dismissed the long-standing policy against trafficking, without supplying any particularly compelling evidence.

As to the majority's claim that purchase for short-term profit will always further the public interest, Rivera countered:

If anything, practicalities suggest otherwise—that 'profiteers' will decrease informational programming, which is relatively expensive to produce, increase contests and other activities to 'hype' a station's ratings, to obtain maximum profit on resale. Although the majority characterizes this result as the hypothetical worse [sic] case, there is no reason why the prime mover of our economic system, the profit motive, will not encourage such worst cases.<sup>34</sup>

In sum, the theme of marketplace reigns with the current Commission.<sup>35</sup> The three-year rule, disliked as it was by industry forces,<sup>36</sup> was a natural to fall by the wayside given the current FCC's emphasis on deregulation.

*Nancy Wagner*

## 2. *Super Stations—Local or National Broadcasters?*

Media magnate and sport enthusiast Ted Turner was involved in two separate pieces of litigation in 1982 which focused attention on his fledgling "Superstation," WTBS-TV of Atlanta. In both cases, ABC sued to enjoin Turner from broadcasting sporting events the rights to which he claimed to be entitled. In *American Broadcasting Cos. v. At-*

33. 47 Fed. Reg. 55924. Trafficking has been the focus of a great number of FCC decisions. *See, e.g.*, Zenith Radio Corporation, 60 F.C.C. 2d 1012, 1016 (Rev. Bd. 1976); Prairie-land Broadcasters, 49 F.C.C. 2d 1377, 1381 (Rev. Bd. 1974); Harriman Broadcasting Co., 9 F.C.C. 2d 731, 733 (1967).

34. 47 Fed. Reg. 55924 at 55931, n.6.

35. Other examples of deregulation under the current Commission are the Deregulation of Radio, *supra* note 23; Revision of Application for Renewal of License of Commercial and Noncommercial AM, FM and Television Licenses, 46 Fed. Reg. 26236 (May 11, 1981); Representation of Stations by Representatives Owned by Competing Stations in Same Area, 87 F.C.C. 2d 688 (1981).

36. *See* notes 7 and 22.

lanta National League Baseball Club, Inc.,<sup>1</sup> WTBS was slapped with an eleventh hour injunction preventing its televising of the 1982 National League Championship Series (LCS) featuring Turner's own Atlanta Braves in their quest to reach the World Series. Turner's sports programming designs were further curtailed in *Cox Broadcasting Co. v. NCAA*,<sup>2</sup> where again, ABC (this time its Atlanta affiliate, WSB-TV) sued to prevent Turner's televising of NCAA football games in Atlanta.

Although both decisions are significant in their immediate effect upon Turner's growth objectives for WTBS, greater import lies in their larger implications. Specifically, a contrast of *ABC* and *Cox* reveals that "superstations" on the whole have sufficient similarities to both local broadcasters and national cable television channels so as to be readily classified as either. The problems confronted by Turner demonstrate the uncertainty that surrounds the superstation phenomenon.

In *ABC v. Atlanta National League Baseball Club, Inc.*, ABC was joined as a plaintiff by the other major league baseball clubs.<sup>3</sup> It was stipulated that Baseball Commissioner Bowie Kuhn had negotiated a contract with ABC on behalf of all ballclubs, the terms of which gave ABC "exclusive rights" to broadcast the National League's LCS in September, 1982.<sup>4</sup> Turner's Braves, along with all the other twenty-five major league teams, had ratified the ABC contract.<sup>5</sup> The contract contained one relevant exception to the network's exclusivity which permitted a local "flagship station" to broadcast its team's games to its hometown market.<sup>6</sup>

1982 was a good year for the Braves. They won the Western Division of the National League and earned the right to meet the St. Louis Cardinals in the LCS. WTBS-TV, also owned by Ted Turner, had functioned as the team's flagship station for several years, bringing approximately 600 television games to Atlanta fans from 1977 through the 1982 season.<sup>7</sup> In 1976, WTBS had become a "superstation,"<sup>8</sup> which means although it originated as a free local over-the-air broadcast in

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1. *American Broadcasting Cos. v. Atlanta Nat'l League Baseball Club, Inc.*, 82 Civ. 6104 (S.D.N.Y. 1982) [hereinafter cited as *ABC*].

2. *Cox Broadcasting Co. v. NCAA*, No. C-89120 (Ga. 1982) [hereinafter cited as *Cox*].

3. *ABC* at 1.

4. *Id.* at 4-5. Commissioner Kuhn derived his authority from a document identified as the "Central Fund Agreement."

5. *Id.* at 5.

6. *Id.* at 9.

7. *Id.* at 6. All the games were simultaneously transmitted to cable systems nationally.

8. *In re Southern Satellite Systems, Inc.*, 62 F.C.C. 2d 153 (1976).

Atlanta, its signal was picked up and retransmitted by satellite to other U.S. cities' cable television subscribers.<sup>9</sup> This enabled WTBS to reach a national audience of 22.5 million households in all fifty states, or about 28 percent of American television homes.<sup>10</sup>

ABC argued that to permit WTBS in Atlanta to broadcast the Braves' LCS games would in essence sanction competing national telecasts in violation of ABC's exclusive rights.<sup>11</sup> ABC further contended that with such a wide national audience base, WTBS could not possibly fit within the flagship exception.<sup>12</sup> U.S. District Court Judge Mary Johnson Lowe agreed after finding 1) that half of all cable T.V. households would watch the LCS on WTBS rather than ABC,<sup>13</sup> and 2) that only five percent of WTBS viewers and not more than ten percent of WTBS' advertising revenues came from the Atlanta market.<sup>14</sup>

Sports and media personalities also testified about the damaging effects the WTBS broadcasts would have upon major league baseball, whose honor in conveying exclusive rights was purportedly placed in issue.<sup>15</sup>

The district court found that WTBS was not a flagship station, as the ABC contract exception contemplated, but rather a national network of a lesser scale.<sup>16</sup> Judge Lowe therefore enjoined WTBS' broadcast of the LCS as a violation of ABC's exclusive national rights.<sup>17</sup>

By contrast, *Cox v. NCAA* held WTBS to the role of a *local* broadcaster, despite Turner's claims to the contrary. Here, the stake was college football and plaintiff, Cox Broadcasting Company, owned WSB-TV, Atlanta's new ABC-affiliate station. As in the previous case, ABC had owned exclusive rights to NCAA football games. In fact, for sixteen years, ABC was the only authorized national broadcaster of

9. Notice of Proposed Rulemaking in Dockets 20988 and 21284, 71 F.C.C. 2d 1004, 1006, Fed. Reg. 28347 (1979). This definition appears to be the industry standard. Cable Television Syndicated Exclusivity Rules; Docket Nos. 20988, 21284, 71 F.C.C. 2d 1004, 1006 (1979) [hereinafter cited as *Proposed Rulemaking*].

10. *ABC* at 12.

11. *Id.* at 13.

12. *Id.* at 19.

13. *Id.* at 12.

14. *Id.* at 9.

15. *Id.* at 16-17. Commissioner Kuhn's melodramatic testimony stated in part, "... your Honor, . . . if we can't back up our exclusives and make them work, we are at sea in the future in terms of these extremely valuable rights. We lose our credibility as an industry, not only on a national level but probably broadly that baseball can't deliver, . . . and the ultimate ones to feel that injury will be the great American public, who have made baseball the truly American sport." *Id.* Are superstitions un-American?

16. *Id.* at 19.

17. *Id.* at 37.

NCAA games. From 1979 to 1981 these contractual rights cost ABC 120 million dollars.<sup>18</sup>

However in 1982 the NCAA promulgated rule changes which authorized three separate contracts of a non-exclusive nature. ABC and CBS, as network broadcasters, contracted for the rights to fourteen games apiece. A third contract, for cable transmission, conveyed the rights to televise 19 NCAA contests and was referred to as the Supplemental Series.<sup>19</sup>

The Turner WTBS Superstation, having bid 17 million dollars, was awarded the cable contract.<sup>20</sup> The CBS contract, which had been negotiated with knowledge of WTBS' superstation broadcast capabilities and cable contract, contained language which constrained CBS from challenging its validity.<sup>21</sup>

The NCAA-ABC contract however was negotiated in haste at the last minute and was not fitted with such language.<sup>22</sup> Instead, the ABC contract expressed a clear grant of exclusivity for its games as against all other free "over-the-air" broadcasts.<sup>23</sup>

The Georgia superior court held in *Cox*, as did the court in *ABC*, that the cable transmission of WTBS carried nationally were the identical programs broadcast over-the-air in Atlanta.<sup>24</sup> It further found that although certain changes in FCC tariff application would allow WTBS to separate its satellite signal from its local broadcasts (and thereby show different programs to its local and national viewers), WTBS chose not to do so.<sup>25</sup> Therefore, to fulfill its 1982 cable contract with the NCAA to broadcast the 19-game Supplemental Series, WTBS had to first broadcast the game on WTBS live over-the-air in Atlanta.

Plaintiff *Cox* claimed that these planned over-the-air telecasts of NCAA games would 1) violate ABC's exclusivity grant as against all others, and 2) irreparably harm WSB and also ABC.<sup>26</sup> WSB would be

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18. *Cox* at 1.

19. *Id.* at 2.

20. *Id.* at 8.

21. *Id.* at 7.

22. *Id.* On December 6, 1982, the Georgia Supreme Court reversed the trial court and dissolved the injunction on this point alone. *Cox Broadcasting Corp. v. National Collegiate Athletic Assn.*, 250 Ga. 391 (1982). There the court found that there had never been a "meeting of the minds" between ABC and the NCAA as to whether the scope of ABC's exclusivity encompassed Superstation broadcasts. Thus ABC had no contractual rights upon which to sue.

23. *Cox* at 10.

24. *Id.* at 11; *ABC* at 20.

25. *Cox* at 6.

26. *Id.* at 8.

harmful in that its competitor WTBS would likely experience a jump in market share from 5 to 40 percent if football games were televised on Saturday night as intended.<sup>27</sup> ABC, it was argued, would be harmed in that its reputation and relationship with its affiliates, particularly WSB, would be damaged. Moreover, the value of its contract would be diminished.<sup>28</sup>

The court, however, was keen in balancing the harm to defendants as well. The NCAA, it was submitted, would be unable to find another cable supplier at this late juncture, and would absorb a hefty economic loss.<sup>29</sup> Moreover, WTBS had already expended substantial sums in expectation of the games, and had made commitments to advertisers.<sup>30</sup>

Ultimately, the court fashioned a bit of creative relief by permitting WTBS' 1982 broadcasts while enjoining its broadcasts of NCAA games the next three seasons.<sup>31</sup> The court further awarded WSB the right to broadcast two University of Georgia and two Georgia Tech games.<sup>32</sup>

As a practical matter, superstation WTBS lost this suit because it was held to be a *telecaster* and not a *cablecaster*.<sup>33</sup> The ABC contract forbade all other *over-the-air* transmissions, which for WTBS and its national audience, were only in Atlanta.<sup>34</sup>

So what's left? In *ABC*, Turner's WTBS baseball programs were enjoined as a violation of ABC's exclusive rights as against other *national* broadcasts. In *Cox*, Turner's college football series rights were eroded because WTBS in Atlanta is a free, *over-the-air local* broadcast station. The ABC attorneys won the superstation argument on both sides.

The brief history of superstations is checkered. Definitions are few but fear and resentment are widespread.<sup>35</sup> Both courts above made factual findings that neither the term "superstation," nor any functional equivalent appeared in either of ABC's exclusive rights contracts.<sup>36</sup> The District Court in *ABC* nowhere defines the term "superstation,"

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27. *Id.* Turner's NCAA series was scheduled to go head-to-head against WSB's "Fantasy Island" and "Love Boat."

28. *Id.*

29. *Id.* at 10.

30. *Id.* at 9.

31. *Id.* at 8.

32. *Id.* at 13.

33. *Id.*

34. *Id.* at 11.

35. *Id.* at 5.

36. See *Proposed Rulemaking* (footnote 9 *supra*) which contains such a petition by the National Association of Broadcasters.



but *Cox's* Georgia court attempts a definition which appears to be the going standard:<sup>37</sup> Superstations are those which originate as local *over-the-air* broadcasts in one market but are simultaneously retransmitted by satellite to cable television viewers across the country.<sup>38</sup> It is therefore easy to see how Turner could lose both suits. By enjoying the fruits of both station-types, superstations enjoy the separate rights of neither.

Common to the findings of both *ABC* and *Cox* was the identification of only three U.S. Superstations.<sup>39</sup> The other two, WOR-TV of New York, and WGN-TV of Chicago are not superstations of their own volition,<sup>40</sup> and WGN actively discourages retransmission of its signal.<sup>41</sup>

Under Turner's direction, however, WTBS sought superstation status from the outset.<sup>42</sup> In fact, the company which provided WTBS' RCA satellite link, Southern Satellite Systems, Inc. (SSS), was conceived, owned and operated by Turner before its divestment for a reported one dollar.<sup>43</sup> Although control by Turner of SSS could not be proved, SSS' unwillingness to alter its FCC tariff arrangement even when faced with programming loss is curious.

For that matter, ABC's roles in the litigation are intriguing. After all, ABC instituted suits in two courts, each seeking to attack superstations on a divergent premise, once as a virtual cable network and once as a local telecaster.

The courts also noted that ABC had been somewhat lax (or at least inconsistent) in preserving its rights.<sup>44</sup> The *ABC* court, ruling on baseball, found that in fact a prior extra-territorial flagship broadcast of an LCS had gone unchallenged by ABC.<sup>45</sup> And, in a 1978 anti-trust suit brought against ABC by Warner-Amex Cable, ABC as much as consented to five cable broadcasts of Ohio State games in each of 1978 and

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37. *ABC* at 5; *Cox* at 3.

38. *Cox* at 4. Cf. footnote 9 *supra*.

39. *Cox* at 4; *Proposed Rulemaking* at 1006.

40. *ABC* at 8; *Cox* at 4.

41. *Id.*

42. *Cox* at 4. WGN-TV of Chicago opposes aspects of its superstation status. See *WGN Continental Broadcasting Co. v. United Video, Inc.*, 693 F. 2d 622 (7th Cir. 1982) where plaintiff won a permanent injunction against defendant cable transmitter's alteration of WGN signals.

43. *ABC* at 8.

44. *Cox* at 5.

45. This figured in the balancing of harms in *Cox*, wherein WTBS' 1982 NCAA broadcasts were not enjoined. *Cox* at 12. Although Turner raised laches as one defense in *ABC*, the court concluded otherwise. *ABC* at 13.

1979 in its settlement terms.<sup>46</sup> Many analysts question why no other unfair competition suits have been aimed at the networks in light of Warner-Amex's success.<sup>47</sup>

What then is to be made of the superstation phenomenon? The temptation exists to examine its early treatment with that of similar developments.

The arrival of the "community antenna" in the early sixties probably provides the nearest parallel. There, as documented in *Cable Vision, Inc. v. KUTV, Inc.*,<sup>48</sup> these powerful receiving antennae made a good first impression. In Twin Falls, Idaho, the community antenna proved very popular because it expanded the number of viewable television stations from one to four by adding reception of the Salt Lake City, Utah stations.<sup>49</sup> KLIX was the original station.<sup>50</sup> The conflict which resulted in the *Cable Vision* suit arose when one of the Salt Lake City stations affiliated with the same network as KLIX ran the same network fare as KLIX.<sup>51</sup> Thereupon, KLIX sued to protect its grant of programming exclusivity from the network (much the way Cox brought action against Turner's WTBS).<sup>52</sup> In *Cable Vision*, even though the court held that a community antenna was not a broadcaster, it enjoined the antenna's relay of same-network programming on the ground of unfair competition.<sup>53</sup>

The Ninth Circuit Court of Appeal later reversed the trial court's finding of unfair competition because KLIX enjoyed no copyright protection of its broadcasts over the public airwaves.<sup>54</sup> Therein may lie the reason why unfair competition suits have not been levied against the characteristically similar superstation.

Superstations, by virtue of their transmission by satellite, possess

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46. *ABC* at 10.

47. Warner Cable Corporation sued ABC on anti-trust grounds to gain the rights to broadcast Ohio State football games to its Ohio subscribers. ABC owned the exclusive broadcast rights to all NCAA games, but did not intend to televise the games in question. In settling the suit immediately before trial, ABC acceded to Warner's coverage of five OSU games in each of 1978 and 1979. *Warner Cable Corp. v. American Broadcasting Cos., Inc.*, No. C-2-78-592 (S.D. Ohio E.D., filed June 28, 1978). In 1980, however, ABC refused to renew the agreement and Warner's subsequent suit was unsuccessful. *Warner-Amex Cable Communications, Inc. v. American Broadcasting Cos., Inc.*, 499 F. Supp. 537 (S.D. Ohio 1980).

48. L. Sobel, *Sports and the Law*, 615 (1977).

49. 211 F. Supp. 47 (D. Idaho 1962).

50. *Id.*

51. *Id.*

52. *Id.*

53. *Id.* at 52.

54. *Id.* at 55.

similar characteristics to antennae. And ironically enough, superstations, like antennae, were initially lauded for their novelty. In granting the first-ever superstation satellite link to Southern Satellite Systems, Inc. and WTBS in 1976, the Federal Communications Commission praised the idea as "an innovative combination of new technology and established practices."<sup>55</sup> The FCC went on to list three principal advantages of superstations: 1) efficient use of satellites, 2) greater diversity of programming, and 3) better service to the public.<sup>56</sup>

FCC treatment of both community antennae and cable TV importation of distant superstation signals has been characterized by a gradual move to action. The impetus to increased cable television regulation was the desire to protect local broadcasters and struggling UHF stations.<sup>57</sup> The reluctance of the *Cable Vision* court to enjoin the Twin Falls antenna was in large measure predicated upon the recognition that the antenna could indeed provide a useful public service.<sup>58</sup> Perhaps WTBS can be cast in that same light after *ABC* and *Cox*: beneficial potential to the public with a highly competitive flair.

Certainly, it was not envisioned this way. In fact, the relative void of early superstation regulation resulted directly from the FCC's opinion that superstations on the whole represented nothing more than trouble-fought flash in the plan attempts to erect a fourth network.<sup>59</sup> Superstations, it was thought, would not only be largely unprofitable, but would pose no real threat to established broadcasters.

These views were reflected in the FCC's denial in 1979 of a National Association of Broadcasters' (NAB) petition seeking comprehensive superstation regulation. The essence of the NAB complaint was that FCC policies' practical effect had "opened the door to superstation development."<sup>60</sup> Superstations, the NAB contended, undermined the success of local broadcasters, the linchpin of FCC policy.<sup>61</sup>

The FCC shot back a barrage of statistics, all bolstering its belief (in sports terminology), "no harm, no foul." Superstation subscribers, it argued, could only provide WTBS with one-fourth the base of a network and would fail to generate the clout necessary to compete and bid

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55. *Cable Vision, Inc. v. KUTV, Inc.*, 335 F. 2d 348 (9th Cir. 1964), *cert. denied sub nom* KLIX Corp. v. *Cable Vision, Inc.* 379 U.S. 989 (1965).

56. 62 F.C.C. 2d 153, 159.

57. *Id.*

58. Franklin, Marc, *Cases and Materials on Mass Media Law*, 2d Edition, Foundation Press, 1982, p. 634.

59. *Cable Vision*, 211 F. Supp. 47.

60. *Proposed Rulemaking* at 1050.

61. *Id.* at 1051.

for programming nationally.<sup>62</sup> Moreover, the FCC contended that with mostly local programming, WTBS would be unable to sustain the widespread interest necessary to support its operations. As a further illustration, a comparison between WTBS and WNEW-TV (the largest New York over-the-air station) yielded figures showing WNEW's overall viewership advantage in sheer numbers in its New York market alone, as compared with Turner's national audience.<sup>63</sup>

Concluding that local broadcasters were safe from the superstation menace, the FCC rejected the NAB's claims, stating that they "fail to produce any evidence whatsoever that a regulatory problem either now exists or is being fomented."<sup>64</sup>

Any assessment of the future must regard the FCC forecasts of superstations' inevitable failure with suspicion. In the relatively few years since the NAB brought its petition, WTBS has made the feared inroads into local broadcasters' turf. NAB statistics which were swept under the rug before are now proving true. For example, in 1978, WTBS reported revenues of \$31 million. By 1989, that figure is expected to rise to \$138 million.<sup>65</sup>

Moreover, the superstation business is booming. The FCC's 1979 figures which calculated WTBS' national audience at three million<sup>66</sup> were adjusted upward in 1980 to five million, thus reflecting a 67% increase over a twelve month period.<sup>67</sup> Superstations as a group continue to fare well, too. In 1979, 64% of all Form 3 U.S. cable systems carried superstations in their channel mix. By 1980, that number had risen to 75% of all cable systems.<sup>68</sup> In fact, of all new distant signals imported for use by cable systems in 1980, 63% were superstations.<sup>69</sup>

Even New York's WOR-TV, the oft-described "involuntary"

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62. *Sixth Report and Order in Dockets 8736, 8975, 8976 and 9175*, 41 F.C.C. 148 (1952).

63. *Proposed Rulemaking* at 1050. This was figured from a maximum market penetration projection for cable television of 48% of American television homes. It was adduced that five superstations and the three networks would equally share this market segment (about 6% each). If the remaining 52%—non-cable homes—is split among the three networks equally (17% each), then each network would maintain an overall market share of 23%, compared with each superstation's 6% audience.

64. *Id.* at 1051. The FCC's 1979 figures found New York's WNEW-TV's city-wide average weekly audience to number 5,880,500. By contrast, WTBS enjoyed an average weekly audience of 3 million nationally and 686,900 in Atlanta.

65. *Id.* at 1044.

66. *Id.* at 1043.

67. See note 64 *supra*.

68. *Memorandum Opinion and Order in Dockets 20988 and 21284*, 79 F.C.C. 652, 786 (1980).

69. *Copyright Royalty Tribunal*, Docket No. CRT 81-1, 48 Fed. Reg. 9552, March 7, 1980.

superstation, found it difficult to ignore the new-found success its superstation status had brought. In a March, 1980, *New York Times* article, the president of WOR's parent company, RKO Television, mused that the station's business was "better than it has been in years" in part because "WOR-TV is carried by satellite to cable television systems around the country."<sup>70</sup>

The FCC's argument denying any bidding strength to superstations seems unsteady in view of these figures. Perhaps this even underlies the injury sued upon in *Cox*. There, after outbidding its competition by *ten million dollars*, WTBS sought to televise NCAA games on Saturday nights.<sup>71</sup> This would have earned WTBS a local prime time market share of nearly half.<sup>72</sup>

Other broadcasters have observed Turner's success with the WTBS venture and also believe in the viability of superstations. Three stations in New York, two in Boston, and one each in Chicago, Oakland and Los Angeles have already either applied for or achieved superstation status.<sup>73</sup> Moreover, with virtually unlimited channel capacity in a highly-competitive cable television industry, it is likely that a willing superstation seeking to market itself away from home would be positively received, especially if it possessed the "flagship station" designation of the local sports teams. Of the three most widely transmitted superstations, WTBS is the flagship of the Atlanta Braves while WOR-TV is the flagship of the New York Mets, and WGN fulfills the same role to the Chicago Cubs.<sup>74</sup> Flagship signals are the easiest and least costly to import.<sup>75</sup>

The WTBS experiment may pave the way for future superstations. With the operating base of a local telecaster and a national advertising market, success along the Turner mode seems a fair prospect.

The greatest drawback to a flourish of superstation development may be a legal one, as evidenced by the holdings in *Cox* and *ABC*. Superstations are encumbered with a broad definition which permits their classification as both local telecasters *and* cable networks.<sup>76</sup> This leaves superstations twice unprotected. *Cox* disallowed WTBS' use of

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70. *Id.*

71. "WOR-TV's Aims to Improve Its Image," *New York Times*, March 10, 1980, p. C17.

72. *Cox* at 8.

73. *Id.*

74. *Proposed Rulemaking* at 1051.

75. *Copyright Royalty Tribunal*, Docket No. CRT 80-4, 47 Fed. Reg. 9879, March 8, 1982, at footnote 106.

76. *Id.* at footnote 104.

its national NCAA contract to local advantage.<sup>77</sup> *ABC* enjoined broadcast of its legal entitlement locally to its national audience.<sup>78</sup> Despite the courts' longstanding dislike of network exclusivity contracts, they are nevertheless common practice.<sup>79</sup> Their preemptive nature is also a major impediment to superstation development.

Further disadvantages appear in the form of unfair competition claims by local broadcasters against weighty superstations like Turner's WTBS.<sup>80</sup> Since the NAB's concerns now appear well-founded, suits by locals to keep them from being bullied may lie on the horizon.

Thus, the future of superstation development depends a good deal upon its judicial treatment. The FCC may choose to adopt regulations governing superstation rights, or perhaps the courts will carve out some ground upon which superstations may thrive. Until either occurs, the courts in *ABC* and *Cox* have jointly leashed the superstations' hydra-head.<sup>81</sup>

*James Rosen*

### G. Personal Injury

#### 1. *Producer Not Liable For Injuries Inflicted on Movie Goer*

In *Bill v. Superior Court*,<sup>1</sup> a California Court of Appeal held that producers of a motion picture cannot be held liable for the actions of persons who the film attracts. To hold the producers liable would have a chilling effect on their rights of free speech under the first amendment.<sup>2</sup> Furthermore, under tort law principles, producers have no duty of care toward people who see their films.<sup>3</sup>

On March 24, 1979, plaintiff Jocelyn Vargas attended the movie "Boulevard Nights" in a San Francisco movie theater with her mother.<sup>4</sup> As they were leaving the theater and walking down the street

77. *Cox* at 8.

78. *Cox* at 13.

79. *ABC* at 37.

80. *National Broadcasting Co. v. United States*, 319 U.S. 190, — S. Ct. —, 87 L. Ed. 1344 (1942). The court stated at 199: "Our conclusion is that the disadvantages resulting from these exclusive arrangements far outweigh any advantages. . . ."

81. This is the essence of the NAB petition in *Proposed Rulemaking* at 1046.

1. 137 Cal. App. 3d 1002, 187 Cal. Rptr. 625 (1982).

2. *Id.* at 1006-09, 187 Cal. Rptr. at 627-29.

3. *Id.* at 1009-15, 187 Cal. Rptr. at 629-34.

4. *Id.* at 1004, 187 Cal. Rptr. at 626.

to catch a bus, Vargas was shot.<sup>5</sup> Vargas filed suit against Tony Bill, the executive producer of the film.<sup>6</sup> She also named as defendants director Michael Pressman, producer Bill Benenson, and Eastside Productions, a corporation owned by Bill and Benenson which provided the services of Bill, Pressman, and Benenson to Warner Brothers for the making of the film.<sup>7</sup>

Vargas alleged that she had been shot by an individual who was prone to violence and who had been attracted to the theater by the showing of the violent movie.<sup>8</sup> Through her mother, as guardian, she sued for damages for medical treatment.<sup>9</sup> Her mother was also a plaintiff in her own right; she sued for loss of Vargas' services.<sup>10</sup> In one cause of action, Vargas alleged that Bill knew or should have known that his film was likely to attract members of the public who were prone to violence and whose presence at the theater would create a danger to other people seeing the movie.<sup>11</sup> Vargas claimed that the defendants negligently failed to warn her of this danger and negligently failed to take steps to protect her and others from it.<sup>12</sup> As part of a separate cause of action, she also alleged that the defendants, by showing the movie to the public, impliedly represented to the public that their movie could be viewed in safety and that she relied on this fraudulent representation to her detriment.<sup>13</sup>

The superior court denied defendants' motion for summary judgment.<sup>14</sup> The appellate court reversed and issued a writ of mandate ordering summary judgment in accordance with the defendants' motion.<sup>15</sup>

In making its decision, the court referred to the United States Supreme Court decision in *Brandenburg v. Ohio*,<sup>16</sup> which stated that an individual's freedom of speech is entitled to constitutional protection except when it is an incitement of imminent lawless action and likely to produce such action.<sup>17</sup> The court noted that Vargas conceded that

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5. *Id.* at 1004-05, 187 Cal. Rptr. at 626-27.

6. *Id.* at 1005, 187 Cal. Rptr. at 626-27.

7. *Id.*

8. *Id.*

9. *Id.*

10. *Id.*

11. *Id.*

12. *Id.*

13. *Id.*

14. *Id.* at 1004, 187 Cal. Rptr. at 626.

15. *Id.* at 1015, 187 Cal. Rptr. at 634.

16. 395 U.S. 444, 447-48 (1969).

17. *Id.*

"Boulevard Nights" did not advocate or encourage such violent acts and therefore was not an incitement within the meaning of *Brandenburg*.<sup>18</sup>

The court also referred to another California case, *Olivia N. v. National Broadcasting Co.*,<sup>19</sup> where it was ruled that permitting a negligence action based on the contents of a television broadcast would have a chilling effect on the right to free speech of the people responsible for the broadcast.<sup>20</sup> Applying *Olivia N.*, the *Bill* court stated that the plaintiff's first cause of action could not be upheld since in seeking to hold the defendants liable for the actions of the viewers of their film, Vargas was indirectly seeking to hold the defendants liable for their film's content.<sup>21</sup> The court felt that by requiring the defendants to warn the public about the types of people that might see their film, many members of the general public may be deterred from seeing it.<sup>22</sup> In addition, the court felt that requiring the defendants to provide security in the vicinity of every theater where the film was shown would impose substantial costs on the defendant.<sup>23</sup> Both types of liability, according to the *Bill* court, would have a chilling effect on the defendants' selection of subject matter for the movies they would make.<sup>24</sup>

With respect to Vargas' contention that Bill made an implied fraudulent representation that his movie could be safely attended, the court stated that such a claim also involved first amendment considerations.<sup>25</sup> The court stated that the first amendment did not protect all forms of speech and that there might be circumstances in which a party such as Bill could be held responsible for a failure to warn of possible danger, in spite of the first amendment.<sup>26</sup> The court, therefore, declined to decide this issue on first amendment grounds alone, although it felt that the movie was within the ambit of protected expression.<sup>27</sup> Instead, the court looked at established principles of tort law to determine whether Bill had violated a duty to warn.<sup>28</sup>

The court referred to *Weirum v. RKO General, Inc.*,<sup>29</sup> in which

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18. 137 Cal. App. 3d at 1006, 187 Cal. Rptr. at 627.

19. 126 Cal. App. 3d 488, 178 Cal. Rptr. 888 (1981).

20. *Id.* at 494-95, 178 Cal. Rptr. at 892.

21. 137 Cal. App. 3d at 1007, 187 Cal. Rptr. at 628.

22. *Id.* at 1008, 187 Cal. Rptr. at 628-29.

23. *Id.*

24. *Id.*

25. *Id.* at 1009, 187 Cal. Rptr. at 629-30.

26. *Id.*

27. *Id.*

28. *Id.*

29. 15 Cal. 3d 40, 123 Cal. Rptr. 468, 539 P.2d 36 (1975).



rock radio station KHJ conducted a contest in which it sent a disc jockey to roam the streets and rewarded the first contestant to locate him. While two minors were driving in separate automobiles attempting to follow the disc jockey's automobile, one of them negligently forced a car off the highway, killing its driver. The radio station was held to have a duty of care toward the decedent since, in conducting the contest, it had committed an affirmative act which created an undue risk of harm.<sup>30</sup> The *Bill* court ruled that since Vargas had not accused Bill of being responsible for any conduct which increased the risk of violence on the part of persons in the vicinity of the theater, as KHJ had been in *Weirum*, liability could not be imposed against Bill on this ground.<sup>31</sup> The court then referred to the general rule that individuals have no duty to warn of potential danger from third parties unless a special relationship exists between the individual and the third person requiring the former to control the latter's conduct; or unless a special relationship exists between the actor and the endangered party which gives that party the right to protection.<sup>32</sup> No such relationship existed here.

Finally, the court ruled on Vargas' claim that Bill had negligently failed to provide security protection on the public streets outside the theaters where "Boulevard Nights" was shown. The court stated that Bill had no responsibility to take steps to prevent criminal acts of violence absent a particularized showing of foreseeability and a weighing of the burden of taking precautionary measures against the apparent risk of harm.<sup>33</sup> The court further stated that defendants are not liable for the defective condition of property which they do not own or control.<sup>34</sup> Although one who has undertaken the obligation of protecting a party is required to continue to do so,<sup>35</sup> the court held that Bill's recom-

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30. *Id.* at 47-49, 123 Cal. Rptr. at 473-74, 539 P.2d at 42-43.

31. 137 Cal. App. 3d at 1011, 187 Cal. Rptr. at 631.

32. Restatement (Second) of Torts § 315 (1965); see *Davidson v. City of Westminster*, 32 Cal. 3d 197, 203, 649 P.2d 894, 185 Cal. Rptr. 252 (1982). The endangered party must be a specifically identifiable and foreseeable victim and not merely a member of the general public. See *Davidson, supra*; see also *Tarasoff v. Regents of University of California*, 17 Cal. 3d 425, 551 P.2d 334, 131 Cal. Rptr. 14 (1976); *Thompson v. County of Alameda*, 27 Cal. 3d 741, 167 Cal. Rptr. 70 (1980). In all three of these cases, the existence of public policy considerations was also a significant factor in the determination of whether a duty to warn existed. *Tarasoff* involved a confidential relationship between therapist and client. *Thompson* involved the functioning of rehabilitative release programs run by a county correctional institute. *Davidson* involved the effectiveness of police surveillance on a certain individual. No such public policy considerations existed in *Bill* where the defendants were private parties engaged in the making and exhibiting of a film.

33. 137 Cal. App. 3d at 1014, 187 Cal. Rptr. at 633-34.

34. *Id.*

35. Restatement (Second) of Torts § 449 comment a, (1965).

mendation to Warner Brothers that security guards be posted outside the theater did not constitute such an undertaking.<sup>36</sup>

The *Bill* court's determination that "Boulevard Nights" was entitled to first amendment protection was based entirely on its determination that the film did not constitute an incitement to violence under *Brandenburg v. Ohio*.<sup>37</sup> This was an inadequate analysis of the issue of whether a party can be held liable for harmful acts resulting from his communication. *Brandenburg* involved an individual who had been convicted for advocating a particular political cause.<sup>38</sup> As such, it differed from the situation in *Bill* which involved an act of violence allegedly resulting from a motion picture and from the allegedly misleading contents of the advertisements for that motion picture. It is quite possible that the *Brandenburg* test is meant to be applied only to cases with a similar factual context—political activity which incites listeners to unlawful action—and not to those involving the content of a non-political motion picture distributed for entertainment.<sup>39</sup>

Although motion pictures are a protectable form of free speech under the first amendment,<sup>40</sup> the Constitution gives a lesser protection to commercial speech than to other constitutionally guaranteed forms of expression.<sup>41</sup> Commercial speech may be defined as that speech which is directed solely to obtaining private profit without additional political, social, economic, or religious importance.<sup>42</sup> A motion picture made purely for entertainment purposes would surely fall under this

36. 137 Cal. App. 3d at 1014, 187 Cal. Rptr. at 633.

37. *Id.* at 1006-07, 187 Cal. Rptr. at 627-28; see *Brandenburg v. Ohio*, 395 U.S. 444, 447-48 (1969) and text accompanying n.16, *supra*.

38. The appellant was a Ku Klux Klan leader who had been convicted under an Ohio statute which forbade the advocating of the propriety of violence or crime as a means of accomplishing political ends. He had spoken at an outdoor rally on private property. Only other Klan members and members of the news media were invited to attend. During his speech, the appellant made a general reference to the possibility that his organization might need to use violence to achieve its ends in the future. The Court overturned the conviction, holding that the advocacy of violence to achieve political ends was protected by the first amendment except where such advocacy was directed to inciting or producing *imminent* lawless action and was likely to incite or produce such action. 395 U.S. at 447-48.

39. See Cook, *The Censorship of Violent Motion Pictures: A Constitutional Analysis*, 53 Ind. L.J. 381, 394-95 n.70; cf. Kalven, *The Meta Physics of the Law of Obscenity*, 1960 Sup. Ct. Rev. 1 (P. Kurland 1960).

40. *Joseph Burstyn Inc. v. Wilson*, 343 U.S. 495 (1952); *Burton v. Municipal Court*, 68 Cal. 2d 684, 68 Cal. Rptr. 721 441 P.2d 281 (1968); *People v. de Renzy*, 275 Cal. App. 2d 380, 79 Cal. Rptr. 777 (1969).

41. *Central Hudson Gas v. Public Service Comm'n*, 447 U.S. 557, 563 (1980).

42. *Virginia Pharmacy Board v. Virginia Citizens Consumer Council*, 425 U.S. 748, 762 (1976); *Bates v. State Bar of Arizona*, 433 U.S. 350, 363-64 (1977); *Friedman v. Rogers*, 440 U.S. 1, 17 (1979).

definition of commercial speech.<sup>43</sup>

On the other hand, it is also arguable that the *Brandenburg* test should be applied to all forms of speech (including commercial) and to the circumstances in which they occur.<sup>44</sup> If the *Bill* court was correct in applying the *Brandenburg* test, then it was correct in ruling that "Boulevard Nights" was entitled to first amendment protection since a violent movie being shown to a passive audience almost certainly could not be said to be directed toward inciting or producing imminent lawless action, even if it could be said to be capable of producing such action.<sup>45</sup> But the *Bill* court wrongly refused to even deal with the issue of whether the *Brandenburg* test could be applied to the contents of a motion picture.

Even if the *Brandenburg* test does apply to motion pictures and even if the test would protect *Bill* from liability for harmful acts resulting from the production of "Boulevard Nights," the test almost certainly would not apply to motion pictures which are considered to be undeserving of first amendment protection in the first place.<sup>46</sup> There are three types of speech which the Supreme Court has held to be unprotected by the first amendment:<sup>47</sup> obscenity,<sup>48</sup> "fighting words",<sup>49</sup> and defamation.<sup>50</sup>

Defamation has been defined as "words which produce any perceptible injury to the reputation of another."<sup>51</sup> A movie which did

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43. On the other hand, a motion picture which had a significant socio-political message in it probably would not be commercial speech even if the making of it was motivated primarily by profit. See *supra* n.42. There is nothing in the facts of *Bill* to indicate that "Boulevard Nights" contained such a message or that its making was motivated by anything but profit.

44. See Buchanan, *Obscenity and Brandenburg: The Missing Link*, 11 Hous. L. Rev. 537, 568-73 (1974).

45. Both direction and capability are necessary for a form of speech to lose its constitutional protection under the *Brandenburg* test. See *supra* n.38.

46. *Beauharnais v. Illinois*, 343 U.S. 250, 266 (1952). At the time that *Beauharnais* was decided, the rule was that speech could be prohibited in spite of the first amendment if it presented a "clear and present danger" to the public welfare. *Schenk v. United States*, 249 U.S. 47 (1919). The *Beauharnais* court ruled that this "clear and present danger" test did not have to be applied to forms of speech outside the ambit of constitutional protection. Presumably, the *Brandenburg* test, which seems different from, and has apparently replaced the "clear and present danger" test, see *supra* n.38, 45, also would not be applied to constitutionally unprotected forms of speech.

47. Spak, *Predictable Harm: Should the Media Be Liable?*, 42 Ohio St. L.J. 671, 681-84 (1981).

48. *Roth v. United States*, 354 U.S. 476 (1957).

49. *Chaplinsky v. State of New Hampshire*, 315 U.S. 568, 572 (1942) (words "which by their very utterance inflict injury or tend to incite an immediate breach of the peace").

50. *Beauharnais*, 343 U.S. at 266.

51. *Ballentine's Law Dictionary* 321 (3d ed. 1969).

nothing more than depict violent acts would not fall within this definition.

Nor would the contents of a violent movie fall under the present-day definition of "obscenity" or "fighting words." The Supreme Court has defined obscenity as "words which depict or describe sexual conduct"<sup>52</sup> and has expressly declined to include violence within the category of obscenity.<sup>53</sup> Under *Cohen v. California*<sup>54</sup> and *Cantwell v. Connecticut*,<sup>55</sup> offensive language must be directed to the person of the hearer in such a manner that he could reasonably hear it as a direct personal insult, in order for such language to be considered "fighting words." No movie could fit this requirement.

But there is every likelihood that the United States Supreme Court would expand the definitions of "obscenity" and/or "fighting words" to include violent films.<sup>56</sup> One commentator has remarked that with regard to the regulation of obscene material, "the era of judicial permissiveness appears to be over. Under the new guidelines laid down by the Burger Court, a work will not escape the law's condemnation if it has the slightest 'redeeming social value'; it must be shown to possess, as a whole, 'serious literary, artistic, political and scientific value.'"<sup>57</sup> This makes it likely that the Court is ready to rule that depictions of certain unique acts of violence are obscene or tend to incite an immediate breach of the peace and therefore, are not deserving of constitutional protection. In *Paris Adult Theatre I v. Slaton*,<sup>58</sup> the Burger Court remarked that:

Although there is no conclusive proof of a connection between antisocial behavior and obscene material, the legislature of Georgia could quite reasonably determine that such a connection does or might exist . . . . From the beginning of civilized societies, legislators and judges have acted on various unprovable assumptions. Such assumptions underlie much lawful state regulation of commercial and business affairs.<sup>59</sup>

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52. *Miller v. California*, 413 U.S. 15, 24 (1973).

53. *Winters v. New York*, 333 U.S. 507, 518 (1948).

54. 403 U.S. 15, 20 (1970).

55. 310 U.S. 296, 309 (1940).

56. Another possibility would be to simply make violent expression a fourth category of non-protected speech. See Cook, *supra* at n.39, at 382-91.

57. 1 Lindey on Entertainment, Publishing and the Arts 100, "Legal Developments" (1983).

58. 413 U.S. 49 (1973).

59. *Id.* at 60-61.

Since the causal link between violent expression in the media and real-life violence may be even stronger than just an unprovable assumption,<sup>60</sup> there seems to be no reason why some forms of violent expression should not lose their constitutional protection.

If violent expression in movies would not be entitled to constitutional protection, there is no reason why a plaintiff such as Vargas could not sue for damages resulting from such expression. Even if violent expression is entitled to protection under the first amendment, it is possible that one who engages in it could be held liable for the consequences. In cases in which the government regulates certain conduct for valid and substantial reasons unrelated to the communicative elements of such conduct, the infringement on protected first amendment rights will be upheld if it is no greater than necessary to further an important governmental interest.<sup>61</sup> This rule can be extended to a situation such as that in *Bill* where a private plaintiff seeks to hold a defendant liable for the consequences of the defendant's expression. Vargas' interest that she and other members of the general public are protected from physical danger arising from certain people seeing Bill's movie is an important interest unrelated to the communicative aspects of the film being shown. Furthermore, the minimum duty that she seeks to impose on Bill—that he warn the public through his advertisements of the possible dangers resulting from seeing the film—hardly seems more restrictive than necessary to further that interest. The motion-picture industry is well-known for the extraordinary degree of self-regulation it has engaged in.<sup>62</sup> The Motion Picture Association of America (MPAA) classifies its films into one of four categories: X, R, PG, and G.<sup>63</sup> When the Association classifies a film in the X category, any person under seventeen is forbidden from seeing the film.<sup>64</sup> When it classifies a film in the R category, any minor under the age of 17 is forbidden from seeing the film unless accompanied by an adult.<sup>65</sup> Spokesmen for the industry have defended the rating system on two grounds: first, it fulfills their duty to the public to give parents reliable

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60. Spak, *supra* at n.47, at 672-78; Buchanan, *supra* at n.44, at 570 n. 213.

61. *United States v. O'Brien*, 391 U.S. 367, 376-77 (1968); *See also*, *Cohen v. California*, 403 U.S. 15, 19 (1971); *Street v. New York*, 394 U.S. 576, 590-94 (1969); *NAACP v. Alabama*, 357 U.S. 449 (1958); *American Communications Ass'n, CIO v. Douds*, 339 U.S. 382, 393-400 (1950).

62. Friedman, *The Motion Picture Rating System of 1968: A Constitutional Analysis of Self-Regulation by the Film Industry*, 73 *Colum. L. Rev.* 185, 186 (1973).

63. *Id.* at 186.

64. *Id.*

65. *Id.*

information to enable them to make informed judgments in guiding the attendance of their children; second, and more importantly for the purposes of this analysis, self-regulation actually has forestalled censorship by federal and local governments.<sup>66</sup> If the industry has seen fit to actually prohibit some members of the public from seeing their films, the requirement that members of the industry merely warn the public about some of the people whom they permit to see their films does not seem excessively strict. The "chilling effect" of such a warning seems much warmer than the effect of the duties that the industry has already taken upon itself.<sup>67</sup>

The *Bill* decision contributes nothing to the discussion of the conflict between the individual's right to freedom of speech and the public's interest in the protection of the public morals or public safety. The court failed to deal with the issue of whether the *Brandenburg* test was properly applicable to violent motion pictures. The court failed to deal with the issue of whether such motion pictures are entitled to first amendment protection in the first place by ignoring the possible relevance of obscenity law to violent motion pictures. The court further failed to deal with the issue of whether there was a sufficiently important interest at stake which would outweigh whatever first amendment protection the film in question might have. Finally, the opinion failed to take into account the special nature of the motion-picture industry as an industry which has traditionally engaged in a great deal of self-regulation.

If violent expression in movies is not entitled to first amendment protection, is it entitled to the more definite and inclusive protection of Article I, Section 2 of the California Constitution?<sup>68</sup> In 1959, a county ordinance prohibiting the sale or circulation of crime comic books to children under the age of 18 was challenged in *Katzev v. County of Los*

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66. *Id.*

67. Even the providing of security protection in the vicinity of the theaters showing the film would not seem to impose a substantially greater burden than the voluntarily incurred costs of refusing to allow minors to see certain films. The costs incurred for security could be passed onto the consumers at any rate.

68. The *Bill* court noted at p. 1007 n.1 that article I, § 2 of the state constitution gives greater protection to the right of free speech than is provided for under the first amendment of the United States Constitution, citing *Wilson v. Superior Court*, 13 Cal. 3d 652, 532 P.2d 116 (1975); *Robins v. Pruneyard Shopping Center*, 23 Cal. 3d 899, 153 Cal. Rptr. 854, 592 P.2d 341 (1979). Since the court determined that Bill's first amendment rights were implicated, it reasoned, without examining the issue separately, that his free speech rights under the state constitution were therefore implicated also. 137 Cal. App. 3d at 1007 n.1, 187 Cal. Rptr. at 628 n.1.

*Angeles*.<sup>69</sup> The California Supreme Court ruled that under both the state and federal constitutions, publications containing pictures and stories of bloodshed were entitled to the protection of free speech.<sup>70</sup>

However, the court's decision was partially based on its opinion that the record in the case disclosed no close causal connection between the substantive evil (juvenile delinquency) and the circulation of crime comic books in general.<sup>71</sup> Today, the court might well find a close causal connection between violent films and violent crime.<sup>72</sup> The court's decision was also based on the fact that the ordinance was not drawn so narrowly as to only prohibit the sale of comic books which depicted brutality, sadism, gore or horror, or which glorified or made crime attractive or depicted in detail the manner in which crimes are committed.<sup>73</sup> The court implied that it might have upheld the constitutionality of the ordinance if it had been drawn that narrowly, but ruled that the depiction of *all* acts of violence was too broad to withstand constitutional scrutiny.<sup>74</sup> It seems that under *Katzev*, certain accounts of violence are left unprotected by the state constitution.

Furthermore, California courts have expressly refused to use the state constitution to give protected status to obscenity.<sup>75</sup> Since the United States Supreme Court seems ready to classify violent films under the category of "obscenity" and/or "fighting words,"<sup>76</sup> the California Supreme Court is likely to make the same classification on the basis of *Katzev*. The *Bill* court's failure to use *Katzev* to analyze the status of violent films under the state constitution is another flaw which makes its freedom-of-speech analysis inadequate.

However, the fact that the state and federal constitutions may not forbid the imposition of liability on Bill for the consequences resulting from the exhibition of his film, does not imply that such a liability actually exists under common tort law.

The *Bill* court felt that no special relationship existed either between Bill and Vargas or between Bill and her assailant which would make Bill liable for a failure to warn Vargas of the attendant danger

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69. 52 Cal. 2d 360, 391 P.2d 310 (1959).

70. *Id.* at 362-65, 391 P.2d at 312-13.

71. *Id.* at 367, 391 P.2d at 315.

72. *See supra* n.60 and accompanying text.

73. 52 Cal. 2d at 368, 391 P.2d at 315-16.

74. *Id.*

75. *People v. Weiner*, 91 Cal. App. 3d 238, 154 Cal. Rptr. 110 (1979); *Bloom v. Municipal Court*, 16 Cal. 3d 71, 545 P.2d 229, 127 Cal. Rptr. 317 (1976).

76. *See supra* n.57 and accompanying text.

involved in seeing his movie.<sup>77</sup> In making this decision, the *Bill* court correctly applied traditional concepts of tort law to the issue of whether a duty to control the conduct of third persons exists. The relationships between an actor and a third person which require the actor to control the third person's conduct include the parent-child relationship,<sup>78</sup> the master-servant relationship,<sup>79</sup> the relationship between a possessor of land or chattels and a licensee,<sup>80</sup> and the relationship between an individual with dangerous propensities and one who takes charge of him.<sup>81</sup> None of these relationships existed between Bill and Vargas' assailant since Bill did not control the public street in which the attack took place or have charge of the assailant.

The relationships between an actor and another which require the actor to control the conduct of third persons for the protection of the other include a common carrier's relation to its passengers<sup>82</sup> and the relationship between a custodian and an individual placed in his care.<sup>83</sup> Bill had neither of these relationships with Vargas.

As the *Bill* court correctly noted, however, under *Weirum*, if an actor has committed an affirmative act which created a foreseeable risk of harm through the conduct of another, he is liable to anyone who suffers harm from that affirmative act regardless of whether a special relationship existed between the actor and the victim or between the actor and the criminal.<sup>84</sup>

At first glance, the *Bill* court's analysis of whether Bill had committed such an affirmative act seems strange. The court states, "Nor are petitioners accused of any additional 'affirmative act . . . which created an undue risk of harm.' It is not claimed, for example, that petitioners are responsible for any conduct which increased the risk of violence on the part of persons in the vicinity of the theater[.]"<sup>85</sup> Surely what Vargas alleges is that Bill's production and exhibition of the film itself is the affirmative act which created the risk of harm to Vargas. One might wonder why the *Bill* court looks for any other affirmative

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77. 137 Cal. App. 3d at 1011, 187 Cal. Rptr. at 631.

78. Restatement (Second) of Torts § 316 (1965).

79. *Id.* § 317 (1965).

80. *Id.* § 318 (1965).

81. *Id.* § 319 (1965). But the duty to control a third person's conduct is owed only to a foreseeable victim of the danger presented by the third person. And public policy plays a role in the determination of such a duty as well. *See supra* n.32.

82. Restatement (Second) of Torts § 314A (1965).

83. *Id.* § 320 (1965).

84. *Id.* § 302B (1965); *Sun N' Sand Inc. v. United California Bank*, 21 Cal. 3d 671, 582 P.2d 920 (1978), *Pamela L. v. Farmer*, 112 Cal. App. 3d 206, 164 Cal. Rptr. 282 (1980).

85. 137 Cal. App. 3d at 1011, 187 Cal. Rptr. at 631.



act. Upon investigation, however, the court's reasoning becomes clearer.

Not many cases have been litigated over the issue of a movie-maker's liability for harm to unknown third persons resulting from his movies. However, such a situation can be analogized to cases in which a furnisher of intoxicating beverages is sued by an injured party for damages caused by the intoxication of a person so furnished. Bill, the executive producer of "Boulevard Nights," is in a position similar to that of a dispenser of liquor since both parties create definite risks of injury through the dispensing of their product. Vargas' assailant is in a position similar to that of the intoxicated party since these parties' consumption or use of the product placed them in a position where they were more likely to do harm to others. Furthermore, Vargas is in a position similar to that of a party injured by the intoxicated person.

Under common law, a party injured by an intoxicated person has no remedy against the dispenser of the intoxicant.<sup>86</sup> The reason for this is that, the drinking of the liquor and not the furnishing of it, is the proximate cause of the injury; therefore, the furnishing of it is not considered to be actionable.<sup>87</sup> This rule was upheld in California in *Brockett v. Kitchen Boyd Motor Co.*<sup>88</sup> Yet the supplier of intoxicating liquor in that case was held liable for the injury caused by the intoxicated person. The distinguishing fact in *Brockett* was that the defendant did not merely supply the intoxicated person with liquor; he also guided him to his automobile, placed him in the car, and directed him to drive through traffic.<sup>89</sup> At this point, the defendant was no longer just a passive supplier of alcohol, but an active participant in the defendant's driving while under the influence.<sup>90</sup> The placing of the intoxicated person in his car and directing him to drive home was an affirmative act entirely separated from the serving of the liquor and it was the affirma-

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86. Annot., 76 A.L.R. Fed. 3d 1218, 1219 (1977).

87. 45 Am. Jur. 2d § 553 Intoxicating Liquors (1969).

88. 264 Cal. App. 2d 69, 70 Cal. Rptr. 136 (1968). In California, however, it is a misdemeanor to serve liquor to someone who is a habitual or common drunkard. Cal. Bus. & Prof. Code § 25602(a) (West Supp. 1983). California courts had previously imposed civil liability on a violator of this statute. *Vesely v. Sager*, 5 Cal. 3d 153, 95 Cal. Rptr. 623, 486 P.2d 151 (1971). But in 1978, the Legislature expressly disapproved *Vesely*, forbidding such civil liability to be imposed. Cal. Bus. & Prof. Code § 25602(b)(c) (West Supp. 1983). Of course, a movie producer distributing a film is not in a position to determine which individuals are especially likely to be adversely affected by his film and which are not. In this respect, he is unlike a dispenser of alcohol who often has personal contact with his guest or customer and is better able to tell whether the guest or customer has already had too much to drink.

89. 264 Cal. 2d at 71, 70 Cal. Rptr. at 137.

90. *Id.*

tive act which created liability.<sup>91</sup>

At this point, the *Bill* court's search for an affirmative act by Bill which created a danger to Vargas entirely separate from the production or exhibition of the film is understandable. Since Bill committed no other affirmative act which created a danger to Vargas, he, as the film's producer, is in the same position as the bartender who merely serves liquor and does nothing else to create a danger to third persons from the person he serves it to. The *Bill* court was therefore correct in ruling that he had no duty to warn Vargas; and the same reasoning justifies a ruling that he had no duty to provide security outside the theaters in which the film was being shown. There still exists the question, however, of whether his recommendation to Warner Brothers that security be posted outside theaters showing the film constituted an undertaking of responsibility for Vargas' safety. Such an undertaking would make Bill responsible for her safety even though he was under no obligation to provide for her security in the first place.<sup>92</sup>

According to section 323 of the RESTATEMENT SECOND OF TORTS, the caveat accompanying the section "leaves open the question whether a mere promise without in any way entering upon performance is an undertaking sufficient to make the promissor liable under the rule stated in this section."<sup>93</sup> Traditionally, the mere breach of a promise was considered actionable only in contract (upon proof of consideration for the promise), and not in tort.<sup>94</sup> However, modern law has witnessed a considerable blurring of the distinction between tort and contract in situations where the plaintiff has relied on a promise to his detriment.<sup>95</sup> However, Bill's recommendation made only to Warner Brothers, that security be posted outside the theaters, does not even rise to the level of a promise to Vargas, which is the minimum act necessary

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91. *Id.*

92. *Hanberry v. Hearst Corporation*, 1 Cal. App. 3d 149, 81 Cal. Rptr. 519 (1969); *Walnut Creek Aggregate Company v. Testing Engineers Inc.*, 248 Cal. App. 2d 690, 56 Cal. Rptr. 700 (1967); *Merill v. Buck*, 58 Cal. 2d 552, 25 Cal. Rptr. 456, 375 P.2d 304 (1962). See Restatement (Second) of Torts § 449 comment a; see also *id.* § 323. Though Vargas relied on § 449 comment a in her claim that Bill had acted negligently in not performing a task he had undertaken, § 323 is the rule specifically applicable toward such a situation and is the rule which will be referred to in the text for the remainder of the discussion on this issue.

93. Restatement (Second) of Torts § 323 comment d.

94. *Id.*

95. *Id.*; See also Restatement (Second) of Contracts § 90 (1981); *Marsalis v. La Salle*, 94 So. 2d 120 (La. Ct. App. 1957); *Abresch v. Northwestern Bell Telephone Co.*, 246 Minn. 408, 75 N.W.2d 206 (1956); *Ajax Hardware Mfg. v. Industrial Plant Corp.*, 569 F.2d 181, 185 (2d Cir. 1977) (negligent performance of a contract may give rise to a claim sounding in tort as well as one for breach of contract; these two claims could be submitted as alternatives to the jury).

to constitute an undertaking. A defendant's liability for failure to follow through on an undertaking is predicated on the plaintiff's reliance on the defendant's actions.<sup>96</sup> Bill's recommendation was almost certainly communicated privately between himself and Warner Brothers, and Vargas could not ever have been in a position to rely on it.<sup>97</sup> Therefore, the court was correct in concluding that Bill had not performed an undertaking in making the recommendation and could not be held liable for failure to follow through on it.

In summary, the *Bill* court ignored many relevant considerations in deciding that Vargas' suit could not withstand the free speech provisions of the state and federal constitutions. It correctly applied existing tort law in deciding that Vargas had not stated a cause of action in alleging that Bill had negligently failed to take steps to protect her from harm resulting from her seeing the movie (though its discussion of the undertaking issue was inadequate). But clearly, if no constitutional considerations are involved, there is nothing to prevent a state legislature from passing a statute to impose liability in a situation where none existed under common law.<sup>98</sup> One legal commentator has drafted a model statute which would impose total liability on television or motion-picture producers for harm resulting from the depiction of unique acts of violence.<sup>99</sup> The result of the application of the lenient common law theories of liability to television and movie producers who depict violent acts is likely to encourage potential plaintiffs to seek a legislative remedy for their grievances. However, since the California Legislature has recently expressed approval of the common law theory of

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96. Restatement (Second) of Torts § 323 comment d.

97. If she had somehow learned of the recommendation before seeing the movie, she could not now claim that she had not been warned of the dangers attendant in seeing it.

98. For instance, Alabama, Connecticut, Georgia, Illinois, Iowa, Maine, Michigan, Minnesota, Nevada, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Rhode Island, South Dakota, Vermont, Wisconsin, and Wyoming all have some sort of "Dram Shop Act" which imposes liability on dispensers of alcohol for acts committed by a person intoxicated therefrom. 12 Am. Jur. § 2 Trials, Dram Shop Litigation (1966). These acts supersede the common law rule that no such liability exists. See *supra* n.86 and n.87 and accompanying text. Colorado, Delaware, and Washington impose liability only when intoxicating liquor is served to an habitual drunkard. 12 Am. Jur. § 2 Trials, Dram Shop Litigation (1966). California courts, through judicial declaration, once imposed this liability. See *supra* n. 88.

99. Spak, *supra* at n.47, at 679-80. Spak would require clear and convincing evidence that the act or acts were excessively violent and that plaintiff's injuries were proximately caused by a reaction by some member of the public to viewing the work. He admits that causation would be a difficult element to prove. In *Bill*, there is nothing in the facts which would indicate that Vargas' assailant was ever identified, much less than he ever saw the movie.

liability for dispensers of potentially dangerous products,<sup>100</sup> the success of such attempts in this state is doubtful.<sup>101</sup>

*Mark Siegel*

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100. *See supra* n.88.

101. Since the legislature so recently declared its intention that dispensers not be civilly liable for damages caused by the intoxicants they serve, even if served to a habitual or common drunkard, it seems very unlikely that it would be willing to impose civil liability on a movie producer for alleged damage caused by his movies.

