A dispute over Marilyn Monroe’s rights of publicity has led to new legislation in California.

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Hon. Judge David J. Waxse
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BY WILLIAM ARCHER
Securing the film and television rights for preexisting and composed music requires different approaches.
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- A child’s inheritance or the income from that inheritance being awarded to the child’s former spouse.

Mr. Gleitman has practiced sophisticated estate planning for 26 years, specializing for more than 14 years in offshore asset protection planning. He has had and continues to receive many referrals from major law firms and the Big Four. He has submitted 52 estate planning issues to the IRS for private letter ruling requests; the IRS has granted him favorable rulings on all 52 requests. Twenty-three of those rulings were on sophisticated asset protection planning strategies.

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here is an old saying that the only thing that does not change is the inevitability of change. That saying is acutely applicable to the entertainment industry and the means through which entertainment companies and projects are financed. For the past several years, Hollywood has been financed largely by Wall Street financial institutions, such as hedge funds and investment banks. The struggles and, in some cases, the demise of those institutions are widely known—and the result is that financing from those sources has dried up.

One might think that Hollywood would be in a panic, but, for the most part, it is not. Unlike other industries, Hollywood has lived through many waves of financing and now is standing on the shore, looking deep into the horizon for the next swell to emerge. The swell that most thought they saw emerging was one flowing from Dubai, Kuwait, and India. However, those waves have flattened, at least for the moment. The next swell—the one currently moving toward shore—consists of investors who come from many different parts of the world and from many different circumstances. What they all have in common is that they believe that entertainment investments are more attractive than many others, such as real estate or stocks.

Many of these investors are new to the entertainment industry. As a result, they are unfamiliar with the fundamental business principles of the entertainment marketplace that should be considered in evaluating investments in entertainment projects and companies. For example, most of these investors are surprised by the length of time and amount of money it takes just to develop one project and how few developed projects actually are produced. Even more surprising to new investors are the various fees, costs, and expenses that are chargeable against the gross proceeds derived from a project—a situation that significantly affects the potential return on an investment.

The entertainment industry also is not short on charlatans who seem to be particularly adept at sniffing out and befriending new investors. Many investors, even the most sophisticated, have lost money on entertainment ventures simply because they did not understand the investment they made and did not have appropriate counsel.

Perhaps one of the benefits of the most recent economic downturn is that it likely will result in a decrease in the number of projects produced and, therefore, less competition in the marketplace. For example, DVD sales have decreased over the past year, which many attribute to a glut of titles in the marketplace. If that assessment is correct, less supply may result in greater consumer demand for the projects that are produced. In addition, foreign revenues for domestic motion pictures and television programs have decreased. Although many factors have contributed to this phenomenon, including the reduced spread in value between the U.S. dollar and the euro, a decrease in supply also may result in increased foreign revenue for produced projects.

Those in the new media sector may not be so calm. New media companies are much like the Internet companies that came before them and did not worry about short-term profitability. Much like those Internet companies, new media companies now face a similar financial ultimatum—become profitable immediately, or close your doors. Undoubtedly, many new media companies will shut down.

Change continues in Hollywood. It will be interesting to watch where this leads during the next year and beyond.

Gary S. Raskin is a principal of Raskin Peter Rubin & Simon LLP, where his primary area of practice is entertainment litigation and transactions. David A. Schnider is general counsel for Leg Avenue, Inc., a leading distributor of costumes and apparel. Raskin and Schnider are coordinating editors of this special issue.
Why Pro Bono Advocacy Is Integral to the Legal Profession

“TRUE PEACE IS NOT MERELY THE ABSENCE OF TENSION; it is the presence of justice.” For the nearly two million California families who do not have access to lawyers, Martin Luther King’s words ring truer than ever and are felt by many in a personal way. Victims of domestic violence, immigrants unaware of their rights, and elders who are harmed as their mental faculties decline all belong to the poor and vulnerable who encounter huge obstacles in accessing the justice system. As a legal community, we must mobilize our resources to promote access to justice for all, and pro bono legal services are one way to address that goal.

The ABA, California State Bar, and the Los Angeles County Bar Association all support pro bono. In its Pro Bono Resolution, the State Bar urges attorneys “to provide or enable the direct delivery of legal services, without expectation of compensation other than reimbursement of expenses, to indigent individuals, or to not-for-profit organizations with a primary purpose of providing services to the poor or on behalf of the poor or disadvantaged...or increasing access to justice.” If an attorney provides this service, he or she is performing pro bono work. The State Bar urges all attorneys to devote a reasonable amount of time to pro bono, at least 50 hours per year. This is an aspirational recommendation. Assisting friends or family members who are not poor or disadvantaged does not qualify as pro bono. Representation of a client who is unexpectedly unable to pay also does not count.

Law firms are encouraged to promote and support the involvement of employees in pro bono by counting up to 50 hours per year toward billable hour requirements or by otherwise giving actual work credit for pro bono activities. But pro bono work is not just for attorneys who work for firms. There are many ways for a busy solo practitioner to be of service.

Those Who Benefit

The list of those who benefit from pro bono work is long. One clear example is the poor and vulnerable plaintiff, petitioner, defendant, or respondent who receives professional help in dealing with a complex legal system. Another beneficiary is the community: pro bono work helps those struggling to maintain shelter, healthcare, education, and safety. Empowered individuals make for a productive community. As Norm Lee, of Foley & Lardner, LLP, recounts: “By volunteering, I serve the public in gratitude for the fine public school education that I have received here in California—from kindergarten all the way to law school.” Pro bono work affords judicial officers more time to spend on legal questions rather than administrative ones when litigants are properly prepared as the result of getting pro bono help. Pro bono work assists courts in operating more efficiently and maintaining quality work with heavy calendars. New attorneys benefit from pro bono work by improving their legal skills, and senior attorneys can use pro bono work to mentor. It also creates networking opportunities and increases public visibility and respect.

To perform pro bono work, all that an attorney needs to do is make a commitment and keep it, just as with any other client. It is a matter of deciding upon a reasonable time investment and entering it into a monthly planner. Attorneys have the opportunity to share their legal knowledge, training, and experience with those in need.

One of the Association’s goals is to advance the administration of justice. Opportunities to do just that can be found on the Association’s Web page under the link labeled Volunteer Opportunities. For example, the Association facilitates three pro bono projects through Projects, Inc. The Domestic Violence Project provides one-on-one legal assistance to victims of domestic violence, enabling victims to file petitions for temporary restraining orders as well as custody orders. The AIDS Legal Services Project, in conjunction with HALSA, provides direct legal services to low-income people living with HIV or AIDS. And the Immigration Legal Assistance Project provides legal assistance and counseling to all categories of low-income persons trying to navigate the maze of immigration laws.

Along with the poor, the vulnerable, the courts, and the community, another beneficiary of pro bono is the practitioner. As Justice Sandra Day O’Connor has observed: “[P]ublic service marks the difference between a business and a profession. While a business can afford to focus solely on profits, a profession cannot. It must devote itself first to the community it is responsible to serve.” But pro bono is more than duty. Gail S. Green of Friedman & Friedman is a long-standing volunteer with the Domestic Violence Project. She says: “It’s been very rewarding to be able to use the judicial process to protect some of the most helpless victims of domestic violence from further abuse. Most have...nowhere else to turn for help. It simply feels good to be able to help them.”

Deborah A. Kelly is the directing attorney for the Association’s Domestic Violence Project.
Using Public Domain Content in New Media

IN A WORLD OF CONVERGING MEDIA, many technology and new media companies are looking for inexpensive quality content to entice users and advertisers to their platforms. User-generated content (UGC), which is developed and shared by individual end-users on platforms such as YouTube, Facebook, MySpace, and Flickr, is one example. But while UGC has proven to be a hit with consumers, advertisers have been less receptive because of the branding risks associated with content that is difficult to monitor and control.1

A viable business strategy for UGC advertising will likely develop, but advertisers—still the primary source for distributor revenue—continue to be more comfortable with tried and true, professionally produced content.2

An alternative and less expensive content source, to which advertisers may be more receptive, is “classic” content that resides in the public domain. This content is free of license fees due to copyright owners and therefore cheaper to exhibit on new media platforms.

Special care is required, however, because determining that a particular work is in the public domain can be challenging. Also, the use of public domain content is not completely free of risk. The incorporation of marks or other copyrights in a public domain work as well as rights of privacy and publicity can result in a minefield of issues to navigate.

Every day more classic programs enter the public domain in the United States. The threshold issue that must be resolved before using this content is ascertaining whether a work is truly in the public domain. As U.S. copyright law has evolved, the determination of whether a work has fallen into the public domain is not as straightforward as practitioners would hope. Currently, the two main determinants are when the work was first published,3 and if the publication was accompanied by proper notice of copyright.4 Except for sound recordings, the chart on page 12 provides a general guide to the public domain status of a copyrightable media work.5

The categories in the chart are not mere academic or theoretical distinctions. For example, the 1922 silent film Robin Hood, which cost over $1 million to make (a record sum in its day) and starred Douglas Fairbanks and Enid Bennett, is an example of a pre-1923 movie that is now in the public domain. The Abbott and Costello film Africa Screams was first released in 1949 but is now in the public domain due to an apparent failure to renew its copyright. Generally any work created by the government will be in the public domain.6

Copyrights in sound recordings are treated differently. The Copyright Act of 1909 did not originally protect sound recordings, although Congress rectified this oversight by later legislation. Sound recordings published before February 15, 1972, receive available state or common law protections but not federal copyright protection.7 In California, these sound recordings enjoy copyright protection until February 15, 2047.8 The chart on page 13 provides a general guide to the status of sound recordings that were published before and after the federal government extended protection.

Clearing rights to perform sound recordings publicly is generally facilitated through performance rights organizations (PROs) such as ASCAP, BMI, and SESAC. Obtaining the necessary rights to exhibit programming that incorporates a sound recording can be accomplished by paying the appropriate fees to the PRO administering the recording at issue.

If a work or an element of the work is subject to copyright, a license is generally required for its exploitation. Other additional fees also may be required, such as a license to any music included in the work and still subject to copyright. Tracking down the owners of a copyrighted work and other rights holders can be a time-consuming process. A dedicated rights clearance agency that specializes in obtaining appropriate licenses can be an important resource.

In some instances, however, it may not be possible to locate the author of a copyrighted work, due to the passage of time, poor record keeping, or changes in ownership. Works whose copyright owners are difficult to find are known as “orphaned works.” Google’s current attempt to locate the authors of books it is trying to incorporate into its Google Book Search provides an illuminating example of the challenges involved in finding the copyright owners of orphaned works.9

Google announced that it was creating Google Book Search to enable users to “search through all of the world’s books”10 by scanning and making them available online. In response, some publishers and authors filed a class action lawsuit against Google, claiming that Google Book Search was a willful infringement of their copyrights. Although Google argued that its actions were covered by the “fair use” exception, it nevertheless agreed recently to settle the lawsuit.11 As with any other class action settlement, Google must provide reasonable notice of the proposed settlement to members of the class, which is composed of persons with a U.S. copyright interest in a book or part thereof that is not in the U.S. public domain.12

However, many of the books that Google seeks to digitize are out-of-print orphaned works, and locating their copyright owners is a difficult undertaking. In attempting to provide notice to these owners, Google is effectively engaging in what possibly may be the largest effort...

David O. Blood is counsel and Kee-Min Ngiam is an associate in the Los Angeles office of Latham & Watkins LLP. Blood and Ngiam focus their practices on media, entertainment, sports, communications, and technology transactions.
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ever to locate the copyright owners of orphaned works. Google is spending $8 million in this effort, mostly by placing advertisements in periodicals in almost every country on Earth.

It is doubtful that many potential users will be willing to spend that much money tracking down the owner of an orphaned work. While several proposals have been put forward to deal with orphaned works, no legislation has been enacted yet to fully address the issue. Consequently, using an orphaned work carries the same risk of liability for copyright infringement as any other work that is not in the public domain.

### Clearing Intellectual Property Rights

Even if a work is clearly in the public domain, those seeking to use the work should take special precautions regarding 1) any subsequent creative modifications or additional creative elements that may remain subject to copyright protection, 2) whether use of the work may result in federal or state trademark violations, including unfair competition claims, and 3) whether the contemplated use of the work may violate any individual’s rights of privacy or publicity.

| Public Domain Status of a Work, Based on Time of Publication and Inclusion of Proper Notice |
|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Public domain, regardless of proper notice²   | Published without proper notice²             | Published without proper notice and omission not excused by statute¹ | Not in the public domain⁴                    |
| Published with proper notice and not renewed⁵ | Published with proper notice⁶                |                                               |                                               |
| Published with proper notice and renewed⁷     |                                               |                                               |                                               |

³ Until the passage of the Berne Convention Implementation Act of 1988, the same severe penalties for failure to include proper notice applied. 17 U.S.C. §405 provides certain circumstances under which an omission or failure to comply with the notice requirements would not forfeit copyright for the work.
⁴ The 1976 act initially provided that works created after January 1, 1978, would be copyrighted for the life of the author plus 50 years, until the Sonny Bono Copyright Term Extension Act further extended copyright protection by another 20 years in 1998. 17 U.S.C. §302.
⁵ If a work’s copyright was not renewed, it would enter the public domain 28 years after publication. 17 U.S.C. §24.
⁷ Id.

If a public domain work is restored, modified, augmented, or otherwise edited in any way, the revised version of the work may be protected under a new copyright. Thus, for example, while the original versions of Africa Screams and Robin Hood are in the public domain, subsequent versions that colorize the film, add new music, or clean up the original images may be subject to copyright protections.

Also, the public domain work may be based on or incorporate other creative works that may still be protected by copyright. For example, if a public domain film is based on a copyrighted novel, only the portions of the film that do not rely on or incorporate the novel may be used without risk of infringement. Similarly, if the music accompanying a program is still copyrighted, playing the music may infringe the copyright. While a film soundtrack enjoys the same copyright protection as the film itself and will enter the public domain at the same time as the film, a musical work or sound recording included in the soundtrack that enjoys independent copyright protection will not enter the public domain simply because the soundtrack enters the public domain.

Stewart v. Abend¹⁷ provides an instructive example of how the distribution of a derivative work, despite being created under license from the author of the underlying work, was found to be infringing. The derivative film at issue was Alfred Hitchcock’s Rear Window, which was based on the short story “It Had to Be Murder” by Cornell Woolrich. Although Hitchcock and James Stewart properly obtained the movie rights to the story and a contractual promise from Woolrich to grant them the rights in the renewal term, Woolrich passed away before he could renew the copyright. The right to renew the copyright to the story passed to his estate, which renewed and assigned it to a third party, Sheldon Abend. Abend sued to enjoin the continued distribution of Rear Window during the renewal copyright term.

According to the U.S. Supreme Court, although the producers of Rear Window had obtained the movie rights to the story for its initial registration term, they did not have equivalent rights to the story during its renewal term and were therefore infringing on the rights owned by Abend.¹⁸ Although Rear Window was not in the public domain, that status would not have significantly altered the Court’s analysis and final ruling.¹⁹ Therefore, before using any public domain content, a user must be careful to conduct due diligence on elements of the film that may still be protected by copyright.²⁰

Even if copyright issues are not implicated by use of a public domain work, new concerns may arise if the work in question incorporates any trademarks, or if the work itself sufficiently resembles a trademark. In either case, the potential user must consider whether its contemplated use “in connection with the sale, offering for sale, distribution, or advertising of any goods or services…is likely to cause confusion, or to cause mistake, or to deceive”²¹—or if the use would dilute the goodwill created by a trademark owner’s investment in a famous mark.²² If this is a possibility, the potential user should consider seeking the trademark owner’s approval. Consider, for example, Disney’s earliest films featuring Mickey Mouse. Even after these films enter the public domain, the trademarked character of Mickey Mouse could still be protected and might prevent the free use of films that would otherwise be in the public domain.²³

Nonetheless, the U.S. Supreme Court’s ruling in Dastar Corporation v. Twentieth Century Fox Film Corporation²⁴ greatly restricted the trademark claim of “reverse passing off”—when a person represents someone else’s work as his or her own—regarding works in the public domain, although a claim of false advertising may still be viable. Dastar took a set of video programs in the public
domain, based on General Dwight D. Eisenhower’s book chronicling his European campaign in World War II, and edited them slightly, including replacing the original credits and removing references to Eisenhower’s still-copyrighted book. The owners of the film rights to the book and the expired copyright on the original video programs sued Dastar for, among other things, reverse passing off by presenting the video programs as a Dastar production.25

The Supreme Court held that Dastar’s actions did not constitute reverse passing off under federal trademark law because the video programs were in the public domain and therefore could be freely exploited by anyone. To hold otherwise would be to “create[] a species of perpetual patent and copyright, which Congress may not do.”26 The Court did, however, leave open the possibility that Dastar might be liable under other provisions of federal trademark law that prohibit false advertising, such as misrepresenting the nature or qualities of the advertised work.27 In light of the Dastar holding and the continued viability of some trademark claims, those seeking to use a public domain work should consider the prospect of liability for trademark infringement or related state unfair competition claims.

Personal Right to Privacy

Even if all intellectual property rights are cleared regarding a work in the public domain, potential users of the work should examine whether the work implicates personal rights of privacy and publicity, which are governed by state law. U.S. courts have long recognized a personal right to privacy, and states have increasingly recognized a personal right of publicity as well.28 The violation of a person’s right to privacy gives rise to a common law tort claim, unless the claim has been preempted by statute. In California, there are four recognized torts related to the invasion of privacy: intrusion, public disclosure of private facts, false light, and misappropriation.29 Furthermore, the right to privacy is also guaranteed by the California Constitution, even against private entities.30 For the purpose of clearing rights, the most likely context in which privacy tort claims might arise would be the unauthorized taping of a person or portrayals of an individual that are injurious to that individual’s reputation.

The first category, unauthorized taping, potentially triggers tort claims for intrusion of privacy and for public disclosure of private facts. Intrusion of privacy requires an “invasion into a private place, conversation, or matter” in which the plaintiff had an objectively reasonable expectation of privacy. Further, the intrusion must take place “in a manner highly offensive to a reasonable person.”31 The tort of public disclosure of private facts gives an individual a cause of action for a public disclosure of private facts that a reasonable person would consider offensive and objectionable and that does not constitute a matter of legitimate public concern.32

The first case in California to recognize the public disclosure of private facts as a tort involved the film adaptation of a true story that brought the plaintiff’s past to public attention. In Melvin v. Reid, more commonly known as the Red Kimono case,33 the defendants produced a film based on the life story of the plaintiff, Gabrielle Darley. Darley had been a prostitute who was charged with but ultimately acquitted of murder. After the acquittal she left prostitution, married, and was living, in the words of the court, “an exemplary, virtuous, honorable and righteous life....”34 Without Darley’s permission, the defendants produced a movie based on her life story and used her real name. As a result, Darley’s reputation and standing in her community plummeted, and she brought suit. Although California had not previously recognized a right to privacy, the court nonetheless found that publishing the facts of Darley’s life and using her name were tortious “invasion[s] of her inalienable right....to pursue and obtain happiness.”35 Since the Red Kimono case, California’s courts have more clearly affirmed that the public disclosure of private facts is a species of the invasion of privacy tort,36 which should be considered independent of copyright issues when evaluating the potential use of a work.

Prior publication may serve as a defense to a claim for public disclosure of private facts, on the basis that it has made the facts a matter of public knowledge.37 This is clearly the case when the previous publication was in official court records, as in Gates v. Discovery Communications, Inc.38 The court held that “an invasion of privacy claim based on...[the] defendant’s publication of facts obtained from public official records of a criminal proceeding is barred by the First Amendment to the United States Constitution.”39 Gates left open the possibility, however, that previous publication in a medium other than official court records would not bar a claim for invasion of privacy.40 Although Gates clarified the scope of the prior publication defense, absent a ruling that prima facie applies beyond public court records, a prior publication defense may be limited and should not be relied upon without careful consideration of the specific facts presented.

The second category of privacy torts, portrayal of an individual in a manner injurious to the person’s reputation, includes false light and misappropriation torts. The instances in which these portrayals could arise include advertising—for example, creating the appearance that an individual is endorsing a product—or depictions of real individuals that are factually false and objectionable. False light torts are widely considered to be similar to torts for defamation,41 and misappropriation torts are considered similar to violations of an individual’s right of publicity.42

The first California case to recognize a false light tort was Gill v. Curtis Publishing Company,43 in which the plaintiffs sued the defendant for publishing their photo with a caption that implied they were “loose, dissolute and immoral persons.”44 Courts in California have subsequently reaffirmed this tort, which requires a public disclosure that portrays the plaintiff in a reasonably objectionable false light—for example a false endorsement45 or attributing false statements to the plaintiff.46

Right of Publicity

In general, the use of another person’s name, voice, signature, photograph, or likeness for commercial advantage gives rise to a claim for damages and potentially injunctive relief under either common law or statute.47 In contrast to

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<th>Published Domain Status of a Sound Recording</th>
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<td><strong>Published before</strong></td>
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<tr>
<td>Published before February 15, 1972</td>
</tr>
<tr>
<td>Protected by any available state or common law copyright—in California, copyright protection lasts until February 15, 2047</td>
</tr>
<tr>
<td>With proper notice</td>
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</tbody>
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In the public domain | Not yet in the public domain
a misappropriation tort, in California a claim under the statutory right of publicity requires that the use be in direct connection with advertising or sales.\textsuperscript{58} In certain instances, a statutory right of publicity claim may be preempted by federal copyright law. Preemption occurs when “the subject of the claim [is]...a work fixed in a tangible medium of expression [that]...comes within the subject matter or scope of copyright protection” and “the right asserted [is]...equivalent to the exclusive rights” provided by federal copyright law.\textsuperscript{49} If a plaintiff attempts to circumvent copyright law by using a right of publicity claim, copyright preemption should be relatively uncontroversial, as demonstrated by Fleet v. CBS, Inc.\textsuperscript{30} and Laws v. Sony Music Entertainment, Inc.\textsuperscript{51}

In Fleet, the plaintiffs were two actors who sued the defendant for violating their right of publicity by reproducing and distributing a film in which they had acted without compensation. The court found that the subjects of the claims were the plaintiffs’ dramatic performances in the film at issue, and those performances were copyrighted works once they were fixed in a tangible medium of expression.\textsuperscript{52} Despite the plaintiffs’ framing their claims as violations of their right to publicity, “if all they are seeking is to prevent a party from exhibiting a copyrighted work they are making a claim ‘equivalent to an exclusive right within the general scope of copyright.’”\textsuperscript{53}

In Laws, the plaintiff sued the defendant for sampling a portion of her song “Very Special” for use in Jennifer Lopez’s hit song “All I Have.” The court found that the subject matter of the claim, a musical sound recording, was a copyrighted work, exclusively controlled by copyright law.\textsuperscript{54} In Fleet and Laws, federal copyright preemption prevented the plaintiffs from successfully asserting their right of publicity claims. But not all claims for violation of a right of publicity are preempted by copyright law. For example, in KNB Enterprises v. Matthews,\textsuperscript{55} a number of models had assigned their right of publicity claims to the plaintiff, the owner of copyrighted erotic photographs of the models. The defendant subsequently published the photographs without permission and the plaintiff sued for violation of the assigned rights of publicity. The court found that although the plaintiff was bringing a separate claim for copyright infringement, the right of publicity claims were not equivalent to claims of copyright infringement and therefore were not preempted by federal copyright law.\textsuperscript{56}

The preemption of right of publicity claims by federal copyright law is an area of law that remains “volatile.”\textsuperscript{57} Whether or not a right of publicity claim will be preempted depends on the specific facts of the case.\textsuperscript{58} Also, it has been suggested that once a copyrighted work enters the public domain, state law cannot further constrain its free and unfettered use by allowing right of publicity claims to proceed.\textsuperscript{59} Even so, right of publicity concerns surrounding works in the public domain have not disappeared, as illustrated by Prima v. Darden Restaurants.\textsuperscript{50}

In Prima, the defendant hired a singer with a voice similar to the plaintiff’s deceased husband, singer Louis Prima, to sing his hit song “Oh Marie,” which was in the public domain, in an advertisement for the restaurant chain Olive Garden. The plaintiff sued for violation of Prima’s right of publicity, which was descendable under the applicable New Jersey state law (similar to California’s Civil Code Section 3344.1). The defendant attempted to argue that the right of publicity claims were preempted by copyright law, an argument that the court dismissed by pointing out that the subject of the right of publicity claim was not the song itself but the impersonation of Prima’s voice, which was not copyrightable. Prima serves as a warning that the use of a public domain work may not always be bereft of right of publicity concerns.

In California, under Section 3344.1 the right of publicity survives a person’s death and will pass to the person’s heirs. The statute does provide an exemption for a use occurring “a play, book, magazine, newspaper, musical composition, audiovisual work, radio or television program, single and original work of art, work of political or newsworthy value, or an advertisement or commercial announcement for any of these works...if it is fictional or nonfictional entertainment, or a dramatic, literary, or musical work.”\textsuperscript{61} However, the section makes it clear that this exemption does not permit a deceased individual’s likeness to be used for “advertising, selling, or soliciting purchases” of a good or service.\textsuperscript{52}

While classic works in the public domain may be a source of relatively cheap quality content for new media distribution and may be more palatable to advertisers, clearing rights to use the content involves more than simply verifying its status in the public domain. Users must ensure that their contemplated exploitation does not give rise to other copyright claims or claims outside of the context of copyright, including trademark, right of privacy, or right of publicity.
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32 Id.

33 Melvin v. Reid, 112 Cal. App. 285 (1931); see also MEDIA LAW RESOURCE CENTER, INC., supra note 28, at 353.

34 Melvin, 112 Cal. App. at 286.

35 Id. at 292.

36 See, e.g., Coverstone v. Davies, 38 Cal. 2d 315 (1952).

37 See, e.g., Sipple v. Chronicle Publ’g Co., 154 Cal. App. 3d 1040, 1047 (1984) (finding no tort when the plaintiff’s homosexuality was already public knowledge via various means, including publication in different periodicals).


39 Id. at 696.

40 Id. at n.7 (distinguishing a case based, in part, on the fact that the alleged defamation was published in a book, not official court records).

41 Briscoe v. Reader’s Digest Ass’n, Inc., 4 Cal. 3d 529, 543 (1971).


43 Gill v. Curtis Publ’g Co., 38 Cal. 2d 273 (1952).

44 Id. at 275. See also MEDIA LAW RESOURCE CENTER, INC., supra note 28, at 349.


46 See, e.g., Coverstone v. Davies, 38 Cal. 2d 315 (1952).

47 Eastwood v. Superior Court, 149 Cal. App. 3d 409 (1985); CIV. CODE §§3344, 3344.1. See also SB 771, which amends and expands California’s posthumous rights of publicity; and Thomas F. Zuber, Everlasting Fame, LOS ANGELES LAWYER, May 2009, at 28.

48 Id. See also MEDIA LAW RESOURCE CENTER, INC., supra note 28, at 372.


50 Fleet, 50 Cal. App. 4th 1911.

51 Laws v. Sony Music Entm’t, Inc., 448 F. 3d 1134 (9th Cir. 2006).

52 Fleet, 50 Cal. App. 4th 1919.

53 Id. at 1920.

54 Laws, 448 F. 3d 1134.


56 Id. at 374.

57 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT §1.01(B)(3)(b) (2008).

58 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT §1.01(B)(3)(b)(iv)(I) (2008): [The divergent holdings in these cases can be reconciled by] drawing a line between entertainment works used for their own sake and commercial works used for advertising purposes...A song can be on the right side if used to express Jennifer Lopez’ artistic vision, but on the wrong if it hawks Cheetos and Cherokees. A photo of June Toney falls on the right side if for museum display, on the wrong side if used to adorn a shampoo bottle. A film is protected if it has two hours of entertainment, teaches how to dance, or recaptures the saga of 1960’s radicalism, but on the wrong side if it just glorifies a computer game that the NFL wants to sell.

59 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT §1.01(B)(3)(b) (2008).

60 Id. at n.7 (distinguishing a case based, in part, on the fact that the alleged defamation was published in a book, not official court records).

61 CIV. CODE §3344.1(a)(2).

62 CIV. CODE §3344.1(a)(3).

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16 Los Angeles Lawyer May 2009
CONGRESS HAS TAKEN DECISIVE ACTION to curb runaway productions and to create incentives for the production of film and TV series in the United States rather than Canada or elsewhere. Internal Revenue Code Section 181 was recently amended to allow taxpayers to deduct the costs of certain films and TV shows on a current basis rather than having to amortize those costs over an 11-year period.2

Section 181 was added to the Internal Revenue Code as part of the American Jobs Creation Act of 2004 (ACJA),3 as initially amended by the Gulf Opportunity Zone Act of 2005.4 Section 181 was further amended by the Tax Extenders and Alternative Minimum Tax Relief Act of 2008 (TEA),5 with the amendments effective for qualifying productions commencing after December 31, 2007.

On February 8, 2007, the IRS issued temporary regulations under Section 181,6 which do not reflect the TEA amendments. The regulations were expected to be finalized later in 2007, but this had not yet happened at the beginning of 2009, and it is unlikely that the regulations will be finalized any time soon.

Section 181

Section 181 originally permitted a taxpayer to deduct up to $15 million in production costs for qualifying productions in the years that the costs are incurred, for productions for which principal photography commenced after October 22, 2004, and before January 1, 2009. The cost limit is increased to $20 million to the extent that production costs are significantly incurred in certain designated areas.7

Prior to TEA, Section 181 imposed an all-or-nothing test. If production costs were less than $15 million, a taxpayer could claim the benefits of Section 181. On the other hand, if production costs were $1 over the cost limit, then all production costs had to be capitalized and amortized under Sections 167(a) and (g). Accordingly, Section 181 was mainly used for smaller budget pictures and was of no help on larger budget pictures.

A production qualifies for Section 181 tax treatment if at least 75 percent of the total compensation for the production is qualified compensation.8 Compensation is qualified when it is for services performed within the United States, which includes the 50 states, the District of Columbia, the territorial waters of the continental United States, and the airspace above those areas. Participations and residuals (P&Rs) are taken into account for purposes of the $15 million test but not for purposes of the 75 percent qualified compensation test.9 Accordingly, under the original rules of Section 181, if a low-budget film is very successful, the P&Rs could raise the total production costs over the $15 million cap and thus disqualify the film or TV production from the benefits of Section 181. This made it difficult to attract investors in low-budget films because of the lack of certainty as to the tax treatment of their investment.

Section 181 is applied separately, on an elective basis, to each film or TV production that is produced by a taxpayer.10 In the case of episodic TV productions, each of the first 44 episodes is treated as a separate production.11 This provision favors TV producers, who can deduct $15 million for each TV episode, over film producers, who are limited to $15 million per film.

Production costs for qualifying productions can be deducted in the year the expenses are incurred; the taxpayer does not need to wait until the year the film or TV episode is released. The election is made on a timely filed tax return, including extensions, for the first year in which production costs are incurred12 and cannot be made by filing an amended tax return, unless that return is filed within the original due date of the return. Production costs incurred in the second and later years are then deducted as those expenses are incurred.

The primary effect of the TEA amendments is to permit taxpayers to expense the first $15 million of production costs and to amortize any production costs in excess of $15 million.13 Thus, if the production costs for a particular film are $16 million, the taxpayer can deduct $15 million in the year or years that the costs are incurred and amortize the remaining $1 million under Section 167(g). This is very favorable for taxpayers, since before the TEA amendment, taxpayers who were close to the $15 million cap had to guess as to whether they would be under the cap and should expense the costs, or over the cap and capitalize the costs. The regulations provided for an income recapture if a taxpayer originally guesses that the production costs

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will be below the cost limit but finds later that they exceeded the cost limit. The new rules apply to productions that commence after December 31, 2007, and thus are available to taxpayers for the 2008 and 2009 tax years.14

The secondary effect is to extend the benefits of Section 181 to productions commencing in 2009, giving taxpayers an additional year to produce qualified films.15 Production must commence on or prior to December 31, 2009; accordingly, taxpayers can deduct production costs in 2010 and later tax years as long as the production commenced in 2009.

Temporary Regulations
The temporary regulations provide clear guidance as to what costs are deductible under Section 181,16 who may deduct those costs,17 the treatment of animated productions,18 and the effects of a production being disqualified from the benefits of Section 181 in a subsequent taxable year.19 The temporary regulations drew immediate criticism from various entertainment industry groups because of the requirement that P&Rs be taken into account for purposes of the cost limit.

The temporary regulations are effective for production costs for which the first day of principal photography commenced after February 9, 2007, although a taxpayer may elect to have them apply to the effective date of Section 181 provided the requirements of the temporary regulations are otherwise followed. The temporary regulations will need to be revised to reflect the TEA amendments. The temporary regulations confirm that the owner of a qualified film or TV production is the taxpayer that is required to capitalize production costs under Section 263A.20 This precludes taxpayers who acquire limited distribution rights or back-end profit participations from qualifying as an owner. These taxpayers would not be able to deduct qualified production costs under Section 181.

Section 181 is elective, and under the temporary regulations the election must be made on or before the due date including extensions of the tax return for the first taxable year in which the production costs are paid or incurred.21 If not timely made, the election cannot be made on an amended tax return unless the six-month extension provisions of temporary regulation 301.9100-2 are met.22 The temporary regulations provide that in the case of a pass-through entity, the election is made at the pass-through entity level and not at the shareholder/partner level. The election is made by attaching a statement including the name of the production, the date production costs were first incurred, the amount of production costs paid or incurred during the taxable year, the aggregate amount of qualified compensation, and the aggregate total compensation.23 If the higher cost limit is applicable, the election statement must also include information on the areas in which the costs were incurred, the amount of costs incurred in those areas, and a declaration that the owner reasonably expects the production to be set for production. If there are multiple owners (not including members of an entity that issues Schedule K-1s), the regulations require that certain additional information be provided.24

The temporary regulations take a very expansive view of what constitutes production costs and require that all costs that would be capitalized under Section 263A must be taken into account.25 Thus, the costs of acquiring a production, of obtaining financing for the production, premium costs for completion guarantees (as well as any amounts actually advanced by the completion guarantor to complete the production), salaries, P&Rs, and other expenses must all be taken into account for purposes of determining whether the cost limit is met. However, distribution costs and costs incurred to prepare the qualifying production for foreign distribution, rebroadcast, or for release in the home video market may be excluded.

A qualifying production is any qualified film or TV production (determined under Section 168(f)(3)) that satisfies the cost limit and the 75 percent test.26 Under the 75 percent test, qualified compensation must exceed 75 percent of total compensation. Section 181(d)(3)(B) and the regulations provide that, solely for purposes of the 75 percent test, P&Rs need not be taken into account. Qualified compensation, as defined in the regulations, is compensation for services performed within the United States, which for these purposes includes the 50 states, the District of Columbia, the territorial waters of the continental United States, and the airspace above.27

The temporary regulations provide that compensation includes all payments made by the owner (directly or indirectly through third parties) for services by actors, directors, producers, and other production personnel and includes employees receiving W-2 wages as well as independent contractors.28 Qualified compensation includes amounts paid to non-U.S. persons, provided the services are performed in the United States.

The 75 percent test is applied based upon the locations where principal photography occurs. In the case of animated productions, the locations of key frame animation, in-between animation, animation photography, and the recording of performances by voice actors are locations where principal photography is considered to occur.29 Special rules apply, for purposes of the 75 percent test, to certain designated areas. Those areas include low-income communities under Section 45D and a distressed county or areas designated by the Delta Regional Authority.30 Aggregate production costs are considered to be significantly incurred in a designated area if 1) at least 20 percent of total production costs incurred in connection with first-unit principal photography, or 2) at least 50 percent of the total number of days of first-unit principal photography are incurred in designated areas.

The first 44 episodes of a TV series are treated as separate productions, and the rules, limitations, and election requirements are applied on an episode-by-episode basis. If more than 44 episodes of a TV series are produced, the additional episodes will not qualify for deduction under Section 181. The benefits of Section 181 are available only for the first 44 episodes, not for any 44 episodes of a TV series.31 For these purposes, a TV series can span more than one season.

Timely Deduction
An additional benefit of Section 181 is that it allows an owner to deduct production costs in the year they are incurred, even if the production has not yet been placed into service. The temporary regulations, however, require that the owner have a reasonable basis for believing that the production will 1) be set for production, 2) be a qualified film or TV production upon completion, and 3) that production costs will not exceed the cost limit in the first year the owner intends to deduct the production costs.32

There are many cases in which an owner may incur costs—to acquire rights and hire a writer, for example—in years before the owner believes that the project will be set for production. In this case, the owner should capitalize those costs and then deduct them in a subsequent tax year when it becomes clear that the project will be set for production.33 Special recapture rules apply in the year 1) the production costs exceed the cost limit, 2) the owner no longer reasonably expects that the production will be set for production, or 3) the owner revokes the election.34 In this case, the owner must include in income the difference between the amount of Section 181 deductions previously claimed and the amount of amortization that would have been allowed under the income forecast method in the prior years.35 The amount recaptured is then included in the basis of the production and subject to amortization under Section 167. These deductions are considered to be depreciation deductions for purposes of the depreciation recapture rules under Section 1245.36 Although not addressed by the regulations, presumably the costs of the
production would still be deductible as an abandonment loss under Revenue Ruling 2004-58 or Revenue Procedure 2004-36.37
Section 181 is protaxpayer; its intent to stop runaway productions is largely reflected in the temporary regulations. The TEA amendments to Section 181 make it an even more workable and attractive tax incentive by allowing a taxpayer to deduct $15 million of more workable and attractive tax incentive by amendments to Section 181 make it an even
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35 Once the production no longer qualifies for an imme-
33 Temp. Treas. Reg. §1.181-1T(c)(2).
19 Temp. Treas. Reg. §1.181-4T.
15 I.R.C. §181(f).
14 I.R.C. §181(a), -181(b).
12 I.R.C. §181(c)(1).
10 I.R.C. §181(a)(1).
9 I.R.C. §181(d)(3).
8 I.R.C. §181(d)(1), (3).
6 Temp. Treas. Reg. §1.181-1T to -6T, T.D. 9312, 2-
8-2007.
5 I.R.C. §181(2).
438.
3 American Jobs Creation Act of 2004, Pub. L. No. 108-
337.
2 California has not conformed its Revenue and Taxation Code to include I.R.C. §181, so that for California state tax purposes, qualified productions must still be amortized under the income forecast method of accounting.
1 I.R.C. §181.
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Drafting Content Licensing Provisions for Evolving Media

NEW MEDIA NOW is well established in the entertainment, media, and information industries, as technology platforms for distributing content to consumers continue to evolve. The old media—print publications, analog television and radio, and theatrical motion picture distribution—still account for a broad audience and substantial revenue. But new media systems are gaining rapidly. As one court described in a recent case involving Internet music royalties, “In just over a decade, the Internet has grown from its relatively obscure roots to become a major information and entertainment medium that rivals television and radio. It has transformed our culture in innumerable ways, changing how we shop, how we watch television and movies, and how we listen to music.”1 While the Internet remains the most widely used new media platform, consumers increasingly have adopted personal digital assistants, mobile devices, digital video recorders, video game consoles, Internet Protocol Television (IPTV), Interactive television (ITV), Voice over Internet Protocol (VoIP) distribution, and other media. Because new media is no longer new, perhaps a better term is “evolving media.”

In any medium—old or new—content is still king, so deals that include evolving media bear similarities to traditional agreements for content. However, new media deals also require new contract provisions and a fresh look at time-honored clauses. The key terms of evolving media agreements, from both sides of a negotiation, are 1) the content rights that are licensed, 2) the definition of media platform rights, 3) revenue provisions, 4) content protection and geofiltering, and 5) marketing provisions.

The foregoing provisions should be considered in the context of several different issues. First, while there are many kinds of evolving media contracts, the most common is an agreement that provides license rights for content owners to distribute or otherwise exploit their content or programming on another company’s technology platform.

Second, “content” or “programming” typically encompasses the gamut of entertainment and information works, including audio and video programming, text, games, news, information, and even entire entertainment applications. Third, “service providers” usually refer to the entities that own the technology platforms that distribute the content and that need to enter into deals with rights holders. These parties sometimes also are referred to as technology platforms or content carriers. For example, Joost, Hulu, and Veoh Networks all are service providers that host online video services, and they need agreements with film studios, television networks, and other rights holders to build a library of content for their Internet sites. Fourth, although many contract provisions have been developed from deals for Internet platforms (because that is the evolving media arena on which content is now most commonly exploited), provisions that come from Internet contracts may also apply to other technology environments.

Content Rights

As an initial matter, the parties to a contract need to agree on what content will be provided for exploitation on the technology platform. Although this is largely a business decision, the practitioner must make sure the contract includes provisions that adequately address:

• The volume of content that the content owner must provide to the service provider.

Arguably, the most important legal provision in new media contracts is the scope of media platforms for which rights to exploit content are granted.

• The frequency upon which new content must be provided to the service provider to refresh the offerings.

• Whether content provided to the service provider may be rested for a period of time, then reused to meet the content delivery obligations.

Once these basic issues are addressed, the contract should address the usage rights granted from the content owner to the technology platform. The U.S. Copyright Act grants copyright owners certain exclusive rights that may be licensed to third parties, including: to reproduce the work, prepare derivative works, distribute copies, and publicly perform and display the work. For sound recordings, another right is to perform the work publicly by means of a digital audio transmission.2 For evolving media, courts already have recognized that the Internet is a separate medium that requires a separate license to use content, and content owners have the right to sell and license their products on the Internet and other new media just as they do in television, print, or other “old” media.3

Especially when rights are granted exclusively to a service provider, content owners must first evaluate which of those rights they wish to license. On the other side of the table, content carriers need to determine which rights they must have to perform their intended functions.

The following sample provision covers these issues:

Licensor hereby grants Service Provider and its Affiliates a

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The practitioner should consider different issues for each of these rights.

Public display and public performance rights are granted in the sample provision above and generally are required for a service provider to exploit content. For technologies permitting only personal viewing or listening, there may be some argument that the licensee does not need public display or performance rights. But it is risky for a content carrier to obtain usage rights without the public display and public performance rights, so most agreements will grant those rights.

The right to reproduce content is necessary for deals for the licensee to: 1) create copies of programming product (deals to replicate DVDs or other home video), 2) provide content for download by users (via the Internet, mobile, or other delivery methods), and 3) otherwise store or replicate content. The content owner does not always grant reproduction rights. For example, a film owner may use another company to distribute copies of DVDs or BDs (Blu-Ray discs) but not to manufacture or “press” the discs. In that situation, the content owner may simply want to sell to the receiving party the individual DVD or BD units (and the receiving party will resell those units to retailers). The content owner may not need to license rights to reproduce the copyrighted work. This arrangement also includes other formats for home, personal, or mobile entertainment, including the Universal Media Disc (UMD), which has been used for programming distributed on the Sony Playstation Portable (PSP) and other devices. Another example is streaming of audio or video content on the Internet. While there is some dispute, streaming may not require the technology system to reproduce the audio or video content. Content owners may resist any contract clause that licenses the right to reproduce or copy the content if only streaming rights are given.

Although the Copyright Act does not define “distribution,” the grant of distribution rights in evolving media contracts usually is not controversial. Content carriers need the right to distribute a work, irrespective of the technology used. What constitutes distribution of a work is less clear in peer-to-peer file sharing networks, and in particular with music files, because the Copyright Act has slightly different provisions for phonorecords. Distribution rights should be granted when the technology platform provides copies of entertainment programming to the user (e.g., for download through Internet or wireless means). However, just as with the reproduction right, streaming technologies raise an interesting issue: When the licensee is merely streaming content, it is less clear whether distribution rights are needed, but it is naturally safer for the service provider to obtain those rights.

One often overlooked negotiating point is whether the party with the technology platform will be granted the right to sublicense its rights to third parties and perhaps even to subsidiary or affiliate entities. The sublicensing rule prohibits an intellectual property licensee from sublicensing its licensed rights without express permission from the licensor.5 The grant of sublicense rights often is critical for service providers because of syndication networks. On the Web, many Internet portals collect print, audio, video, and other material from many sources and then syndicate that content to other Web site locations—often known as Internet affiliates. For example, many Web services want rights to provide content on their Web sites and through distribution partners such as Facebook or Apple’s iPhone service. To do so, the service provider will want an agreement that grants rights to sublicense the content. On the other hand, content owners often wish to tightly control their programming and may not want their works to appear in syndication networks as the result of a single license. Content providers should therefore consider withholding sublicense rights if they want to strike multiple deals with other outlets.

The technology platform often will want rights to modify the licensed material or to create derivative works. In traditional media deals, content owners often resist these demands, but in evolving media they have a harder time doing so. Service providers often require content to be delivered in digital files and be subject to change by technical means in order to be compatible with the service provider’s systems or to improve the user experience. For the Internet, digital video files are often transcoded into the Flash format to create better viewing experiences.6 If a content owner wants its programming watched on an Internet video site, it may need to permit the content carrier to make modifications—at least to transcode files to a format that the carrier prefers. The content owner need not provide unfettered rights to create modifications or derivative works. Instead, it could limit the service provider to altering content for the sole purpose of format changes and not give away the right to make changes to the substance. In certain instances, the programming rights holder may wish to block transcoding for specific purposes. The sample provision makes clear that an Internet service provider shall “have no right to transcode or otherwise customize the Content for distribution through television broadcast or cable television.” This precautionary provision makes clear that the service provider can distribute video programs via the Internet but cannot transcode the files for distribution on broadcast or cable television.

Media Platform Rights

Arguably, the most important legal provision in new media contracts is the scope of media platforms for which rights to exploit content are granted. This is a critical negotiating point because of the speed at which communication technologies are evolving. A service provider will naturally prefer to obtain rights according to standard older provisions, namely, “in any and all media now known or hereafter developed—including, but not limited to, Internet services and Web sites…print, digital, online, wireless, broadcast, cable and satellite television, radio, audio, and audio-visual media.” With the proliferation of new technologies, however, an ever-growing list of example media platforms are included in the all-encompassing phrase “any and all media.” A more up-to-date phrase regarding media platforms may read:

In any and all media now or hereafter known—including but not limited to any form of television (such as broadcast, cable, satellite, subscription, close-circuit, pay-per-view, wireless, mobile device, Internet or online means of distributing audiovisual content); radio or audio media (such as broadcast, satellite or Internet radio); Video-on-Demand; podcasting and other forms of digital downloading; theatrical motion pictures; home entertainment and home video; DVD; High Definition DVD (e.g., HD-DVD and Blu-Ray formats); video cassette; Universal Media Disc (“UMD”); CD-ROM, DVD-Rom or other hard digital storage devices now known or hereafter devised or like media); Internet, online and Web-based means to distribute audiovisual content; digital media.

It is increasingly rare for content owners to grant these unrestricted rights, especially
in deals in which they also grant exclusivity. Each current or future media platform is another bucket of rights to grant and is potentially a separate revenue stream. Programming rights holders will thus want to grant as narrow media rights as possible, hoping to hold onto other media rights (whether known or not) to grant to other business partners in the future. As contracts move away from granting “any and all media rights,” negotiating parties should more carefully define each media platform.

For example, the terms “Internet” or “online” in contracts may no longer be sufficient because there now are many communication systems based upon Internet protocol. In addition to “traditional” Web sites, the Web also now hosts broadband television, including MTV’s Overdrive or ESPN 360. In addition, digital downloading sites such as the Apple iTunes store, Internet streaming, interactive television (ITV), Internet Protocol Television (IPTV), and live Webcasts can all be found online. Each of these media systems uses Internet protocol to deliver material. No doubt newer technologies will come that also use Internet protocol.

For each delivery method using Internet protocol, rights holders may seek to grant rights to a different business partner. The content rights holder may grant streaming rights to one Web portal, downloading rights to a second, and broadband TV rights to a third. When a contract provides “Internet” or “online” rights, however, the question arises as to whether they include the right to Internet streaming and downloading. Does that also give the service provider the right to put a video program on its broadband television network that is available over the Internet? Using the generic terms “Internet” or “online” to define media rights may create ambiguity, which may be good for the service provider but not for the content owner.

A better practice, especially for the programming licensor that wishes to grant the narrowest rights possible, is to describe in a contract the specific technological means of delivery that are granted and those that are withheld. For example, rather than a general reference to online delivery, the contract should specify that video content “may only be streamed for viewing through a media player available at Internet Web sites, but may not be distributed for user downloading over the Internet.” On the other hand, if a service provider wants to obtain the broadest Internet rights, it may seek a provision granting that the content is “[f]or use on the Internet; any Internet Web site, portal, community or location operated by Licensee or its designees; any Internet-based application or medium and/or any means for delivery of data or content using Internet-protocol exist-

ing now or created in the future.”

Similarly, the term “television,” by itself, may be inadequate for a contract. At its inception, television content was delivered only through broadcast airwaves. Now, TV programming is available through cable and satellite systems. It can be available for free, by subscription, for a pay-per-view fee, and as video on demand (VOD). In addition, the Internet has television, with traditional TV networks hosting broadband television destinations. Some programming now is available only through broadband channels. For example, during the 2008 Summer Olympics from Beijing, NBC provided coverage of certain sports only through its broadband site. The next big frontier is mobile television for mobile phones, PDAs, and other wireless devices.

Since television now takes many forms of distribution, use of the term “television” without specific delineated forms of distribution may result in unintended consequences. If a program owner gives television rights to a technology platform, that entity could later try to claim it has rights to distribute the programming via a broadband TV channel or through a mobile TV network. A better approach is a more detailed explanation of which TV rights are granted: “[t]elevision in both standard and high definition and by any and all means of technology of transmitting a video signal and related audio signal: whether via broadcast, satellite or cable television, including without limitation, direct broadcast satellite, subscription television, multi-point distribution systems, multiple multi-point distribution systems, satellite master antennae television systems, open video systems, direct to home television, television receive-only, closed circuit television.”

However, this provision does not specify Internet protocol or wireless forms of television delivery. Nor does it distinguish between free or subscription services, and pay-per-view or video on demand systems—which often merit separation in a contract. However, the sample language offers a menu of television media rights from which the parties and their counsel can choose what best suits the needs of their particular deal.

**Home Entertainment Products**

With the days of the videocassette tape coming to an end and the DVD market still evolving, the meaning of “home video” or “home entertainment” products has also become more complicated. For example, downloading a music file, TV program, or film for viewing at home may qualify as “home video” or “home entertainment” without the sale of a physical product such as a cassette or DVD. Even with physical products, home audio and video are not really confined to the home. Formats for portable media devices (such as the Sony Playstation Portable) may be included in a list of home entertainment products. To encompass this expanding and slippery category, the following provision defines videograms as something more specific than “home video” products: “[v]ideo grams,” which for purposes hereof shall mean: videocassettes, videodiscs, videotape, DVD, High-Definition DVD (e.g., ‘HD-DVD’ and ‘Blu-Ray’), Universal Media Disc (‘UMD’), CD-ROM, DVD-ROM or other hard carrier devices now known or hereafter devised and designed to embody one or more audio-visual pictures or portions thereof and to be used in conjunction with a personal reproduction, player or viewing apparatus which causes a visual image (whether or not synchronized with sound) to be seen on a screen, display or device, e.g., a television receiver or, computer display or similar device, all for home use and falling within the definition of ‘home video’ as that term is generally understood in the industry.”

Alternatively, the practitioner may write a provision that incorporates Internet distribution of a “home entertainment” product (audio and video):

“Audio and Video Products” or “Products” are all of Company’s Compact-Discs, Cassettes, Digital Compact Cassettes, Minidiscs, Digital Versatile Discs (DVDs), VHS or other Videos or any other mass-marketable device containing prerecorded music and/or visual images by which sound and/or visual images may be disseminated now or in the future, including but not limited to sales via DEMD. “DEMD” means any transmission to the consumer, whether sound alone, sound coupled with an image, or sound coupled with data, in any form, analog or digital, now known or later developed (including, but not limited to, “cybercasts,” “webcasts,” “streaming audio,” “streaming audio/video,” “digital downloads,” direct broadcast satellite, point-to-multipoint satellite, multipoint distribution service, point-to-point distribution service, cable system, telephone system, broadcast station, and any other forms of transmission now known or hereafter devised) whether or not such transmission is made on-demand or near on-demand, whether or not a direct or indirect charge is made to receive the transmission and whether or not such transmission results in a specifically identifiable reproduction by or for any transmission recipient. As this example shows, the attorney who writes a contract for an evolving media deal can think creatively about its precise terms.
rather than relying on standard examples from contracts for old media.

Payment

Although an evolving media agreement may employ some new terms, many old rules still apply. For example, just as with older media contracts, the key item will be how the content owner and technology platform are paid. As one court recognized in the context of online music, two main revenue models have emerged for Web sites offering content: 1) the subscription model, in which users receive access to content offerings for a recurring (usually monthly) fee, and 2) the advertising model, in which Internet companies generate revenues through various forms of advertising, including display advertising, rich media advertising, and sponsorships. In truth, there are more business models, including fees paid by users for each download, and brand integration forms of the advertising model.

One common approach involves the video content licensor sharing in advertising revenue earned by the service provider from ads served with the programming. A contract clause for this approach may read:

Service Provider shall retain x percent of the Revenues generated from ads served by Service Provider in connection with the Licensed Content and remit the balance of the Revenues to Content Owner within sixty days after the end of each calendar quarter. For the purposes hereof, “Revenues” shall mean all gross revenues and other compensation generated from ads served by Service Provider in connection with the Licensed Content, less (i) agency commissions actually paid to unaffiliated, third party advertising agencies, which shall not exceed a total of x percent of the gross revenues; (ii) music publishing public performance rights royalties and music publishing public performance rights license fees for the musical compositions in the Licensed Content actually paid to Broadcast Music, Inc. (BMI), the American Society of Composers, Authors and Publishers (ASCAP), The Society of European Stage Authors and Composers (SESAC), and any other public performance rights society having jurisdiction in the Territory, which shall not exceed a total of x percent of the gross revenues.

Typically, service providers draft these provisions and place them in form agreements. Content owners may wish to negotiate certain points related to the definition of the advertising revenues to be split. First, certain advertisers may pay the service provider a flat sponsorship or brand integration amount for a time rather than a fee per spot with each piece of programming (and which can then be tied to specific content). If that is the case, content owners may want to push for a pro rata portion (allocable to their programming) of sponsorship or brand integration dollars received by the service provider to be included in the revenues to be split. On the other hand, service providers may resist including sponsorship or brand integration dollars, which can be hard to allocate to a particular content owner’s programming.

Second, content owners may request that all forms of consideration—monetary or not—received by the technology platform are included in the revenue pot. For example, the content owner may ask for the following provision: “Revenues shall include monetary payments for advertising, as well as portions of payments received by Service Provider from advertisers for sponsorships and/or other forms of compensation that are allocable to the Licensed Content.”

Third, there may be a negotiation concerning certain deductions prior to the revenue split, such as commissions and distribution fees and expenses. If commission deductions are permitted, a key question will be whether the service provider can deduct a commission for the work of its internal staff to sell ads, or whether it can deduct commissions only from outside, third-party advertising agencies it uses. In the sample provision above, only third-party commissions are deducted. Some service providers also may seek to deduct a distribution fee from the gross dollars before revenue is split, but content owners likely will want to resist, or at least reduce, any distribution fee.

Finally, content owners will want some reasonable audit rights. They should ask the technology platform to provide written statements that support the calculation for each periodic payment of revenue share.

Geofiltering

Content owners often use digital rights management (DRM) to protect their content from unauthorized distribution and copying. Service providers may be expected to “wrap” content licensed to them in DRM applications. In addition, programming licensors often want to grant content rights for only certain geographic areas, such as the United States. But on the world wide Web, content made available on a U.S. Web site usually can be accessed anywhere. Geofiltering software identifies the geographical location of an Internet user by tracing the user’s Internet protocol (IP) address. Typically, new media contracts require the Internet service provider to implement geofiltering systems to prevent content from being accessed outside the licensed territory.

For the content licensor, it is important either to require “then-current” or “then-customary” DRM and geofiltering methods, or to require periodic review and revision of whatever systems are prescribed by the contract. As DRM and geofiltering technologies improve with time, these requirements will ensure that the content licensor receives the benefit of technology as it improves. For the technology platform, it will not want to agree to use the best DRM and geofiltering systems available at any given time but will instead prefer to use what is acceptable or customary in the industry. The following provision combines requirements for DRM and geofiltering:

“Service Provider will use then-industry standard content protection/digital rights management and geofiltering technologies (including, at a minimum, Internet Protocol address geo-location and time zone check (‘sniff’) of the computer from which an end user’s request for video programming originates) for the Internet streaming and transmission of video programming to limit unauthorized display and distribution of the Licensed Content.”

If this clause is too restrictive for the service provider, the following clause is less specific and merely requires current “industry standard” DRM and geofiltering technology:

“Content Owner authorizes Service Provider to wrap the Licensed Content in such digital rights management as is used by Service Provider from time to time during the Term. Service Provider’s digital rights management and geo-targeting technology shall be of a quality and standard equal to or higher than standards currently accepted as industry standard in the audiovisual industry with respect to the distribution of comparable entertainment content over the Internet.”

Marketing

Rights management provisions that are more accurate than what was typical during the days of analog media are not the only concern for attorneys who arrange agreements for evolving media. One reason why content owners enter into evolving media contracts is to promote their brand on the Internet and other evolving media environments. Likewise, service providers often want to acquire top-class programming to leverage the brand power of content owners. To meet these symbiotic needs, new media contracts often impose cross-promotional marketing expectations on the parties. The technology platform may want the content owner to promote its arrangement in “offline” marketing, including through print advertisements in a newspaper or magazine or through commercials on broadcast television or radio.

A contract also may require both sides to allot a certain amount of online banner ads on a Web site to promote the collaboration.
Both contracting parties may want links to their Web sites to appear on the other party’s sites. A linking provision is helpful to avoid any disputes about whether either party was permitted to link to each other’s sites (although legal claims arising out of unauthorized linking to a party’s Web site have been hard to enforce). An example of a provision granting the content owner rights to have links to its Web site placed on the service provider’s site is:

Provided that Licensor complies with all material terms of this Agreement, Licensor shall have the right to provide to Service Provider promotional links that shall be placed by Service Provider on its web site(s), provided such promotions link to other Licensor content or sites (‘Linked Site’). Such links may not be sold as advertising by Licensor or link to any third party sites, content and/or commerce. In the event that the Linked Site contains any advertisement(s), link(s) or pointer(s) for any other interactive service or contains any offensive material as determined by Service Provider, Service Provider may in its sole discretion remove any links to the Linked Site from the Service Provider Network. Licensor shall manage the Linked Site in accordance with Service Provider’s operating standards for linked sites set forth in an exhibit to the contract or elsewhere.

The parties and their counsel should try to define the marketing obligations specifically rather than settling for a provision that vaguely requires each party to cross-promote the other. At the very least, a contract should specify the minimum obligations that will satisfy performance—either in terms of number of advertisements or advertising value.

Cross-promotion is not the only marketing consideration. Perhaps the most powerful aspect of evolving media systems is their ability to obtain data about users and their interests. Armed with valuable data, content owners, services providers, and advertisers can target their product offerings and promotional messages to individual users. The parties and their counsel should carefully consider:

• What user data should be collected (if at all) and whether it should include personally identifiable information (PII) or just aggregate data.
• Who will collect the data.
• Who has the responsibility to comply with the gamut of privacy law obligations (although parties may not be able to contract away the obligations that various privacy laws impose upon them).
• Who owns the data.
• Whether the nonowning party also gets
the right to keep and use the data.

User information triggers a host of privacy concerns, so it is often advisable to consult counsel who specialize in privacy law regarding contract provisions related to user data.

The evolving media landscape presents new negotiation and drafting challenges for companies and their attorneys, who must stay on top of technology developments, copyright law developments, and revenue models. The magic of evolving media is that it will continue its evolution in unforeseen directions. But no matter what technical wizardry comes next, content—and with it, the well-negotiated content deal—will still remain king.

2 See 17 U.S.C. § 106. This article assumes that the content being licensed to the service provider is copyrightable. However, certain types of material—such as data or information services—may not be copyrightable, and the analysis to reach license terms for such material may need to differ.
5 See Miller v. Glenn Miller Prods., 454 F. 3d 975 (9th Cir. 2006) (incorporating district court decision at 318 F. Supp. 2d 923 (citing Gardner v. Nike, Inc., 279 F. 3d 774 (9th Cir. 2002)); Everex Sys. v. Cadtrak Corp., 89 F. 3d 673, 679 (9th Cir. 1996).
6 See, e.g., IO Group, Inc. v. Veoh Networks, Inc., 2008 U.S. Dist. LEXIS 65915, at *9-16 (N.D. Cal. Aug. 27, 2008). The Veoh decision is the first to rule on whether a Web service for user-posted video content qualified for safe harbor under the Digital Millennium Copyright Act. The Veoh online service transcoded video files uploaded by users into Flash format. In his ruling, the magistrate judge noted that transcoding into Flash format made the videos more easily viewable on the Internet with common media players and did not alter the content for purposes of DMCA safe harbor. Id. at *33-39.
8 See Marc H. Greenberg, A Return to Lilliput: The LaCa v. Yahoo! Case and the Regulation of Online Content in the World Market, 18 BERKELEY TECH. L.J. 1191, 1215 (2003) (discussing the debate over viability, to avoid legal liability, of geolocation filtering software to block Internet sites from being available in certain countries).
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WHEN GOVERNOR ARNOLD SCHWARZENEGGER signed Senate Bill 771 into law on October 10, 2007, he marked the latest chapter in the story of California’s publicity rights law, which is widely viewed as the most progressive and the most controversial in the country. Some contend that SB 771 was rushed through the legislature at the behest of a greedy licensee, but regardless of its origin it expands posthumous publicity rights and will likely spawn litigation.

The right of publicity is generally defined as the right to control or prevent the unauthorized use or commercial exploitation of one’s name, likeness, voice, or personality.1 The right of publicity evolved from the right of privacy, which itself has evolved dramatically over more than a century. In 1890, Samuel D. Warren and Louis D. Brandeis published The Right to Privacy,2 a seminal article in the Harvard Law Review in which they argued for a remedy for those injured by unauthorized public disclosure of truthful but embarrassing private facts.3

By the mid-1900s, some courts and state legislatures had adopted some elements of the Brandeis-Warren theory. However, the question arose as to how to apply these rights to celebrities who had sought the spotlight.

Second Circuit Judge Jerome Frank answered that question in 1953 when he coined the term “right of publicity” in the case of Haelan Laboratories Inc. v. Topps Chewing Gum, Inc.4 The Haelan case addressed whether a baseball player could assign exclusive rights to produce a card with his photograph on it to a single baseball card manufacturer.5 The court determined that prominent persons do possess a “right of publicity”6 that was an assignable interest, unlike the strictly personal—and therefore nonassignable—right to privacy.7

Judge Frank’s opinion was followed by a prominent article by Professor Melville B. Nimmer that analyzed the right to publicity as an assignable property right.8 Nimmer explained that a mere right to privacy did not sufficiently address the issues unique to celebrities; while the right to privacy protected individuals from indignity and embarrassment, the right to publicity dealt with an individual’s ability to protect the commercial value of his or her image and identity.9

FAME

RECENT LEGISLATION HAS CLARIFIED THE DESCENDIBLE RIGHT OF PUBLICITY FOR PERSONALITIES WHO DIED PRIOR TO 1985

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California first codified the right of publicity in 1971, when the California Legislature enacted Civil Code Section 3344, which enables recovery by any living person whose name, photograph, or likeness has been used for commercial purposes without his or her consent. California courts have recognized the statutory and the common law right of publicity.

However, the rights of privacy were only available to a living plaintiff; they were not freely descendible and thus expired by operation of law upon the death of the person claiming the right. This issue lay at the heart of two companion cases decided in 1979: *Lugosi v. Universal Pictures* and *Guglielmi v. Spelling-Goldberg Productions*. In those cases, the California Supreme Court determined that the heirs of deceased celebrities had no statutory protections against posthumous exploitation of the celebrity’s image.

In *Lugosi*, the heirs of actor Bela Lugosi (best known for playing the title role in the 1930 movie *Dracula*) sued to enjoin and recover profits from Universal Pictures for licensing Lugosi’s name and image on merchandise. The California Supreme Court upheld the decision of an appellate court in finding that the right to exploit one’s name and likeness is personal and must be exercised, if at all, by the person during the person’s lifetime.

Similarly, in *Guglielmi*, the California Supreme Court cited to and relied upon its opinion in *Lugosi* in holding that Rudolph Valentino’s heirs could not obtain an injunction or damages from the defendant because Valentino’s right of publicity was not descendible under California law. Because Valentino had not exploited his name and likeness during his lifetime, others could use it without liability to Valentino’s heirs.

Courts outside California honored the *Lugosi* and *Guglielmi* decisions as well in applying California law. In *Groucho Marx Productions, Inc. v. Day and Night Company, Inc.*, the Second Circuit held that the rights of publicity were not descendible under California law. In that case, the assignees of the Marx Brothers sued a production company for interference with publicity rights. The production company had incorporated three characters that strongly resembled the Marx brothers into its Broadway musical titled *A Day in Hollywood / A Night in the Ukraine*. The federal district court in New York had applied New York law, determining that New York recognized a descendible right to publicity and granting summary judgment to the plaintiffs. The Second Circuit reversed, holding that the descendibility issue was governed by California law, and as a result the plaintiffs had no right to relief.

**The Legislative Response**

The holdings in *Lugosi* and *Guglielmi* precipitated legislation designed specifically to create a statutory descendible right to publicity. In 1984, the California Legislature enacted Civil Code Section 990 (renumbered as Section 3344.1 in 1999), creating a post-mortem right of publicity for “deceased personalities”—individuals whose names, voices, signatures, photographs, or likenesses had commercial value at the time of their death.

Section 990 explicitly stated that the right of publicity is a property right, “freely transferable, in whole or in part, by contract or by means of trust or testamentary documents” whether that transfer occurs before, by, or after death of the personality. The statute held that absent an explicit transfer of this right, it automatically goes to the statutory and/or intestate heirs of the deceased (spouse, children, parents). If the celebrity fails to transfer the right explicitly and dies without any statutory heirs, the right of publicity terminates.

Otherwise, the extended right of publicity expires 50 years after the death of the deceased personality.

In an attempt to maximally preserve First Amendment protections for creative outlets, the new statutory provision exempted from liability plays, books, magazines, newspapers, musical compositions, films, and radio and television shows that used a deceased celebrity’s likeness, name, or voice.

The registered owner of the posthumous rights to the Three Stooges comedy act relied on Section 990 to obtain damages against an artist who reproduced his charcoal drawings of the Stooges on lithographs and T-shirts. The artist had claimed that his artwork was creative and transformative enough to warrant First Amendment protection against the right of publicity claim, in accordance with the specifically listed exemptions in the statute. The court agreed that when a work of art is so transformative that the value of the work derives primarily from the skill and creativity of the artist rather than from the fame of the celebrity depicted, the work may be protected by the First Amendment. However, the court determined that the artist’s depictions were more literal than transformative—a clear attempt merely to exploit the Three Stooges’ fame—and therefore First Amendment protection did not apply.

If the artist wanted to continue to use these images, he needed to obtain the consent of the right of publicity holder.

However, that same list of exempt uses in Section 990 posed new problems, exemplified in two main cases. In *Joplin Enterprises v. Allen*, a federal district court applied Section 990 to find that a two-act biographical play about deceased singer Janis Joplin was not actionable. Joplin’s devisees alleged that the play constituted copyright infringement as well as misappropriation of Joplin’s privacy and publicity rights. The court determined that Section 990 applied only to unauthorized “merchandise, advertisements and endorsements,” and it explicitly exempted plays.

The Ninth Circuit similarly exempted an instructional dance video from liability under Section 990 in *Astaire v. Best Film and Video Corporation*. In *Astaire*, the widow of famed dancer Fred Astaire sued a video manufacturer for using Fred Astaire’s image in a series of dance instructional videotapes—each tape opened with about 90 seconds of footage of Astaire. Mrs. Astaire claimed the company violated her right under Section 990 to control the use of her husband’s name and likeness.

The Central District of California agreed with Mrs. Astaire, finding that the company used Astaire’s image “on or in products, merchandise, or goods.” But the circuit court reversed and remanded, finding that the pre-recorded videotapes fell into the film exemption of Section 990(n). Indeed, the court determined that the film exemption applied even if the use was an advertisement or commercial announcement.

**The Astaire Amendment**

After losing her difficult and expensive lawsuit, Mrs. Astaire teamed with the Screen Actors Guild to sponsor legislation that would clarify and expand the postmortem right of publicity. That bill, SB 209, passed in 1999 and became known as the Astaire Celebrity...
Image Protection Act. The act eliminated the list of exempt uses of deceased celebrity likenesses, thereby substantially increasing the types of uses for which consent of the celebrity’s heirs is required. The bill also extended the descendible right of publicity from 50 years to 70 years following the celebrity’s death.39

Despite these amendments to clarify and expand the descendible posthumous right of publicity, a gap in the law remained that was revealed by two similar cases regarding the posthumous rights of Marilyn Monroe: Milton H. Greene Archives, Inc. v. CMG Worldwide, Inc.40 and Shaw Family Archives, Ltd. v. CMG Worldwide, Inc.41 (the Monroe cases). When Marilyn Monroe died, she left the residue of her estate to her acting coach, Lee Strasberg, who, upon his death, left most of his estate to his wife, Anna Strasberg.42 She then transferred her interest in Monroe’s estate to Marilyn Monroe LLC, which licensed CMG Worldwide, Inc. to use Monroe’s images and likenesses.43 In these two actions, CMG sued other parties for their unauthorized use of Monroe’s image.

In the Monroe cases, both courts interpreted Section 3344.1 as prohibiting publicity rights from passing by will if the personality died prior to January 1, 1985.44 In other words, the statutory descendible right of publicity did not exist when Monroe died, so, by operation of law, it could not have been a property right that she possessed upon death.45 Because Monroe did not own this property right at the time of her death, she could not have transferred it in the residuary clause in her will.46 Moreover, even if Monroe did possess the right, Section 3344.1 only enabled transfers to statutory heirs—Monroe had no statutory heirs, so her right would terminate in any event.47 Both courts ruled against CMG on summary judgment.

The Monroe cases had unsettling implications. Many deceased celebrities and their devises left or transferred residual estates to charitable organizations, which relied on their ability to license the famous images for fund-raising. The Monroe holdings effectively took many rights that the organizations had relied upon. Reflecting these concerns, the U.S. District Court for the Central District wrote:

The court reaches this conclusion with some reluctance because...at H. Greene court. Merely six weeks after that opinion was published, State Senator (and former child actor) Sheila Kuehl49 fast-tracked through the legislature50 Senate Bill 771, designed specifically to clarify the scope of Civil Code Section 3344.1 and to abrogate the Monroe cases.51

The somewhat controversial SB 771 accomplished several goals. First, it explicitly stated that a deceased celebrity’s right of publicity applies to individuals whether or not they died before January 1, 1985.52 The amendment deems, retroactively, that a deceased celebrity’s right of publicity existed and was transferable even if he or she died before the enactment of Section 3344.1.53 In the event the celebrity did not expressly transfer this right (and who would before it existed?), the right becomes part of the deceased personality’s residual estate and is transferred to whomever received those assets.54 The resulting owner of that right has 70 years from the date of the celebrity’s death to control use of the celebrity’s image for commercial purposes.55

Despite the efforts to get SB 771 drafted and passed quickly, it still did not help CMG Worldwide and Marilyn Monroe LLC (MMLLC). On November 21, 2007, armed with the newly passed SB 771, CMG and MMLLC filed a motion for reconsideration in the Milton H. Greene case, which the federal district court granted.56 The court agreed that, due to the passage of SB 771, CMG and MMLLC did have standing to assert Monroe’s posthumous right of publicity under California law.57 However, after a detailed analysis, the court determined that Monroe was domiciled in New York, not California, at the time of her death.58 Because New York did not recognize either a common law or statutory posthumous right of publicity in 1962 and because, unlike California, New York has not passed a statute to recognize such rights retroactively, Monroe did not possess the right to publicity when she died and therefore could not have transferred it in her will.59

Right of Publicity Laws in Other States

The right of publicity derives from the U.S. Constitution’s implicit right of privacy but is created and enforced with state laws. At least 19 states have developed and passed a statutory right of publicity.60 Not all of them treat the right as descendible.61 At least 11 other states only recognize a common law right to publicity,62 and the Third Restatement of Unfair Competition recognizes the right of publicity as a separate legal theory.63

The state of Indiana has the most comprehensive right of publicity statute.64 Enacted in 1994, Indiana’s law protects a deceased individual’s right of publicity for 100 years after his or her death and includes protection for the celebrity’s signature, photographs, and gestures, as well as the more typical name, image, and likeness.65 Otherwise, Indiana’s law is similar to California’s.

New York, on the other hand, gives celebrities a limited statutory claim against the use of only their “name, portrait, or picture...for advertising purposes or for the purposes of trade.”66 New York Senator Martin Golden and Assemblywoman Helene Weinstein presented SB 6005/Assembly Bill A088367 to the New York Legislature. Nearly identical to the California legislation, the New York bill would have prohibited use—for advertising or commercial purposes—of the name, portrait, voice, signature, or picture of any deceased person who died within 70 years of January 1, 2008, without having first obtained the written permission of the deceased’s estate. While early attempts were made to rush that bill through the New York Legislature, the bill was halted, apparently due to concerns that it was overly broad, posing potential conflicts with other rights.68

Potential Negative Implications of SB 771

The New York Legislature’s hesitancy to pass its bill—the virtual twin to California’s SB 771—reflects some of the concerns and potential problems resulting from SB 771.
Because the California bill is retroactive, it may take rights away from people or entities that relied upon them and entered into contracts and otherwise lawfully exploited certain images. This aspect of the new law is certainly ripe for testing, with the strong possibility of some untenable judicial results and more statutory amendments.

The statute attempts to preempt some future litigation by including this condition: If a statutory heir exercised his or her rights to exploit a deceased celebrity’s likeness before May 1, 2007, and that exercise was not challenged successfully in court by a transferee of the celebrity’s residual estate, the residual estate transferees cannot use SB 771 to claim that right to publicity. In fact, in this factual scenario, the residual estate is forever barred from claiming the right of publicity, which remains with the statutory heirs throughout the statutory period.

However, that statutory provision does not address what will certainly be the more common situation—when the transferees of a celebrity’s residual estate file suit for damages and an injunction against a person or company that lawfully used that celebrity’s image or likeness for commercial purposes long before enactment of SB 771. Due to the retroactive nature of SB 771, the residual estate could theoretically reach back many years and disgorge substantial profits from an entity whose use had been legal, as well as permanently enjoin future use by an entity that may have built an entire brand around the use.

Because the right to publicity differs so dramatically from state to state, and because there is so much overlap between right to publicity issues and issues dealing with trademark and copyright law, First Amendment protections, and other laws, several groups are pressing for congressional enactment of a federal right to publicity law. The proposal by the International Trademark Association, for example, would amend the Lanham Act to add a federal right of publicity that would specifically preempt state law. The INTA’s proposed federal law includes a descendible and transferable right of publicity effective for a time after a celebrity’s death. It also includes a grandfather clause that protects the rights of prior users, something that California’s law lacks.

Undoubtedly, California’s right of publicity statute remains on the front lines of the evolution of this legal concept. As home to
many celebrities, California is likely to see frequent tests and amendments of its publicity rights law. Senate Bill 771 represents only the latest step in the evolution, but it probably goes too far, creating more legal problems than it may solve. As a result, SB 771 will not be the last word on California's statutory descendible right of publicity. Whether ultimately preempted by a new federal law or not, the California statute will need to address the rights of prior users who acted in reliance on their pre-SB 771 rights and are harmed as a result of this retroactive bill. Future litigation on this issue, likely followed by another legislative amendment, is predictable.

1 See, e.g., Miller v. Glenn Miller Prod., Inc., 454 F. 3d 975, 988-89, n.6 (9th Cir. 2006).
3 Id. at 211.
4 Haelan Labs, Inc. v. Topps Chewing Gum, Inc., 202 F. 2d 866, 868 (2d Cir. 1953).
5 Id. at 867.
6 Id. at 868.
7 Id. at 868-69.
9 Id. at 203-04.
10 CIV. CODE §3344(a). The statute exempts from liability uses made in connection with news, public affairs, sports broadcasts or accounts, and political campaigns. CIV. CODE §3344(d).
11 Miller v. Glenn Miller Prod., Inc., 454 F. 3d 975, 988-89, n.6 (9th Cir. 2006).
13 Id.
15 Lugosi, 25 Cal. 3d at 817.
16 Id. at 822-23.
17 Guglielmi, 25 Cal. 3d at 864.
18 The implication is clear that had Lugosi and Valentino actually contracted with the defendants regarding use of their likenesses during their lifetimes, the heirs would have the right to enforce those contracts posthumously. In these cases, however, the defendants were using the images without the benefit of a contract that related to use of the images.
19 Groucho Marx Prods., Inc. v. Day and Night Co., Inc., 689 F. 2d 317 (2d Cir. 1982).
20 Id. at 319.
21 Id. at 323.
22 CIV. CODE §3344.1(b).
23 Former CIV. CODE §990(b) (now amended and renumbered).
24 Id. at §990(d).
25 Id. at §990(e).
26 Id. at §990(g).
27 Id. at §990(n).
29 Id. at 407.
30 Id. at 409.
32 Id. at 350.
33 Id. at 351.
34 Astaire v. Best Film & Video Corp., 116 F. 3d 1297 (9th Cir. 1997), amended by 136 F. 3d 1208 (9th Cir. 1998).
35 Id. at 1299.
36 Id. at 1300.
37 Id. at 1301-02.
38 Id. at 1302.
39 Civ. Code §3344.1(g).
42 Id. at 312.
43 Id.
44 Id. at 317; Milton H. Greene, 2008 WL 655604, at *1.
46 Shaw, 486 F. Supp. at 319.
49 The bill was drafted and sponsored by the Screen Actors Guild at the urging of CMG. It received strong support from the Cecil B. DeMille Foundation, Marilyn Monroe LLC, the Motion Picture and Television Fund, Wayne Enterprises, and the California Labor Federation.
50 The bill passed the California Legislature on September 7, 2007, and was signed into law by Governor Arnold Schwarzenegger on October 10, 2007. It took effect January 1, 2008.
52 CIV. CODE §3344.1(b).
53 Id.
54 Id.
55 CIV. CODE §3344.1(g).
57 Id. at *3.
58 More specifically, the court found that authorized representatives of Monroe’s estate had repeatedly represented in various forums that Monroe was a resident of New York, not California, and was only in California temporarily for work, with no intent to remain. The court performed a lengthy, detailed analysis to determine that CMG was barred by judicial estoppel from asserting that Monroe was domiciled in California and therefore possessed a right of publicity under California laws. Milton H. Greene Archives, 2008 WL 1922980, at *3–*34.
59 Id. at *3.
60 These 19 are California, Florida, Illinois, Indiana, Kentucky, Massachusetts, Nebraska, Nevada, New York, Ohio, Oklahoma, Pennsylvania, Rhode Island, Tennessee, Texas, Utah, Virginia, Washington, and Wisconsin.
61 The following states’ right of publicity statutes do not appear to grant rights after death: Massachusetts, Nebraska, New York, Rhode Island, Pennsylvania, Utah, and Wisconsin.
62 Alabama, Arizona, Connecticut, Georgia, Hawaii, Maine, Michigan, Minnesota, Missouri, New Jersey, and Oregon.
64 Ind. Code. Ann. §§32-36-1 et seq.
65 Id. at 32-36-1-7 and 32-36-1-8(a).
66 N.Y. CIV. RIGHTS §§50, 51 (McKinney 2007).
67 Essentially identical to California’s SB 771, the New York bill was introduced immediately after publication of the Monroe decisions and was similarly backed by CMG.
68 Marilyn Monroe Historic Legislation Halted—Surprise to CMG and MMLLC, available at PR-inside.com (June 25, 2007). The American Society of Magazine Photographers and the Author’s Guild were among the groups who fought against passage of the bill in New York.
69 David Marcus, attorney for the Shaw Family Archives, claims (without specificity) that SB 771 conflicts with California laws relating to wills and estates. New York intellectual property attorney Nancy Wolff asserts that the California Legislature violated its own procedural rules when it rushed SB 771 through. David Walker, California Adopts New Right of Publicity Law, available at pdnonline.com (Oct. 12, 2007). If these assertions are true, they provide additional grounds for legal challenges to SB 771.
70 Other than someone who was specifically disinherited by the deceased personality. CIV. CODE §3344.1(o).
71 Id.
72 Id.
74 Id.
75 Id.
76 Id.
77 Id.
78 Id.
79 This bill was drafted and sponsored by the Screen Actors Guild at the urging of CMG. It received strong support from the Cecil B. DeMille Foundation, Marilyn Monroe LLC, the Motion Picture and Television Fund, Wayne Enterprises, and the California Labor Federation.
80 The bill passed the California Legislature on September 7, 2007, and was signed into law by Governor Arnold Schwarzenegger on October 10, 2007. It took effect January 1, 2008.
ON OCTOBER 4, 2007, a jury in Minnesota found 30-year-old Jammie Thomas liable for having willfully infringed copyrights in 24 sound recordings by making digital files of those recordings—including works by Aerosmith, Green Day, and Guns N’ Roses—available on the KaZaA peer-to-peer file-sharing network. According to the jury, Thomas’s testimony that she had not shared music files was not credible. Indeed, as one juror later commented, “She’s a liar.” The jury awarded the record company plaintiffs statutory damages in the amount of $9,250 per work infringed, for a total of $222,000 for the 24 works.

The verdict in Capitol Records, Inc. v. Thomas was groundbreaking insofar as it was the first of the thousands of cases filed by member companies of the Recording Industry Association of America (RIAA) to be tried by a jury. Nevertheless, while it sent a clear and unambiguous message to those engaged in the copying and dissemination of works through online peer-to-peer networks, the victory for record companies was short-lived. On May 15, 2008, Judge Michael Davis, sua sponte, issued an order stating that the court was contemplating ordering a mistrial because it had committed manifest error in giving Jury Instruction No. 15: “The act of making copyright sound recordings available for electronic distribution on a peer-to-peer network, without license from the copyright owners, violates the copyright owners’ exclusive right of distribution, regardless of whether actual distribution has been shown.”

On September 24, 2008, after additional briefing, the court vacated the verdict and judgment and granted the plaintiff a new

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trial. In its decision, the court concluded that Jury Instruction No. 15 was erroneous because “[i]nability to violate of the exclusive distribution right found in [Section] 106(3) requires actual dissemination.”

In other words, to find infringement of the distribution right, it was not sufficient that Thomas had made the copyrighted works “available” to other KaZaA users; the plaintiffs were required to prove that the works had in fact been disseminated to—that is, actually downloaded by—the other users.

Thomas was not the only case in 2008 to reach this conclusion. Indeed, it was not even the only case in which a judgment against a user of a file-sharing network was reversed based on the court’s reexamination of the scope of the distribution right. In 2008 alone, at least five district courts examined this very issue, and each came to a different conclusion based on a different rationale. The Thomas case did, however, bring to the forefront the ongoing legal and philosophical battle concerning the scope of the distribution right as applied to those engaged in sharing files on a peer-to-peer network. Amazingly, this single issue—whether an “actual dissemination” is required, or whether it is sufficient to make a work “available” to the public—seems to have spawned more judicial analysis of the distribution right in one year (2008) than in any other year since the inception of the distribution right in 1976 as a separately enumerated right reserved to the copyright owner.

Although the current battle is being fought almost exclusively in the context of individuals making works available over peer-to-peer networks, it has much broader implications. Among these are questions concerning the burden of proof, the weight of evidence required by copyright owners to prove infringement, and the role of investigators in policing copyright infringement.

The “Making Available” Right

Historical context is necessary to understand the current debate over the scope of the distribution right. Section 106(3) of the Copyright Act reserves to the copyright owner the exclusive right “to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending.” The Copyright Act does not contain a definition of the term “to distribute.” However, it does contain a definition of the term “publication.” Significantly, the definition of “publication” tracks, almost verbatim, the language of the distribution right (“Publication is the distribution of copies or phonorecords of works to the public…”), but contains one additional, critical sentence: “The offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication.”

The similarity in the 1976 act between the two terms (“distribution” and “publication”) is not coincidental, as borne out by the legislative history. As the U.S. Supreme Court noted, the purpose of the distribution right as written into the 1976 act was to “recognize[] for the first time a distinct statutory right of first publication, which had previously been an element of the common-law protections afforded unpublished works.” Thus, since 1976, several courts, based on the statutory language and legislative history, came to the conclusion that “distribution” was synonymous with “publication”—arguably including the “making available” portion of the definition of “publication.” This included the Second and Third Circuits, which held that the two terms were “for all practical purposes synonymous” or “essentially synonymous.”

Nevertheless, until fairly recently, cases squarely and substantively addressing the scope of the distribution right, including the question of whether “making available” a copyrighted work was an act of distribution, were few and far between. One of the only pre-Internet decisions to substantively discuss the “making available” issue was Hotaling v. Church of Jesus Christ of Latter-Day Saints. Though Hotaling had nothing to do with the Internet, the case in many respects served as the backbone for the argument that distribution included “making available” a copyrighted work.

In Hotaling, the defendant church purchased a single microfiche of the plaintiff’s materials, which included various genealogical research materials. The church made copies of the microfiche and then sent it to several of its branch libraries. However, the copying had taken place outside the limitations period, and there was no evidence of any specific instances within the limitations period in which the libraries had loaned the infringing copies to members of the public. Thus, the plaintiff argued that the defendant’s libraries had nevertheless distributed the work by “making it available” to the public. The Court agreed:

When a public library adds a work to its collection, lists the work in its index or catalog system, and makes the work available to the borrowing or browsing public, it has completed all the steps necessary for distribution to the public. At that point, members of the public can visit the library and use the work. Were this not to be considered distribution within the meaning of [Section] 106(3), a copyright holder would be prejudiced by a library that does not keep records of public use, and the library would unjustly profit by its own omission.

Though far from comprehensive in its discussion, the Hotaling court squarely rejected the defendant’s argument that proof of actual distribution or dissemination was required and thus implicitly adopted the concept of a “making available” right. That was further confirmed by the dissenting opinion of Judge K. K. Hall, who argued that because “the Church did not sell or give an infringing copy to anyone…current law does not deem this sort of use an infringing distribution.”

Following Hotaling, a few courts subsequently agreed, either expressly or implicitly, that the distribution right was violated when a defendant made copyrighted works available to the public, including over the Internet. Most notable of these was the Ninth Circuit’s 2001 decision in A&M Recordings, Inc. v. Napster, Inc., in which the court noted, without further explanation, that “Napster users who upload file names to the search index for others to copy violate plaintiffs’ distribution rights.”

This conclusion was further extended over the last few years to the act of making works available on a peer-to-peer network. In 2006, two Texas courts—in Arista Records LLC v. Greibeletal10 and Warner Bros. Records, Inc. v. Payne11—concluded that this type of conduct constituted a distribution. Similarly, the district court in Maine, in Universal City Studios LLP v. Bigwood,12 cited Napster and Hotaling and concluded that “by using KaZaA to make copies of the Motion Pictures available to thousands of people over the internet, Defendant violated Plaintiffs’ exclusive right to distribute the motion pictures.”

In early 2007, a district court in Pennsylvania held that “[w]hile neither the United States Supreme Court nor the Third Circuit Court of Appeals has confirmed a copyright holder’s exclusive right to make the works available, the Court is convinced that 17 U.S.C. [Section] 106 encompasses such a right…”13 It was against this backdrop that Judge Davis in Minnesota gave Jury Instruction No. 15, which fairly articulated the law as set forth in Bigwood.

The “Actual Distribution” Requirement

While several courts embraced and extended Hotaling’s language to find that the distribution right was violated by making a work available, a competing line of authority was developing simultaneously. This line of cases adopted a much narrower view of the distribution right, holding that violation of the right required an “actual dissemination” of the work, and thus, by extension, merely making a work available was not sufficient for infringement.
The right to distribute copies or phonorecords of a copyrighted work by sale or other transfer of ownership, or by rental, lease or lending, is one of the exclusive rights reserved to a copyright owner under U.S. copyright law.
1. True.
2. False.
3. Capitol Records, Inc. v. Thomas involved claims that the defendant had infringed the plaintiffs’ copyrights by making available and transmitting digital music files over a peer-to-peer computer network.
4. True.
5. True.
6. The distribution right as set forth in the Copyright Act tracks the act’s definition of “publication” word for word, without any additions or omissions.
7. True.
8. Some courts have found that the distribution right is equivalent to publication under the Copyright Act.
11. National Car Rental System involved an allegation that the defendant distributed copyrighted material by allowing another to use copyrighted software outside the scope of a license.
12. In London-Sire Records, Inc. v. Doe, the court held that, without evidence of an actual dissemination, a defendant did not infringe the distribution right solely by making copyrighted works available to others on the Internet.
13. True.
14. In Atlantic Recording Corporation v. Howell, the court initially granted summary judgment for the record company plaintiffs but then reconsidered its ruling and vacated the judgment.
15. True.
16. Arista Records LLC v. Does 1-27 was decided by a court in what state?

- A. Maine.
- B. California.
- C. Massachusetts.
- D. Texas.
17. The issue of whether the act of making works available on a peer-to-peer network alone constitutes a distribution has been definitively resolved by the Ninth Circuit.
18. True.
19. Some courts have held that the downloading of a work made available on a peer-to-peer network alone constitutes a distribution.
20. True.

ANSWERS

Mark your answers to the test by checking the appropriate boxes below. Each question has only one answer.

1. [ ] True [ ] False
2. [ ] True [ ] False
3. [ ] True [ ] False
4. [ ] True [ ] False
5. [ ] True [ ] False
6. [ ] True [ ] False
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14. [ ] True [ ] False
15. [ ] True [ ] False
16. [ ] A [ ] B [ ] C [ ] D
17. [ ] True [ ] False
18. [ ] True [ ] False
19. [ ] True [ ] False
20. [ ] True [ ] False
These cases relied primarily on a 1993 Eighth Circuit decision, *National Car Rental System v. Computer Associates International, Inc.*—another non-Internet case, decided four years prior to *Hotaling*. At issue in *National Car Rental* was a dispute over a software license agreement between National and Computer Associates, the licensor of computer software developed to process National’s data. Among the claims asserted by Computer Associates was that National had breached the parties’ license agreement by permitting third parties to use the software. The district court concluded that this claim was preempted by the Copyright Act, as the court held that the Copyright Act’s “making available” right was infringed by “making copyrighted works available” over the Internet. Judge Karas, in a lengthy decision, denied the motion to dismiss. However, after finding that the plaintiffs’ allegations were sufficient, the court stopped shy of adopting the plaintiffs’ argument that the distribution right was infringed by “making copyrighted works available” over the Internet.

Conduct alleged was, for purposes of Section 301 of the Copyright Act, “equivalent” to a violation of the distribution right. The Eight Circuit disagreed, holding that “the copyright holder’s distribution right is the right to distribute copies,” and thus “we cannot conclude that an allegation that National ‘permitted the use’ necessarily amounts to an allegation of the actual distribution of a copy of the program.”

At first glance, there would seem to be a clear difference between making a copy of a work available to the public (including via a library or online service, as in *Hotaling*) and permitting certain third parties to use a software program (as in *National Car Rental*). The court in *National Car Rental* also did not consider the outside boundaries of the distribution right or whether making copies available to the public might constitute a distribution. Rather, its discussion was only in the context of copyright preemption and involved a particular, rather unusual factual circumstance. Nevertheless, the “actual distribution” language of *National Car Rental* was seized on by some courts and commentators as broadly requiring an actual dissemination of tangible “copies or phonorecords” to take place for distribution to occur.

Interestingly, one of the first major decisions to apply *National Car Rental* to the issue of making works available online was U.S. District Judge Patel’s 2005 decision in the case brought by two record companies against certain entities and investors involved with the Napster file-sharing network. This decision appeared four years after the Ninth Circuit’s 2001 *Napster* ruling, which affirmed Judge Patel’s original preliminary injunction order against Napster. The Ninth Circuit seemed to hold that distribution rights were violated when works were uploaded to the Napster system. However, in her 2005 decision, Judge Patel concluded—or perhaps clarified her view—that making works available simultaneously to examine and evaluate the “making available” right as it applied to individuals making works available for download on peer-to-peer networks. This flurry of case law began on March 31, 2008, when two district courts—one in Massachusetts and one in New York—reached completely different conclusions after examining similar facts and allegations.

Content owners and technology companies anxiously awaited the ruling in *Elektra Entertainment Group, Inc. v. Barker* for almost two years. The Southern District of New York was considering a Rule 12(b)(6) motion to dismiss filed by the defendant, Denise Barker, on the ground that allegations that Barker “made the Copyrighted Recordings available for distribution to others” were insufficient to state an infringement claim. Amicus briefs on both sides were submitted by the Motion Picture Association of America, the U.S. attorney, the Electronic Frontier Foundation, and the Computer and Communications Industry Association. Judge Karas, in a lengthy decision, denied the motion to dismiss. However, after finding that the plaintiffs’ allegations were sufficient, the court stopped shy of adopting the plaintiffs’ argument that the distribution right was infringed by “making copyrighted works available” over the Internet.

Although the Court finds, using Congress’s words, that the distribution right of 106(3) may be infringed by “[t]he offer[] to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display” 17 U.S.C. [Section] 101, the Court hesitates in equating this avenue of liability with the contourless “make available” right proposed by Plaintiff. Instead, the court focused its analysis on the statutory language and, specifically, on the relationship between the distribution right and the definition of “publication.” In doing
Inc. v. Doe

although opposite conclusion in a Massachusetts district court came to the language of the statute. “offer to distribute” fulfilled the additional to plead (and prove) that the purpose of an ing available” allegation; it is also necessary enough simply to plead (and prove) the “mak-
of further distribution, public performance, or public display.” In other words, it is not enough simply to plead (and prove) the “making available” allegation; it is also necessary to plead (and prove) that the purpose of an “offer to distribute” fulfilled the additional language of the statute.

On the same day that Elektra was decided, a Massachusetts district court came to the opposite conclusion in London-Sire Records, Inc. v. Doe—although Elektra received more attention. Perhaps this was because at issue in London-Sire was the narrow question of whether the plaintiffs were entitled, at the outset of the case, to issue subpoenas to various Internet service providers to discover the identity of those engaged in file-sharing over the Internet. Even so, the court engaged in a detailed and far-reaching discussion of a number of related issues, including the applic-

ability of the First Amendment to file-sharing, whether the distribution right applied to intangible goods such as computer files and, most notably, whether the distribution right encompassed the “making available” of works online.

The London-Sire court expressly rejected the argument that “publication” and “distribution” were synonymous, concluding that while “all ‘distributions…to the public’ are publications…not all publications are distributions to the public.” Departing from, and either expressly rejecting or distinguishing Hotaling, the first Napster decision, and others, the court ultimately concluded that there could be no liability for violating the distribution right without an actual distribution. The court, however, ultimately permitted the discovery to go forward, finding that “at least at this stage of the proceedings” the complaint, combined with some initial evidence, was sufficient to establish a prima facie case.24

The Elektra and London-Sire cases were just a precursor of what was to come. Less than one month later, a district court in Arizona took up the issue, in unusual procedural circumstances. In Atlantic Recording Corporation v. Howell, the court had granted summary judgment in favor of the record company plaintiffs but subsequently decided to reconsider its ruling based on the defendant’s assertion that additional deposition testimony (not previously submitted) raised issues as to whether the defendant had specifically authorized and intended his music files to be shared through the KaZaA system. After subsequent briefing, the court turned away from its earlier decision and this time denied the plaintiffs’ motion for summary judgment, holding that the plaintiffs had not established an actual distribution and that merely making works available online or “offering” to distribute them was insufficient. In large part, the court echoed the reasoning of London-Sire, declined to equate “distribution” with “publication,” and, after lengthy consideration of the relevant case law, held that the distribution right “is not violated unless the defendant has actually distributed an unauthorized copy of the work to a member of the public.”26

It was unclear exactly what prompted the court’s about-face. Indeed, it did not appear that any the relevant material facts regarding actual distribution had changed since the original ruling. However, the court’s conclusion was clear: “Hotaling is inconsistent with the Copyright Act”27 and moreover:

The court agrees with the great weight of authority that [Section] 106(3) is not violated unless the defendant has actu-

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ally distributed a work to a member of
the public….Unless a copy of the work
changes hands in one of the design-
nated ways, a “distribution” under
[Section] 106(3) has not taken place.
Merely making a copyrighted work
available to the public does not violate
a copyright holder’s exclusive right of
distribution.28

Almost certainly as a result of these de-
cisions, as well as the growing controverse
over the distribution right, Judge Davis in
Minnesota was prompted to reconsider the
verdict—and, specifically, Jury Instruction
No. 15—in Thomas. On May 15, 2008,
approximately two weeks after the Howel
decision, Judge Davis issued his order stating
that he was contemplating granting a new trial
and ordering further briefing. Following that
ruling, extensive additional briefing was done,
including five amicus briefs on both sides of
the issue (the Electronic Frontier Founda-
tion and Motion Picture Association of America
were among the amici). In his decision to
vacate the verdict and judgment and grant the
plaintiffs a new trial, Judge Davis presented
one of the most detailed discussions to date
of the issues surrounding the distribution
right. The judge considered the plain and
dictionary meanings of the word “distribution,”
the legislative history, the opinion of the
Register of Copyrights, the use of the term
“distribution” in other provisions of the U.S.
Code, the implications of (and to) in-
ternational copyright law (including clear WIPO
treaty obligations to provide a “making avail-
able” right), the relationship between the
definitions of “distribution” and “publica-
tion,” and, of course, the National Car Rental
and Hotaling decisions.

Based on all these considerations, the
court ultimately concluded that the plain lan-
guage of the statute did not support the
“making available” theory, that “the statutory
definition of publication is broader than the
term ‘distribution,’” and that “[t]he National
Car Rental decision is the binding law of the
Eighth Circuit on the meaning of [Section]
106(3) and has been relied on by numerous
district courts in the peer-to-peer network
downloading context….National Car Rental,
not Hotaling, is binding upon this Court.”29

Especially interesting, however, was the court’s
call for legislative action and its overt hostility
to the original verdict (and in some sense to
the overall RIAA enforcement program):
The Court would be remiss if it did not
take this opportunity to implore
Congress to amend the Copyright Act
to address liability and damages in
peer-to-peer network cases such as the
one currently before this Court….The
defendant is an individual, a consumer.
She is not a business. She sought no
The Arista court, referencing Latin
American Music, noted that “the Court need
not resolve at this early stage” whether mak-
ing works available online is “likely” infring-
ing or “highly unlikely” to infringe.33 As a
result, the plaintiffs’ allegations that the defen-
dants were members of file-sharing networks
and made copyrighted songs available were
sufficient to survive the defendants’ motion
to dismiss.34

Proving Actual Distribution on
Computer Networks

One thing is certain: The “making available”
issue remains unresolved, and is likely to
continue to remain unresolved for some time.
Of the five district court decisions in 2008,
three concluded that the act of “making avail-
able” a copyrighted work is not sufficient to
violate the distribution right (Howell, London-Sire,
and Thomas); one determined that it was sufficient but the “making avail-
able” conduct must be “for purposes of fur-
ther distribution, public performance, or pub-
lic display” (Barker); and one largely avoided
the issue but suggested that “making avail-
able” conduct “might be” sufficient to state
a claim (Arista). Thus, there appears to be a
split of opinion, including between district
courts in the same circuit (both the London-
Sire and Arista courts are in the First Circuit).

Moreover, the issue still has not been
squarely addressed by any appellate court
since Hotaling. The only two major appellate
decisions, Hotaling and National Car Rental,
involved very different sets of pre-Internet
facts, came to opposite conclusions, and thus
are unlikely to provide substantive guidance
for the future. On December 23, 2008, Judge
Davis refused to certify his ruling in Thomas
for interlocutory appeal, thus delaying one
opportunity for further guidance from a fed-
eral appellate court.

At present, copyright owners no longer
can be assured that mere allegations or proof
of “making available” a copyrighted work
necessarily will suffice to establish copyright
infringement. But all is not lost for copyright
owners seeking to prove infringement by
actual evidence or circumstantial and infer-
ential evidence of the defendants’ activities
on the Internet. At least two practical subsidiary
principles emerge from the cases.

First, almost every court that has taken
especially restrictive views of the “making avail-
able” right—including Thomas, Howell,
and London-Sire—has confirmed that “direct
proof of actual dissemination is not required
by the Copyright Act.”35 These courts, apply-
ing the “deemed” distribution language of
Hotaling, have held that when evidence is
unavailable or not ascertainable, and the
works made available in fact were down-
loaded or disseminated, a plaintiff may rely
on “circumstantial evidence to attempt to
prove actual dissemination.”36 This “circum-
stantial evidence” might include evidence
about the nature of peer-to-peer systems such
as KaZaA, the number of works that the
defendant made available online, the defen-
dant’s intent in making the works available,
and, time of the works were made available
for others to download, the fact
that the defendant’s files were downloaded by
the plaintiff’s investigators or agents, and
tampering or corruption by the defendant of
his or her computer files or hard drive.37

Second, several courts, including Thomas
and Howell, have supported the theory
embraced most prominently in the 1994
decision Olan Mills, Inc. v. Linn Photo Com-
pany.38 Under this theory, any downloads by
an investigator or agent of the plaintiff will
suffice to constitute an actual distribution.39

This conclusion may largely moot the “mak-
ing available” issue, since the plaintiff often
will have evidence of downloads by an inves-
tigator or agent as part of a prefiling inves-
tigation. Not all courts have embraced this
theory, but there seems to be general agree-
ment that, at a minimum, evidence of an
investigator’s download of the works at issue
supports an inference of actual dissemination.

On December 19, 2008, the RIAA
announced that it would shift the focus of its enforcement strategy away from infringement lawsuits against individual peer-to-peer uploaders. Instead, the new RIAA strategy involves negotiating cooperative arrangements with Internet service providers to curtail infringement. However, RIAA enforcement cases already in the pipeline will continue to be pursued. Thus, while the volume of case law on the issue is likely to decrease, the last word on the issue has not been heard. Moreover, as digital distribution of media continues to overtake traditional distribution, the issue will remain an important one—for those enforcing copyright protection for online works as well as for those licensing or distributing copyrighted works.

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6 Hotaling v. Church of Jesus Christ of Latter-Day Saints, 118 F. 3d 199 (4th Cir. 1997).
7 Id. at 203.
8 Id. at 205.
15 Id. at 430.
16 See, e.g., 2 M. & D. NIMMER, NIMMER ON COPYRIGHT §8.11[A], at 8-149 (2008 ed.) (“Infringement of [the distribution] right requires an actual dissemination of either copies or phonorecords.”); Arista Records, Inc. v. MP3Board, Inc., No. 00 Civ. 4660 (SHS), 2002 WL 1997918, at *4 (S.D. N.Y. Aug. 29, 2002) (“[T]o show the unlawful ‘distribution’ of a copyrighted work pursuant to 17 U.S.C. [section] 106(3) the record companies must show that an unlawful copy was disseminated ‘to the public.’”).
18 Id. at 802-05.
20 Id. at 243.
21 Id. at 241.
22 Id. at 244 (emphasis added).
24 Id. at 169.
26 Id. at 983.
27 Id.
28 Id.
30 Id. at 1227-28.
32 American Music Co. v. Archdiocese of San Juan, 499 F. 3d 32, 46 (1st Cir. 2007).
33 Arista, 584 F. Supp. 2d at 250.
34 Id. at 261.
36 Id. See also Atlantic Recording Corp. v. Howell, 554 F. Supp. 2d 976, 983-84 (D. Ariz. 2008) (“As Hotaling seems to suggest, evidence that a defendant made a copy of a work available to the public might, in conjunction with other circumstantial evidence, support an inference that the copy was likely transferred to a member of the public.”); London-Sire Records, Inc. v. Doe, 542 F. Supp. 2d 153, 169 (D. Mass. 2008) (Allegations supported a “reasonable inference” of distribution.).
38 Olan Mills, Inc. v. Linn Photo Co., 23 F. 3d 1345, 1348 (8th Cir. 1994).
39 Thomas, 579 F. Supp. 2d at 1216 (“The Court holds that distribution to MediaSentry can form the basis of an infringement claim.”); Howell, 554 F. Supp. 2d at 985 (“[T]he 12 copies obtained by MediaSentry are unauthorized.”).
THE MUSIC USED IN FILMS, television programs, and other audiovisual works generally falls into one of two categories: preexisting music, or music composed and recorded specifically for the project. Each category provides its own challenges for ensuring that the necessary rights are acquired.

For any preexisting recorded music a producer wants to use, usually at least two copyrights are involved—a copyright in the sound recording, and a copyright in the underlying musical composition. The musical composition includes the music independent of any particular recording of it, plus any lyrics. If the copyright in the composition is in the public domain, no permission is required to use the composition, but producers must be careful to consider whether a particular sound recording of that composition is protected by copyright. Producers can avoid the expense of licensing the rights to use a particular recording of a composition by hiring musicians to record a new version of it. If, however, a producer wants to use preexisting recordings and neither the composition nor the recording is in the public domain, the producer must, for each recording, identify, locate, and obtain the appropriate licenses from the owners of the copyright in the sound recording and the underlying musical composition.

Locating the owners of musical composition copyrights may be difficult. Songwriters usually assign the copyrights in their songs to music publishers, who issue the licenses and collect the money. The copyright in a given musical composition often is owned by several publishing companies representing the several people who cowrote the song. Although one coowner of a copyright may grant a nonexclusive license to use the work, an agreement between joint owners requiring mutual approval of licenses can be binding on the parties and on any licensees who have notice of the requirement. Moreover, in some foreign jurisdictions a valid copyright license requires that all joint owners execute the license.

The number of parties who must consent to the use is multiplied further when a producer wants to include a portion of a record-

by William Archer

Keeping Score

Securing the rights for musical works in film and television production requires separate consideration for a variety of uses.

William Archer is head of the entertainment practice group at Lewis Brisbois Bisgaard & Smith LLP, where he handles transactional and litigation matters for motion picture, music, and other entertainment industry clients.
Because of a series of antitrust judgments dating back to the 1940s, owners of movie theaters in the United States cannot be required to obtain ASCAP or BMI licenses for the public performance of the music in the movies that they exhibit. Those judgments have no effect outside the United States and, thus, in a number of other countries, local performing rights societies do grant theaters blanket licenses and collect from the theaters a percentage of net box office receipts so that owners of the copyrights in the compositions can receive some income from public performance of the compositions in those theaters. The law in the United States, however, makes it necessary for producers to include in their synch licenses the right to perform the compositions publicly in movie theaters. Because of this need to include a grant of performance rights, synch licenses sometimes are referred to as “synchronization and performance” licenses.

A third category of exclusive rights of copyright owners—namely, the right to make copies of the motion picture or television program embodying the composition and to distribute them to the public—also must be included in any synch license. In addition to specifying the rights granted, the synch license must specify the extent of the use. Producers paying a higher license fee than necessary generally are called “master use licenses.”

Typically, the copyright in the sound recording is owned by a record company, although as the recorded music industry continues to undergo major changes, increasing numbers of successful recording artists are retaining the copyrights in their own sound recordings. Even those artists, however, often enter into exclusive distribution agreements with record companies that require the producer to negotiate with the record company.

The key terms of the master use license are similar to those of the synch license, except that a master use license permits the producer to synchronize the sound recording in the film or television program, to make and distribute copies of the sound recording as embodied in the film or television program, and, in some cases, to include the sound recording on a soundtrack album. Unlike with musical compositions, the Copyright Act does not grant the owners of copyrights in sound recordings the exclusive right to perform those works publicly except for the right to do so by means of digital audio transmission.

The same factors that are relevant to the size of the synch license fee generally are rel-
evant to the size of the master use license fee, although with the latter the stature of the particular recording artist also will be relevant. If the studio or production company intends to release a soundtrack album containing some or all of the sound recordings in the film or television program, it may want to include the right to do so in the master use license. In that case, the license will include the record royalty rate at which the sound recording copyright owner will be paid—usually between 11 percent and 14 percent of the suggested retail list price for domestic sales (or the wholesale equivalent) minus the record company’s usual reductions and deductions, pro rata—along with the owners of the copyrights in the other sound recordings on the album.

Before executing a master use license, producers may need to obtain other permissions to clear the use of a sound recording. Although the record company typically owns the copyright, the contract between the record company and the artist may require that the artist consent to license masters for motion pictures. If, as is often the case, the recording was created under the jurisdiction of the American Federation of Musicians (AFM), the production company is required by the AFM labor agreement to obtain AFM’s consent to the master use license, although in practice this consent is seldom requested and virtually never would be denied. AFM jurisdiction over the recording will, however, require the production company to pay “reuse” fees equaling the original session fees paid to the musicians.

Producers must take great care to clear the use of all musical compositions and sound recordings of music embodied in the project. This applies not only to music a producer directly inserts into a soundtrack but also to any music that may be recorded as part of the background noise during location shooting and to any music included in other audiovisual works that may be inserted into the film or television program, such as clips from music videos or television programs.

The failure to clear all music or the use of the music in a manner that exceeds the license may result in severe consequences. First, the copyright owner may file a lawsuit that seeks damages, the defendants’ profits, and the plaintiff’s attorney’s fees. Second, and perhaps more important, the copyright owner may be able to obtain an injunction that prohibits distribution, display, or broadcast of the film or television program until the infringement is cured, such as by removal of the music or grant of the necessary license. An injunction can be devastating when the film or television program recently has been or is about to be released. At that point, the copyright owner will have the ability to leverage far higher license fees than if the music had been cleared at the outset, because, as the copyright owner knows, re-editing and re-releasing the film or television program will be extremely expensive—or perhaps even impossible. Because the consequences for the failure to properly clear music are so severe, producers should retain an established music clearance company for each project.15

Composer Agreements

Even if some preexisting music will be used in a film or television program, a producer often engages a composer to create additional music specifically for the project. The music that composers write and produce for a film is the underscore—the music that plays “under” the dialogue and other sounds and images in the film (often simply called the “score”). Key deal points in negotiating composer agreements include the rights granted, the amount of the fee, the delivery schedule, the length of the score, and the nature of the instrumentation.

Traditionally, composers were hired by studios to write and conduct the score, the studio paid for the orchestra and other recording costs, and the studio owned all rights in and to the score. Today, especially with independent film, most composer deals are structured as package deals in which the composer is paid one lump sum that covers the composer’s fee for writing, producing, and delivering the fully recorded score to the production company. Even with package deals, a production company typically owns the copyrights in the compositions comprising the score and the recording of the score. When the production company contracts to own all rights in the score, the composer agreement—as well as an attached certificate of authorship that the production company should require the composer to sign before any work on the score has commenced—should expressly state that the score, the record mixes of it, and all other results and proceeds of the composer’s services (often collectively defined as the “work”) have been created for the production as a “work for hire” as defined in the Copyright Act of 1976. Under the Copyright Act, work-for-hire status applies when a work 1) is prepared by an employee in the scope of his or her employment, or 2) is specially ordered or commissioned for use as, among other things, a part of a motion picture or other audiovisual work, if the parties expressly agree in a writing signed by them that the work will be considered a work made for hire.16

Consequently, at a minimum, the composer agreement should state that the work has been specially ordered or commissioned by the production company for use as a part of the motion picture, television program, or other audiovisual work for which it was prepared. The composer agreement and the certificate of authorship also generally provide that the production company is and shall be the author of, and owner of the entire copyright in, the work17 and that if for any reason the work is not deemed to be a work for

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hire under U.S. copyright law, the composer irrevocably assigns to the production company all rights in the work (including the entire copyright).

When the production company owns the score, it has the right to use the music in the film for which it was composed and to license the music for inclusion in soundtrack albums and other audiovisual works. However, another major issue is whether the composer receives additional compensation if the score or any part of it is used in another audiovisual work. Typically in this situation, the studios and independent producers are free to use the music in other films without any additional compensation.

If the production company owns the score, it also will be entitled to any income that is derived from the various music publishing rights. While publishing income for composers and songwriters originally derived from the publishing and sale of sheet music, today the principal sources of music publishing income are public performance and mechanical and synchronization licenses. The owner of a score, like the owner of any other musical composition, has the exclusive right to perform the work publicly and to authorize others to do so. Even when the production company owns the score, however, the U.S. PROs will pay directly to the composer the “writer’s share” of public performance income generated from public performance of the score. While no public performance income is generated in the United States by public performance of music in exhibition of motion pictures in movie theaters, public performance income is generated from public exhibition of motion pictures in theaters abroad.

Some independent producers will permit the composer to own the score either in exchange for a lower package fee or to otherwise attract the composer to the project. In that circumstance, the composer agreement should provide that the composer grants a license to the production company and its assignees to use the score in the project and, if the production company so desires, a soundtrack album. If the production company permits the composer to own the score, it should impose certain restrictions, such as forbidding the composer, for a specified period of time, to use or permit others to use the music in any other audiovisual work. Restrictions also may be imposed regarding how and when composers may use the same music in their own recordings and, if they are permitted to do so, how the film and production company should be credited.

The rights that a production company acquires and the stature of the composer will be the key factors that determine the amount of the composer’s fee. Another fac-
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tor will be the nature of the instrumentation to be used. In creating scores for traditional studio motion pictures, full orchestras often were used. Today, particularly in independent films and lower budget television programs, the score may be recorded with only two or three musicians or often simply by the composer alone using a synthesizer and a computer.

The composer agreement should specify schedules both for the delivery of the score and for the payment of the composer’s fee. The fee typically is paid in installments. Sometimes it is paid one-third upon commencement of services, one-third upon or promptly following “spotting” (when the composer and director view a final cut of the film and decide which spots need music and the exact length of each needed piece of music), and one-third on delivery to and acceptance by the production company of the score. Sometimes a payment is tied either to commencement or completion of recording.

Another important provision in composer agreements, particularly for independent producers, addresses where the score is to be recorded. Independent producers often prefer to use composers who will record the score outside the United States in order to avoid AFM jurisdiction and thereby avoid paying AFM minimum session fees for the performing musicians, residuals from television and home video distribution, and reuse fees in connection with any soundtrack album release.

Composers, as with other major talent in motion pictures, will require their agreements to specify the extent to which they will be credited in paid advertising. Typically, composers receive credit in paid advertising whenever a “billing block” credits the other main creative personnel. Composers with clout often can get credit in any paid advertisements in which the writer, director, and producer receive credit.

The composer agreement also should address what happens if the production company decides not to use some or all of the score. Typically, if more than half of the score that the composer writes and records is used in the film, the composer will receive the same credit he or she would have received had the entire score been used.

1 The Copyright Act defines “audiovisual works” as “[w]orks that consist of a series of related images which are intrinsically intended to be shown by the use of machines, or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied.” 17 U.S.C. §1.
2 Works can enter into the public domain if their copyright term or terms have expired or due to failure to satisfy certain statutory formalities.
3 However, hiring vocalists to record versions of compositions that sound virtually identical to versions recorded by the original recording artists carries a potential risk. The practice of using “sound alikes” in radio and television commercials has resulted in liability for voice misappropriation under California’s common law right of publicity and for false endorsement in violation of the Lanham Act, 15 U.S.C. §1125(a). See Waits v. Frito Lay, Inc., 978 F. 2d 1093, 1112 (9th Cir. 1992); Midler v. Ford Motor Co., 849 F. 2d 460 (9th Cir. 1988).
4 Davis v. Blige, 505 F. 3d 90, 100 (2d Cir. 2007); Oddo v. Ries, 743 F. 2d 630, 633 (9th Cir. 1984).
5 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT §6.10, at n.11 (2005) (including cases cited therein).
6 Id. at n.14.
8 Id.
9 See, e.g., Leadsinger, Inc. v. BMG Music Publ’g, 512 F. 3d 322, 327 (2008) (including cases cited therein).
15 Producers with very low music budgets can save time and money by using “one stop” suppliers of music for films and other projects, such as Rebel Synch. These suppliers have acquired the rights necessary to issue the synch and master use licenses for all music in their catalogs.
17 The employer or other person for whom a work made for hire is prepared is considered the author and, unless the parties have agreed otherwise in a signed writing, owns all the rights comprised in the copyright. 17 U.S.C. §201(b).
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The 38th Annual Crocker Symposium
ON TUESDAY, MAY 5, the Real Property Section and UCLA’s Ziman Center will host the annual Benjamin S. Crocker Symposium on Real Estate Law and Business. Those who attend will hear plenary session speakers Timothy Leiweke, John Chiang, David Sears, and Stuart Gabriel discuss the unprecedented challenges that real estate businesses, as well as the environmental and financial regulatory systems intended to support them, are facing. The symposium will bring together real estate industry leaders—including attorneys, accountants, developers, bankers, academics, government representatives, and property owners—for an extraordinary day of networking, thought leadership, discussion, and analysis of the latest developments in the field. In addition to the plenary session, the symposium will offer 12 breakout sessions touching upon various topics, including SB 375, the new financial regulatory system, distressed debt, and tranche warfare.

The program will take place at the Los Angeles Convention Center, 1201 South Figueroa Street, Downtown. Self parking for the day is available for $12. On-site registration and check-in will be available at 7:30 A.M., with the program continuing from 8:30 A.M. to 6:30 P.M. Attendees and exhibitors should check in at the symposium registration desk upon arrival. Breakfast, morning break, lunch, and the post symposium reception at Lucky Strike Lanes and Lounge are included in the registration fee. Please check the www.crockersymposium.com Web site for the list of affiliate organizations whose members are eligible for a discount. The registration code number is 010204.

6 CLE hours

ICDA Summer Seminar 2009
ON SATURDAY, MAY 16, the Indigent Criminal Defense Appointments Committee (ICDA) will host its summer seminar. Speakers Brian Chu, Michael J. Kennedy, Chickie Leventhal, Felipa R. Richland, John Scott, and Bruce Zucker will discuss recent developments in criminal law, including motions, property and cash bonds, bail and Penal Code Section 1275, knockoff cases, and what ICDA lawyers need to know about parole. A book, Motion Sickness, will be available to those who attend. The seminar will take place at the Los Angeles County Bar Association, 1055 West 7th Street, 27th floor, Downtown. On-site registration and check-in will begin at 8 A.M., with the program continuing from 9:00 A.M. to 4:30 P.M. The registration code number is 010398. The prices below include breakfast and lunch.

$50—CLE+Plus members
$110—ICDA and LACBA members
6 CLE hours

41st Annual Family Law Symposium
ON SATURDAY, MAY 9, the Family Law Section and the Los Angeles Superior Court will host the 41st Annual Family Law Symposium. Many distinguished family law judges and practitioners will offer a comprehensive update on topics relevant to the practice of family law, including proof and presentation, fiduciary duties relative to confidentiality in mediation, disclosures as they are impacted by current technology, Holtemann’s effect on family law and probate, and an update on important new case law and legislative trends. On-site registration and a continental breakfast will begin at 8 A.M., with the program continuing until 4:30 P.M. Those who attend will receive a family law reference book, updated and revised by family law experts, with a CD of the articles. This book will also be available for sale.

The program will take place at the Universal City Hilton, 555 Universal Hollywood Drive in Los Angeles. Parking by hotel valet costs $14, and self parking costs $9. The registration code number is 010078. The prices below include breakfast and lunch.

$165—CLE+Plus members
$270—Family Law Section members
$295—LACBA members
$330—all others, including at-the-door registrants
6.75 CLE hours, including 6.75 hours of family law legal specialization credit

The Los Angeles County Bar Association is a State Bar of California MCLE approved provider. To register for the programs listed on this page, please call the Member Service Department at (213) 896-6560 or visit the Association Web site at http://calendar.lacba.org/where you will find a full listing of this month’s Association programs.
The Case for the Performing Rights Act

The PRA would balance the right of content owners to be fairly compensated with the financial realities of terrestrial radio.

Owen J. Sloane is cochair of Berger Kahn’s Entertainment and Media Group and specializes in entertainment transaction and intellectual property matters. Rachel M. Stilwell, an associate in Berger Kahn’s Los Angeles office, advises musical artists, songwriters, and record companies on copyright, trademark, and publicity rights issues.
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