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Chair's Column

"Nobody told me there'd be days like these. Strange days indeed."
—John Lennon

John Lennon's couplet, written 40 years ago, succinctly summarizes our challenging times.

In times of stress and strife, we often turn to the arts—music, theater, television, film, fine arts, poetry, literature—for comfort, community, strength, guidance, or just much needed distraction. I believe we are fortunate to serve the entertainment and sports industries that have been essential to managing the shelter-at-home directives. Those directives have deemed our legal services essential. As representatives of artists, talent, creatives, performers, entertainers, and producers, we know that our clients' services and works are essential. We marvel and celebrate how our clients have been able to adapt and adjust to find new ways to continue to create, perform, produce, and collaborate.

Peter J. Strand

Attorneys have also had to adapt and adjust to serve our clients. To serve our members and our mission, the Forum has also had to adapt. We have retooled the Forum's Annual three day CLE Conference to be virtual in 2020. We are still exploring formats and platforms but we will announce the details of our virtual conference very soon and expect to deliver the usual and anticipated timely and in-depth CLE programming and networking opportunities that the Forum strives to provide.

I hope you find this edition of the *Entertainment and Sports Lawyer* engaging, entertaining, and instructive. Thank you to all of the contributors, student reporters and

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AMERICAN BAR ASSOCIATION
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Letter From The Editor

"The Future is unwritten."
—Joe Strummer

Dear Forum Members,

Welcome to Issue 36:2 of the *Entertainment and Sports Lawyer*! These are trying times. As I write this column, like most of my colleagues, family, and friends, I have been sheltered-at-home for 6 weeks. Sporting events, concerts, and films are all on hold indefinitely. Even our Forum's Annual Meeting is in the process of being re-tooled as an online conference. (Don't worry, we will get back to Las Vegas soon!) But the industry continues. While film productions may be postponed, deals are still being made. While live music performances are cancelled, we get artists streaming from their homes. Did anybody else catch Miley Cyrus' haunting rendition of "Wish You Were Here" on SNL?

So…our beloved industry continues to move forward and evolve. In our last issue (36:1) we ran Peter Dekom's extensive article, "Ch Ch Ch Changes," detailing a myriad of changes to the practice of Entertainment Law over the past several decades. These changes continue, particularly in light of the COVID-19 pandemic. This "update" is Mr. Dekom's addendum to his original article addressing the further evolution of practicing Entertainment Law over the past few months.

As we strive to remain current, we present Austin Moore's poignant look at Force Majeure issues in "COVID-19 and Commercial Interruption: Potential Defenses to Non-Performance." The article is steeped in Tennessee law, but we are already working on a multi-jurisdictional update for the July issue. In the meantime, governing committee member Ken Freundlich presented a webinar on 5/5/20 entitled "May The Force (Majeure) Be With You or Not?: Navigating Force Majeure and Business Interruption in the Age of the Virus." The presentation is now available on demand at: https://www.americanbar.org/events-cle/mtg/web/399392496/

Ken Freundlich also provides a litigation update addressing the recent Led Zeppelin and Katy Perry cases in "March Gladness: Two March 2020 Court Decisions Recalibrate Music Copyright Law."

Alexandra Darraby returns as an author with her article addressing perfecting at consignments under the UCC, with a particular look at COVID-19 related issues. Alexandra presented her webinar on 5/7/20: "Art Law 101: Consignment Agreements." It is now available on demand at: https://www.americanbar.org/events-cle/mtg/web/398561331/

Michelle Wahl and Tim Warnock provide us with an opus of a Litigation Update that every attorney will want to read. First time contributor, Michael Einhorn, addresses music copyrights in "They're Playing Our Song: Copyright At Concerts." David Lisko and Daniel Buchholtz share their insights into collegiate sport marketing in "As The NCAA Prepares For The New Frontier In Student-Athlete Marketing, It Should Look To The New Olympic-Athlete Marketing Rules for Guidance."

James Berger provides some guidance on valuing celebrity trademarks in "Some Bizarre Facts About Celebrity Trademarking In Life and Death." Returning author, Jeremy Evans, compares business paradigms in "Esports: The Differences Between Entertainment and Sports Dealmaking."

As many of our readers are aware, the ABA Forum on Entertainment and Sports Law Industries works closely with The Recording Academy® (the Grammy organization). Each year, we are privileged to publish the winning law student papers from The ELI Writing Competition. The Recording Academy recently presented its 22nd annual Entertainment Law Initiative® Writing Competition. The competition challenges full time Juris Doctor (JD) and Master of Laws (LLM) students attending ABA-approved law schools to identify, research, and write a 3,000-word essay with a proposed solution on a compelling legal issue confronting the music industry. A nationwide group of music law experts judge the papers in a blind process to select a winner and two runners-up. On January 24, 2020 during 62nd Annual GRAMMY Awards® week the competition awarded a $10,000 scholarship to the author of the winning paper and a $2,500 scholarship to two runners-up. In addition, the winner received tickets to the 62nd Annual GRAMMY Awards and other Academy events. Information on future competitions can be found at https://grammy.com/eli.

If you have any interest in writing for the Journal, or working with us as an editor, please let me know! We are actively seeking articles from authors for the Journal. I encourage anyone interested to reach out to me and submit articles. We welcome submissions from any and all authors, and are always seeking amazing articles. The Author Guidelines can be found at: http://www.americanbar.org/content/dam/aba/publications/entertainment_sports_lawyer/esl16authorguidelines.authcheckdam.pdf. The pending deadlines for article submissions are:

- Summer 2020 (anticipated July Publishing)
  June 1, 2020
- Fall 2020 (Anticipated October Publishing)
  August 15, 2020
- Winter 2020/21 (anticipated January Publishing)
  November 15, 2020
- Spring 2021 (anticipated April Publishing)
  February 15, 2021

Please, share with me your ideas for the Journal. ■

Best,

Brian A. Rosenblatt
Bryce Downey & Lenkov LLC
Editor-in-Chief, *Entertainment and Sports Lawyer*

COVID-19 and Commercial Interruption: Potential Defenses to Non-Performance

Austin Moore[1]

The measures taken to combat the spread of COVID-19 have and will prevent commercial parties from performing their contractual obligations. To determine the parties' rights and obligations in light of business interruptions caused directly or indirectly by COVID-19, Tennessee courts will look to the parties' contracts and, in some circumstances, the common-law doctrines of impossibility of performance and frustration of commercial purpose. This article provides an overview of these doctrines under Tennessee law.

THE CONTRACT

Any analysis regarding a party's duty to perform begins with the language of the contract at issue. Some contracts include "force majeure" or "material adverse change" clauses that allocate the parties' risk based upon unforeseen circumstances that materially change the parties' positions. As an aside, some parties may have business-interruption insurance contracts that may provide coverage. Whether the provisions in the contract at issue or an insurance policy address the specific harm that flows from any given event will depend upon the specific language of the contract.

If the contract does not have express language addressing the specific harms that flow from a pandemic, Tennessee courts should apply principles of contract interpretation "to interpret contracts so as to ascertain and give effect to the intent of the contracting parties."[2]

Courts "are entitled to place themselves in the same situation as the parties who made the contract, so as to view the circumstances as they viewed them, and so as to judge of the meaning of the words and of the correct application of the language to the things described."[3] If a court cannot ascertain the parties' intent from the plain language of the contract, then the court may consider parol evidence.[4] However, in examining the parties' intent, courts must always give primacy to the contract terms "because the words are the most reliable indicator—and the best evidence—of the parties' agreement."[5]

If a court cannot determine the parties' intentions regarding the allocation of risk for the business interruption that led to non-performance, the court should turn to common law rules and defenses to determine whether a parties' failure to perform can be excused.

THE GENERAL RULE: UNFORESEEN CIRCUMSTANCES DO NOT EXCUSE A PARTY FROM PERFORMANCE OF CONTRACTUAL OBLIGATIONS

The general rule in Tennessee is that, when a party creates an obligation to perform by contract or agreement, that party must perform the obligation and will not be excused "because of unforeseen difficulties, unusual or unexpected expense, or because it is unprofitable or impracticable."[6] Tennessee courts typically enforce contracts to provide for commercial certainty and typically will not "relieve parties of a bad bargain" or "alter or modify their contracts, to conform to changed conditions and circumstances."[7]

Performance is not excused if it becomes impossible due to circumstances that should have been foreseen by the parties and addressed in the contract but were not.[8] For example, in *Bryan v. Spurgin*, the Tennessee Supreme Court considered whether a barge operator could be excused from performance under a contract to deliver goods when the river used for delivery became impossible to navigate due to a change in the water level.[9] While the contract was silent on the method of delivery, the court found that local custom established that the intent of the parties was for the goods to be delivered via the river.[10] However, the court found that the change in water levels rendering delivery impossible did not excuse performance because the change in water levels was an uncertainty "for which the defendant ought to have provided in his contract."[11] The court found that, by failing to address this foreseeable uncertainty in the contract, the defendant "took the risk upon himself, and must abide the consequences."[12]

In the context of non-performance allegedly caused by COVID-19, how one characterizes what is foreseeable may be determinative. Was COVID-19 itself the unforeseen circumstance, or were government guidelines or mandates to cease certain behavior contingencies that the parties could have foreseen? Furthermore, what should be foreseeable: the risk of business interruption or the circumstances created by COVID-19?

Whether the parties to a contract should have foreseen the relevant circumstance is a fact-intensive inquiry focused upon several factors, including the parties' knowledge, whether similarly situated parties foresaw the circumstance that led to non-performance, and the likelihood the unforeseen circumstance would occur. Also, when the contract was formed and when the non-performance occurred will be important issues in determining whether the allegedly unexpected interruption was foreseeable.

EXCEPTIONS TO THE GENERAL RULE: WHEN UNFORESEEN CIRCUMSTANCES EXCUSE PERFORMANCE

An initial survey of Tennessee case law reveals two recognized defenses that may excuse a party's non-performance of contractual obligations: (1) impossibility of performance; and (2) frustration of commercial purpose.

Impossibility of Performance

The impossibility-of-performance doctrine is a defense that excuses a party's non-performance if the performance was rendered physically impossible or extremely impractical by unforeseen events.[13] The Tennessee Supreme Court summarized the doctrine as follows:

It seems to be well settled, that if performance becomes impossible by the act of God, that is, by a cause which cannot be attributed to the party bound to do the act; and the impossibility, which hindered performance, was not among the probable contingencies which a man of ordinary prudence should have foreseen and provided for, the non-performance will be excused. But if the performance becomes impossible by contingencies which should have been foreseen, and provided against in the contract, the party will not be excused; for it was his own folly that he did not, by his contract, exempt himself from responsibility in such contingencies.[14]

The doctrine does *not* apply "where the impossibility is caused by the party's own conduct or where the impossibility is caused by developments which the party could have prevented or avoided or remedied by appropriate corrective measures."[15]

A subcategory of impossibility-of-performance cases involves performances that became illegal after the contract was formed. The Tennessee Supreme Court has held that, where the performance of an agreement which was lawful in its inception "is made unlawful by subsequent enactment, the agreement is thereby dissolved and the parties discharged from its obligations."[16]

In *Heart v. East Tennessee Brewing Co.*, the Tennessee Supreme Court offered the example of a marine insurance contract related to the importing of goods from Calcutta.[17] After the contract was made and after the ship left the United States for Calcutta, Congress made it illegal to import goods from Calcutta.[18] The court cited with approval the decision to discharge both the insured and insurer from their obligations under the contract: the insured lost his indemnity and the insurer his premium.[19]

Many cases that address the impossibility-of-performance doctrine involve the physical destruction of the subject matter of the contract prior to the time of performance. The Tennessee Court of Appeals provided two typical examples in *Wilson v. Page*: (1) a lease of a music hall for concerts; and (2) a contract for the allotment of space at a department store.[20] Both contracts are contingent upon the existence of the building—the unforeseen destruction of either building would operate to terminate the contract.[21]

Typically, the two primary issues in determining whether an impossibility-of-performance defense will prevail are: (1) whether a man of ordinary prudence should have foreseen the event that rendered performance impossible; and (2) whether performance was impossible or extremely impracticable.

Frustration of Commercial Purpose

Although the frustration-of-commercial-purpose doctrine is akin to the impossibility-of-performance doctrine, they are distinct theories.[22]

Where impossibility of performance involves the physical impossibility or extreme impracticability of performance, the frustration-of-commercial-purpose doctrine addresses situations in which "performance remains possible but the expected value of performance to the party seeking to be excused has been destroyed by a fortuitous event, which supervenes to cause an actual but not literal failure of consideration."[23]

The Tennessee Supreme Court summarized the essence of the frustration-of-commercial-purpose doctrine as follows:

The question in cases involving frustration is whether the equities of the case, considered in the light of sound public policy, require placing the risk of a disruption or complete destruction of the contract equilibrium on defendant or plaintiff under the circumstances of a given case, and the answer depends on whether an unanticipated circumstance, the risk of which should not be fairly thrown on the promisor, has made performance vitally different from what was reasonably to be expected . . . . The purpose of a contract is to place the risks of performance upon the promisor, and the relation of the parties, terms of the contract, and circumstances surrounding its formation must be examined to determine whether it can be fairly inferred that the risk of the event that has supervened to cause the alleged frustration was not reasonably foreseeable. If it was foreseeable there should have been provision for it in the contract, and the absence of such a provision gives rise to the inference that the risk was assumed.[24]

The frustration-of-commercial-purpose doctrine is limited to cases of "extreme hardship."[25] The party seeking to be excused from performance bears the burden to prove that "the risk of the frustrating event was not reasonably foreseeable and that the value of counterperformance is totally or nearly totally destroyed" because "frustration is no defense if it was foreseeable or controllable by the promisor, or if counterperformance remains valuable."[26] The doctrine is predicated on the premise of "giving relief where the parties could not provide themselves, by the provision of the contract, against the happening of the supervening event."[27]

The Tennessee Supreme Court in *McCants* used *Heart* as an example of frustration of commercial purpose. In *Heart*, two parties entered a lease for property that the tenant intended to use as a saloon.[28] After the lease was formed, the sale of alcohol was outlawed.[29] In its analysis of the *Heart* case, the court in *McCants* noted that the lease at issue in *Heart* was silent on how the property was to be used.[30] Accordingly, even though the parties' intent was for the tenant to use the property as a saloon, his performance under the lease was not impossible.[31] Nonetheless, the court in *Heart* ruled the tenant's performance under the lease was excused.[32] The court in *McCants* interpreted *Heart* to stand for the proposition that when a contract's purpose, as defined by the parties' intentions, is completely frustrated by unforeseen events the contract is no longer enforceable.[33]

Three primary issues to consider regarding the frustration-of-commercial-purpose doctrine are: (1) whether the frustrating event was foreseeable by the promisor; (2) whether the frustrating event totally or nearly destroyed the value of the performance; and (3) whether the equities of the case weigh in favor of the promisor.

ADDITIONAL CONSIDERATIONS

Tennessee courts generally apply the impossibility-to-perform and frustration-of-commercial-purpose doctrines narrowly, reserving the doctrines for cases of extreme hardship. Whether these doctrines are applicable to the interruption of business activities caused by COVID-19 will be a contested issue because Tennessee Courts have not traditionally applied these doctrines to an event like COVID-19.

For example, one potentially significant distinction between COVID-19 and the scenarios outlined in the above cases is the temporary nature of the commercial restrictions raised in response to the virus. Courts may find that temporary prohibitions from performing under a contract for a few months do not rise to the level of impossibility or frustration necessary for the doctrines to apply. Alternatively, some courts may find equity considerations, particularly those raised by the frustration-of-commercial-purpose doctrine, allow courts to craft flexible solutions to the legal challenges raised by COVID-19.

Finally, the circumstances created by the COVID-19 pandemic may also impact courts' analyses of other issues in breach of contract cases, such as whether an alleged breach of contract was material or whether a party's refusal to perform due to the commercial restrictions resulting from COVID-19 is a repudiation of the contract that gives another party to the contract an anticipatory breach claim.

It is unclear how courts will rule on these issues. However, the doctrines outlined above will assist courts in determining the rights and obligations of parties to commercial contracts as they grapple with the consequences of efforts to halt the spread of COVID-19. ■

Austin Moore is an associate at Riley Warnock & Jacobson and focuses his practice on commercial, managed care, and intellectual property litigation. Austin meets clients' goals through attention to detail and prudent advocacy. Austin provides counsel to clients ranging from publicly traded companies to individuals, in matters ranging from copyright and trademark disputes, breach of contract litigation, employment and non-compete issues, managed care litigation, shareholder issues, and other business and corporate disputes.

ENDNOTES

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2 Individual Healthcare Specialists, Inc. v. BlueCross BlueShield of Tenn., Inc., 566 S.W.3d 671, 694 (Tenn. 2019).

3 *Id.*

4 *Id.* at 695–697.

5 *Id.*

6 Wilson v. Page, 325 S.W.2d 294, 298 (Tenn. Ct. App. 1958).

7 White v. Motley, 63 Tenn. 544, 549 (Tenn. 1874).

8 *Wilson*, 325 S.W.2d at 298.

9 37 Tenn. 681 (Tenn. 1858).

10 *Id.* at 684–685.

11 *Id.* at 686.

12 *Id.*

13 *See* N. Am. Capital Corp. v. McCants, 510 S.W.2d 901, 903 (Tenn. 1974).

14 Bryan v. Spurgin, 37 Tenn. 681, 685–86 (Tenn. 1858).

15 Jenkins Subway, Inc. v. Jones, 990 S.W.2d 713, 724–25 (Tenn. Ct. App. 1998) (quotation marks omitted).

16 Heart v. E. Tenn. Brewing Co., 113 S.W. 364, 365 (Tenn. 1908).

17 *Id.*

18 *Id.*

19 *Id.*

20 325 S.W.2d 294 (Tenn. Ct. App. 1958).

21 *Id.*

22 *See* N. Am. Capital Corp. v. McCants, 510 S.W.2d 901, 903 (Tenn. 1974) (adopting the California Supreme Court's distinction of the two theories in *Lloyd v. Murphy*, 25 Cal.2d 48, 153 P.2d 47 (CA. 1944)).

23 *Id.*

24 *Id.* at 903–04.

25 *Id.* at 904.

26 *Id.*

27 Haun v. King, 690 S.W.2d 869, 872 (Tenn. Ct. App. 1984).

28 *McCants*, 510 S.W.2d at 904.

29 *Id.*

30 *Id.*

31 *Id.*

32 *Id.*

33 *See Id.*

Chair's Column (CONTINUED FROM PAGE 1)

editors, and to Brian Rosenblatt, Editor, and Jake Abdo, associate editor. And a special thank you to the Forum Governing Committee for its continuing commitment to plan and organize timely CLE programming.

I hope you & yours are safe and healthy and have been able to find opportunities and innovation as you practice law in these strange days. I look forward to seeing you in person as soon as the all-clear sounds. ■

Peter J. Strand
Chair, ABA Forum on the Entertainment and Sports Industries

March Gladness! Two March 2020 Court Decisions Recalibrate Music Copyright Law

Kenneth D. Freundlich

This article was originally published in the March 2020 issue of the MLRC MediaLawLetter, *and is reprinted and reformatted herein with the permission of the author, Ken Freundlich, and the MLRC.*

March 2020 will be remembered at least in part (coronavirus notwithstanding) as the month when the pendulum swung back to reality in the music copyright sphere.

In the well-publicized *Blurred Lines* decision, Williams v. Gaye, 895 F. 3d 1106 (9th Cir. 2018), brought by Marvin Gaye's heirs for infringement of Gaye's "Got To Give It Up" by Pharrell Williams' and Robin Thicke's "Blurred Lines," the Ninth Circuit cast a long shadow over the songwriting industry by affirming a jury verdict that found copyright infringement based on alleged similarity between a so-called "constellation" of unprotected elements presented by Plaintiff's "expert" musicologist and no similarities of melody, harmony or rhythm. Amici musicologists, whom I represented in that case, criticized the decision as casting a "pall on th[e] [music] industry, and specifically [inhibiting] songwriters at their core, given the threat of far-fetched claims of infringement bolstered by speculative and misleading music testimony like the testimony presented in the *Blurred Lines* case." Judge Nguyen, in the now famous *Blurred Lines* dissent, criticized her majority colleagues for allowing the Gayes to "copyright a musical style" and went on to criticize the Gayes' expert for "cherry-picking brief snippets of music to opine that a 'constellation' of individually unprotectable elements in the music made them substantially similar."

Following the *Blurred Lines* verdict and the Ninth Circuit's affirmance, songwriters have worried about when their "homage" to a prior genre of music would cross the line into copyright infringement. How would they decide whether a short phrase of commonplace, non-copyrightable musical elements (pitches, rhythms, harmonies, key signatures, tempos, genres, etc.) crossed the line into something actionable *vis-a-vis* a pre-existing song? The number of consultations with lawyers about works-in-progress, as well as copyright claims in general, skyrocketed. Copyright attorneys were faced with a plethora of potential new cases and could offer only limited advice as to how a songwriter or other copyright defendant might avoid *Blurred Lines*-styled claim.

But the defense bar pushed back, and the tide has begun to turn beginning with the Ninth Circuit's *en banc* decision in Skidmore v. Led Zeppelin, 2020 WL 1128808 (9th Cir. Mar. 9, 2020).

NINTH CIRCUIT EN BANC AFFIRMS LED ZEPPELIN JURY VERDICT

In *Led Zeppelin*, the Plaintiff, who is the trustee for Randy California's heirs, sued Led Zeppelin and related Defendants alleging that the song "Taurus" infringed the iconic song "Stairway to Heaven." The music in question consisted of alleged common arpeggios, repeated eighth notes and repeated two-note phrases, extracted from their larger contexts. The jury was not convinced and rendered a defense verdict.

The Plaintiff appealed. On appeal, a Ninth Circuit three-judge panel vacated the jury verdict based on what it found were faulty jury instructions. The Defendants filed a petition for a rehearing *en banc*, which the Ninth Circuit granted. Defendants, as well as the amici musicologists I represented, argued to the *en banc* Court that Plaintiff's expert's implication that infringing melodic and harmonic similarities can result from common generic musical elements was sophistic. We urged that these common elements comprised nothing more than a descending chromatic bass line and its associated chords, both of which are commonplace and unprotecable musical scènes à faire.

In its *en banc* decision, the Ninth Circuit affirmed the jury's verdict and made several key holdings. First, that the scope of a pre-1978 musical composition copyright is determined by what is in the deposited sheet music as mandated by the statutory language of the 1909 Copyright Act which required the deposit of a complete copy of the musical work for copyright protection at a time when sound recordings were not accepted as a deposit by the Copyright Office. The Court rejected Plaintiff's argument that restricting protection to the deposit copy would restrict claims by musicians who do not read or write music.

The *Led Zeppelin en banc* Court's sheet music holding has already had a significant impact on copyright litigation, even outside the Ninth Circuit. As I write this article, word comes that in *McDonald, et al. v. Sheeran, et al.*, 17 Civ. 5221 (S.D.N.Y. Mar. 24, 2020)—which the presiding judge (Hon. Louis Stanton) had stayed pending the outcome of the *Led Zeppelin en banc* proceedings—cited the *en banc Led Zeppelin* decision in granting Defendants' motion *in limine*. The effect of this ruling is to limit Plaintiffs to comparing Defendant Ed Sheeran's song "Thinking Out Loud" with the musical composition "Let's Ge It On" as reflected in the deposit copy filed with the U.S. Copyright Office. This is no doubt a great victory for the defense in that case and a testament to the reach of the Ninth Circuit's *en banc* decision.

The *Led Zeppelin en banc* Court also took the opportunity in its decision to jettison the oft-criticized inverse ratio rule which had permitted juries to find substantial similarity with a lesser showing of proof of substantial similarity when a high degree of access is shown. Scholars roundly criticized this rule on the grounds that whether a defendant had access to a plaintiff's work should have no bearing on the calculus for determining substantial similarity of two works. Moreover, Judge Nguyen in her *Blurred Lines* dissent, as well as the amici musicologists I represented, had urged the Court to invalidate the inverse ratio rule. While the *Blurred Lines* majority did not outright reject the inverse ratio, all references to the inverse ratio rule were removed in the amended *Blurred Lines* majority opinion following the denial of rehearing *en banc* in that case. The Ninth Circuit in *Led Zeppelin* Court took this even further, by not only granting the Led Zeppelin Defendants petition for rehearing *en banc*, but by also expressly and emphatically rejecting the inverse ratio rule. The law within the Ninth Circuit is now clear that the degree of access has no relevance in proving substantial similarity.

From a musicological copyright perspective, however, the gemstone of the *Led Zeppelin en banc* decision was its treatment of the "selection and arrangement" jury instruction in its dicta (the Court did not need to reach the issue in its decision). Defendants and amici musicologists argued that the only copyright protection the allegedly infringed portions of "Taurus" might receive, if any, was a copyright in the "selection and arrangement" of the generic commonplace elements, not a copyright in the elements themselves. In dicta in footnote 13, the Ninth Circuit presented a nuanced view of this issue, acknowledging for the first time in a music case that under appropriate circumstances the so-called "thin copyright" doctrine might apply to require proof of virtual identity between two songs where there was a "narrow range of available creative choices." Stopping short of saying that all "selection and arrangement" copyrights were "thin," the Ninth Circuit left open the possibility that a future Court might apply the "thin copyright" doctrine in a worthy case.

The *Led Zeppelin en banc* decision arrived merely a week before the Defendants and amici musicologists (again represented by my firm) prepared for oral argument on Defendants' renewed motion for judgment as a matter of law (*i.e.,* judgment notwithstanding a jury verdict) ("Renewed JMOL"), or, in the alternative, new trial before Judge Christina Snyder in *Gray, et al v. Perry, et al.*, 2020 WL 1275221(C.D. Cal. Mar. 16, 2020)

DISTRICT COURT OVERTURNS KATY PERRY VERDICT

In *Perry*, Plaintiff Gray and his co-Plaintiffs alleged that Katy Perry's song "Dark Horse" infringed Gray's song "Joyful Noise." Here, the only similarities alleged were a pitch sequence of scale degrees 3-3-3-3-2-2, the eighth note spacing of the notes, the length of the notes, the pingy sound (timbre), and the placement of the ostinato in the songs. A jury found that the Defendants infringed Plaintiffs' copyright by Defendants' song "Dark Horse" and awarded Gray $2.8 million in damages.

In what can be described as one of the most comprehensive musical analysis ever provided by a judicial opinion, Judge Snyder's opinion granting Defendants' Renewed JMOL masterfully goes through the expert testimony and applies the "extrinsic test." First, the Court separated out the protected elements from the unprotected ones. In so doing, the Court agreed with the Defendants that none of the individual elements that Plaintiffs' expert found similar were protectable – neither the "3-3-3-3-2-2 pitch sequence, the eighth note rhythm, the timbre, nor the texture. The heart of the Court's opinion included a nine bullet-pointed reference guide detailing the commonplace musical elements that have routinely been denied copyright protection standing alone such as key, scale, length of notes, pitch sequence, etc.

But the *Perry* decision did not end there. Judge Snyder next took up the nature of protection for a combination of unprotectable elements, the issue *Led Zeppelin* had touched on only in dicta. The Court adapted the *Led Zeppelin* footnote to made clear that the "thin copyright" doctrine would, in certain circumstances, apply in music cases and required a plaintiff to prove as a threshold matter, that the similarities were "numerous enough, and their selection and arrangement original enough" to warrant copyright protection at all. The Court reviewed the limited Ninth Circuit precedent and distinguished "Dark Horse" from those cases because the portion of "Dark Horse" at issue was an otherwise unprotectable musical phrase which appeared in prior art isolated from the rest of the song. The Court also cited to two databases cited by amici musicologists which found numerous examples of the ostinato in question. In concluding, the Court found that since the sole musical phrase that Plaintiffs' claim was based upon is not protectable, the Plaintiffs' case failed as a matter of law. In effect, it should never have gone to the jury.

Judge Snyder concluded her analysis of the music stating that even if the ostinato were protected expression, because the range of expression in an eight note pop music ostinato made up of individually unoriginal elements "narrow," the Plaintiffs would have to prove "virtual identity." And both experts in the case conceded that the two works were not virtually identical.

WHY THIS MATTERS

A copyright plaintiff must satisfy both an "extrinsic test" of infringement which is based on expert testimony, and then an "intrinsic test" which is the subjective impression of the fact finder of the similarity (or lack thereof) of the two works in question. In music cases, this is the difference respectively between an analytical dissection of music by experts and the simple listening to a recorded version of the compositions (whether a popular sound recording or an analog recording of the actual notes without performance elements) by the fact finder.

The law requires judges to perform the "extrinsic test" before a case even goes to the jury and here is where there is mischief. In music cases, as in *Blurred Lines,* judges may be (and have been) hesitant to prefer one expert report over another because of the lack of clear judicial framework for analyzing music. Such a handicap does not exist for example in a case of literary work infringement – judges have effective tools for comparing two literary works but lack similar tools for music. How is a Judge supposed to make the comparison? Is it the Judge's musical clerks we should rely on? Or the luck of the draw as to whether our Judge has musical training? One idea might be to move under the Federal Rules for the Judge to appoint a special master musicologist to assist in the screening process.

But one thing is for sure: The care and attention Judge Snyder put into her decision will be a template on which judges can rely to screen cases on the "extrinsic test" and keep the objectively meritless ones from the jury. Neither *Blurred Lines*, *Led Zeppelin*, nor *Perry*, should ever have made it to a jury. But thankfully—subject of course to the expected appeal of the *Perry* decision to the Ninth Circuit and the possible filing and granting of a writ of certiorari in the *Led Zeppelin* case so that the U.S. Supreme Court might be final arbiter of the copyright issues therein—the tide has shifted with the dynamic duo of March 2020 decisions in the *Led Zeppelin* and *Perry* cases. Indeed, if those two decisions stick, it may be a while before we see another far-fetched copyright case come before a jury. ■

Ken Freundlich is the founding partner of Freundlich Law admitted to practice in New York and California. He represented Amici Curiae Musicologists in the three cases discussed in this article. A full list of case counsel is in the linked opinions.

Upcoming Webinars

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No Lights, No Camera, No Game

Force Majeure Events & the Impact on Future Entertainment and Sports Negotiations

Monday, June 8, 2020
1:00 pm to 2:30 pm Eastern – 60 minutes

The entertainment and sports industries are all sitting idle as the COVID-19 pandemic has forced individuals in those industries to work from home. The force majeure provisions in collective bargaining agreements and other negotiated union contracts are not consistent from industry to industry and some union and guild contracts don't address such provisions at all. This program will explore how different unions and guilds treat force majeure events and the impact the crisis will have on future collective bargaining agreements and the rights of their members in future coronavirus crises.

Lead Facilitator	Speakers			
Mark Tratos Founding Shareholder Greenberg Traurig, LLP Las Vegas, NV	**Heather Pearson** General Counsel International Cinematographers Guild IATSE Local 600 Los Angeles, CA	**Anthony Segall** General Counsel Writers Guild of America West Los Angeles, CA	**Gregory Riches** Associate General Counsel, MGM and Counsel, WNBA Las Vegas Aces Las Vegas, NV	**Roman Stoykewych** Associate General Counsel National Hockey League Players' Association Toronto, Canada

Legal Issues in the Making of a Sports Documentary

Friday, June 19, 2020
2:00 pm to 3:30 pm Eastern – 90 minutes

The panel will discuss the business and legal issues encountered when making a sports documentary. The discussion will include content, story, and life rights acquisition; releases for on-screen participants, images, and materials; production agreements for personnel; distribution and exhibition agreements; and rights clearances and fair use analysis.

Lead Facilitator	Speakers		
Daniel Satorius Founder Satorius Law Firm Minneapolis-St. Paul, MN	**Christopher Cooper** Vice President, Media Liability Product Executive QBE Insurance New York, NY	**Jay Sharman** CEO Teamworks Media, Inc. Chicago, IL	**Winnie Wong** Senior Vice President Momentous Insurance Brokerage Van Nuys, CA

Online Registration:
https://www.americanbar.org/groups/entertainment_sports/events_cle/

Registration by Phone:
ABA Service Center at 1.800.285.2221

Author's Addendum To: Ch-Ch-Changes COVID-19

Peter Dekom[1]

***Editors's Note:** In Issue 36:1 of* The Entertainment and Sports Lawyer*, we ran Peter Dekom's extensive article, "Ch Ch Ch Changes," detailing a myriad of changes to the practice of Entertainment Law over the past several decades. These changes continue, particularly in light of the COVID-19 pandemic. This update is Mr. Dekom's addendum to his original article addressing the further evolution of practicing Entertainment Law over the past few months.*

COVID-19 is here, and its effects now and even when the virus passes will alter the entertainment industry like no other. Icons like Disney have watched their stock plummet by 40%.[2] And even with their launch of Disney+, reaching homebound consumers in droves, their other businesses that rely on people gathering—cruise lines, hotels and resorts, theme parks, people seeing their films in theaters and even the sports that ESPN used to cover—have forced them to seek $6 billion in debt from the capital markets to increase their liquidity.[3] I start with the biggest player in the business as an example. Netflix, totally driven by home viewing, is thriving.

I will remind everyone that the road back, amplified by this recession, will be a lot slower than most expect. China reopened movie theaters. They experienced a mere 5% capacity and shut down again.[4] The road back will be slow, lots of entities will disappear, and we are all simply have to adjust. Here are my bullet points for change, and I am sure you can add more than a few more:

- There will be a permanent movement towards working from home and virtual meetings. Zoom, Tony, Skype, etc. This will also lead to a lot more outsourcing and temporary work. Less need for office space and support staff, clearly impactful on going forward entertainment conglomerates.

- We will lose a lot of screens (before the pandemic, we were 15K screens to many in the US), and the business will erode screen values further. IMAX will hold, but note it is often in multiplexes that will close. If we even get back to 80% of pre-COVID-19 numbers within two years of the end of the pandemic, I will be surprise. Many more older consumers are getting used to digital delivery into their homes.

- Reality programming will experience a new surge. Getting volumes of programming at lower costs to fill all the pipes will create a demand for influencer-driven (i.e., branded) low cost production.

- Women will begin to get a priority in hiring in increasingly senior creative and executive positions. Combining "prioritizing women hires" with ultimately replacing those who are out or have left will put more women in hot jobs.

- Healthcare battle will escalate. GOP will tout the deficit. Industry Unions and Guilds will be torn between their better-than-anyone health plans and a general notion that universal healthcare should be a right.

- One-third of the entertainment industry will be permanently displaced. Compensation will fall for most of the rest. Unions will continue to lose power. Many old guard senior managers will be gone.

- Lots of companies will simply go out of business. Many will be left high and dry by bankrupt debtors. Some of these assets will be purchased, most will just end or be fully liquidated. Entertainment lawyers better brush up on bankruptcy laws, noting that "reversion on bankruptcy" clauses are probably unenforceable. Except more mergers and consolidation, fewer surviving buyers and a reconfiguration of the negotiation power between buyer and seller.

- Networks, studios and entertainment conglomerates will not bring back as many employees, will cut or sell operating divisions, all struggling to pay back massive new debt taken out for liquidity and prior overleveraging. Debt burdens on huge agencies that expanded perhaps too fast into ancillary business with outside capital are vulnerable.

- Service providers to entertainment personnel, law firms, accountants, business managers will see continued contraction. "Baggage" EPs and producers will slowly be pushed back and out.

- The backlog of unreleased movies will dampen greenlights of new films for a while, particularly as the industry digests the contraction of theatrical releases. This will further slow the recovery ramp up.

- The inventory of scripts (probably favoring digital media/television) that will have been written during the downturn will flood the market, driving prices further down.

- Talent that relies on being in productions to maintain awareness will fade faster, their prices tumbling. Online creators who develop a following will replace them. Audiences forget very quickly. "Who's hot next" is unforgiving.

- Huge dichotomy between big, high-production value projects and "the rest" will have an impact on stage usage.

- With hospitality (travel, hotels, restaurants), big ticket sales (like automobiles), sporting and entertainment events, clothing (even online; if no one is going out), etc. advertisers pulling back, the going-forward revenue models will adjust accordingly until normalcy returns.

- Somebody is going to figure out how to catalog underlying special effects software designs from specific films on a mass basis that can be licensed to build new worlds on other films via digital repurposing. Huge opportunity waiting!

Peter J. Dekom practices law in Los Angeles and was formerly "of counsel" with Weissmann Wolff Bergman Coleman Grodin & Evall and a partner in the firm of Bloom, Dekom, Hergott and Cook. Mr. Dekom's clients include or have included such Hollywood notables as George Lucas, Paul Haggis, Keenen Ivory Wayans, John Travolta, Ron Howard, Rob Reiner, Andy Davis, Robert Towne and Larry Gordon among many others, as well as corporate clients such as Sears, Roebuck and Co., Pacific Telesis and Japan Victor Corporation (JVC). He has been listed in Forbes among the top 100 lawyers in the United States and in Premiere Magazine as one of the 50 most powerful people in Hollywood.

ENDNOTES

1 A graduate of Yale University and the UCLA School of Law, Mr. Dekom has practiced entertainment law for over four decades, being named by both the Century City Bar Assn and the Beverly Hills Bar Assn as entertainment lawyer of the year.

2 *Is Disney A Better Bet Compared to Netflix After ~40% Decline?*, Forbes (Mar. 26, 2020), https://www.forbes.com/sites/greatspeculations/2020/03/26/is-disney-a-better-bet-compared-to-netflix-after-40-decline/#34f440036a3f.

3 Parkev Tatevosian, *How Disney Made Sure It Will Get Through the Coronavirus Crisis*, The Motley Fool (Apr. 2, 2020, 5:30 AM), https://www.fool.com/investing/2020/04/02/how-disney-made-sure-it-will-get-through-the-coron.aspx.

4 Patrick Brzeski, *Moviegoers in China Eager to Return to Cinemas, Survey Says*, Hollywood Rep. (Apr. 14, 2020, 3:42 AM), https://www.hollywoodreporter.com/news/moviegoers-china-eager-return-cinemas-survey-says-1290162.

Art Consignments Under the UCC in the Time of Coronavirus

10 Tips to Perfecting a Security Interest in Artwork During Pandemics, Financial Upheavals, Economic Downturns and Bankruptcy

Alexandra Darraby[1]

This article provides practical guidance on how to perfect a security interest in a work of art on behalf of a consignor to a gallery, dealer or third-party seller. It offers tips for drafting consignment agreements, practical pointers and real-world advice. This article summarizes topics discussed by the author in a prior webinar titled, "Art Law 101: Consignment Agreements."[2]

TOUGH TIMES AND FINANCIAL UNCERTAINTY

2008 Economic Downturn

The economic downturn of 2008–2009 resulted in the disappearance of artworks on consignment with galleries and dealers. Some artworks simply disappeared. Others were marshaled and allocated as inventory assets for trustees in bankruptcy to pay creditors. Because gallery owned artwork is comingled with artwork held on consignment, clients uncertain of the financial solvency of galleries where they had consigned valuable works of art sought protection. As part of a risk management strategy and to minimize these types of losses, I advised clients to use a standard financing statement procedure available under the Uniform Commercial Code (UCC). The financing statement enables consignors to record security interests in specified property, including works of art, which serves as public notice of true ownership.

2019 Coronavirus Pandemic

Ten years later, a pandemic of coronavirus has given rise to another economic upset that impacts financial solvency of galleries and art dealers. Unlike the slowly accreting concerns of the 2008 economic crisis, the COVID-19 pandemic shuttered businesses in a matter of weeks and gave owners very little time to regain possession of their works from galleries and dealers. Here again, a UCC security interest may prove valuable to art collectors.

Here are 10 tips on how to protect your clients' artwork in uncertain times.

TIP 1: CHECK STATE LAW

First published in 1952, the UCC harmonizes business practices and legal policies for the sale of goods and other commercial transactions.[3] Perfecting security interests on goods consigned to others is part of the UCC, and there are UCC Financing Forms available from each State to file the consignor's ownership by perfecting a security interest as part of the public record.[4] The key takeaway is that the UCC is state law. Despite the uniformity of UCC provisions, each state may adopt its own version of the UCC, or not adopt entire sections or adopt only certain provisions of certain sections.

TIP 2: CATEGORIZE THE CLIENT'S ARTWORK

The UCC covers goods.[5] It is now well-settled that artwork falls under the UCC's definition of "goods": although this was a novel concept not so long ago.[6] The UCC excludes from the category of "goods" intellectual property or what is termed intangible personal property.[7] Artwork is personal property within the meaning of "goods" under the UCC and thus may be the subject of a perfected security interest.[8] However, the underlying copyright, moral rights or trademarks contained in the artwork do not constitute UCC goods.[9]

TIP 3: UNDERTAKE DUE DILIGENCE TO CONFIRM OWNERSHIP AND LEGAL INTEREST IN THE ARTWORK

Confirm your client's ownership and title to the artwork. Works that a client "owns" may in fact be (1) collateralized by banks or other financial institutions or lenders; (2) owned by consortia, limited partnerships, "silent" partners, and/or other persons and entities; (3) review the contractual "paper" of the purchase and sale, bill of sale, invoice, or other transactional sale documents, Will or Trust provisions, or other documentation that supports the client's title and ownership; (4) check the Internet and do spot checks under the name of the consignee and consignor; be forewarned if any instances or patterns show up. Pointer: get ownership resolved at an early stage. False statements on UCC Financing Statements are subject to fraud claims.

TIP 4: INVESTIGATE THE ARTWORK AKA IDENTIFY THE COLLATERAL

You are required to identify the collateral on the UCC Financing Statement.[10] Obtain an image of the artwork and take its measurements (framed and unframed). Understand how the client came into title. Know the artist who created the work, the title of the work, and how the work is described in sale documents. Search the Internet for the name of the artist and title of the work, backstopped with measurements and photographs of the work. It is not unusual for works to bear similar titles, appear as iterations, or be imitations of another's work. Don't waste time perfecting a security interest in an artwork that is not properly identified or is misidentified. Like the description of real property in a deed, detail is important and mistakes are costly. Pointer: do this analysis upfront.

TIP 5: HOLISTIC EYES ON THE ARTWORK, OWNERSHIP AND THE DUE DILIGENCE INVESTIGATIONS

While undertaking due diligence, be aware of all possible aspects and issues. While you are confirming that the work is titled X by artist Y, and has the measurements that match your client's work, but the artwork shows up on the Internet as listed in the permanent collection of museum Z, time for further inquiry and additional due diligence: time for the Perry Mason moment to question the client about ownership.

TIP 6: READ AND UNDERSTAND THE UCC FINANCING STATEMENT BEFORE FILING

UCC Form 1 or UCC1 is available on official state websites. Read the Form and its instructions. Forms are set up for debtors and secured parties. Be sure to search the form and find the fine print where you can check the box for consignee/consignor. In California, for example, it is at the bottom of the page.

TIP 7: ENTER THE "DEBTOR" (CONSIGNEE) EXACTLY AS IT APPEARS IN THE RECORDED BUSINESS RECORDS WITH THE SECRETARY OF STATE

The UCC requires that you identify the debtor-consignee exactly. In California, for example, the filer is instructed to use "the correct name," emphasis in original![11] Enter the business name exactly as it is recorded in the Articles of Incorporation or LLC statements filed with the secretary of state. Do not use a "trade name" or d/b/a. Do not abbreviate or use initials if those are not used in official documents. If the consignee is a sole proprietor, use the name of the individual, not a trade name, unless the instructions of the particular state inform otherwise. Pointer: focus on the details, details, details. There is another UCC Form called *Affidavit of Fraudulent Record,* if you falsely claim that an entity or an individual is a debtor or consignee. White collar crime issues are best left to Perry Mason and should not be part of creating and perfecting a security interest.

TIP 8: IDENTIFY THE SECURED PARTY

Having your client's information and being confident in their ownership interest, complete this section. Pointer: not all states ask for email, telephone, etc. Nevertheless, get the client's email, cell phone, office phone, home address or street address. P.O. Box addresses may disappear or close as the pandemic continues.

TIP 9: IDENTIFY THE COLLATERAL BY ADDING IMAGES

If you followed Tip 4, you already have a complete description of the collateral to enter into the financing statement of UCC Form 1. Pointer: backstop the written description with an image of the client's artwork. Remember, a lot of artwork looks alike. The more identifying information and data provided, the easier it will be to make a claim.

TIP 10: ETHICS—CALENDAR RENEWAL DATES AND EXPIRATION DATES

Once the Financing Statement is recorded and paid for, a client may tell you that her CPA, bookkeeper, agent or studio manager will take care of the UCC filing. Depending on state laws, there are time periods whereby debtor-consignees have to be released and financing statements expire and/or require renewal. Send a written confirmation to the client that he or she has instructed that they do not want the lawyer or law firm to do anything further with respect to the filing. Use your own best practices to make sure the client received and acknowledged this communication. Pointer: backstop your external communications with internal best practices of calendaring dates. Clients change their minds and forget what they asked the lawyer to do or not do. Send a reminder to the client regarding the status of the financing statement. ■

Alexandra Darraby is a founder and principal of The Art Law Firm, a leading authority on arts, new media, technology, intellectual property, estates and trusts, insurance and risk management, and architecture. She advises collectors, curators, corporations, government agencies, insurance brokers and insureds on valuation, collection maintenance and management, exhibition and museum loans, and cross-border trade and duty.

ENDNOTES

1 Alexandra Darraby is a founder and principal of the Art Law Firm based in California, Chair of International Division in the Forum, and a speaker on ABA Forum Webinar Art Law 101 Consignments. Alexandra has been active in industry standards for consignment agreements during her tenure as director and owner of a contemporary art gallery. She represents estates, collectors, arts organizations, artists, galleries, dealers and, corporations and non-profits for whom security interests are important consignment tool.

2 Alexandra Darraby, Emily Behzadi & LeAnn Shelton (moderator), Art Law 101: Consignment Agreements (May 7, 2020), https://www.americanbar.org/events-cle/mtg/web/398561331/.

3 U.C.C. § 1-103 (Am. Law Inst. & Unif. Law Comm'n 1977).

4 *See Uniform Commercial Code – By State*, Legal Info. Inst., https://www.law.cornell.edu/wex/table_ucc (last visited Apr. 29, 2020).

5 U.C.C. § 2-102.

6 *See* Alexandra Darraby, Art, Artifact, Architecture & Museum Law § 4:1–4:2 (2017); 2 Lary Lawrence, Lawrence's Anderson on the U.C.C. § 2-105:39 (3d. ed.).

7 *See* Lawrence, *supra* note 6, § 9-106:18.

8 *See id.* § 9-318:5.

9 *See id.* § 2-105:39.

10 *See id.* § 9-110:20.

11 *Instructions for UCC Financing Statement (Form UCC1)*, Cal. Sec'y St., https://bpd.cdn.sos.ca.gov/ucc/ra-9-ucc-1.pdf (last visited Apr. 29, 2020).

Litigation Update

Michelle M. Wahl, Tim Warnock, and Alexa Tipton

OPTIMIZING MUSIC LICENSING—PELOTON AND THE NATIONAL MUSIC PUBLISHERS ASSOCIATION SETTLE THEIR CONTROVERSIAL LITIGATION

After a contentious legal battle, Peloton and several music publishers have reached a settlement. The settlement follows heated litigation that began with massive copyright infringement allegations against Peloton, as well as counterclaims against the publishers. Although specific details of the settlement have not been released, the parties did refer to a joint collaboration agreement and a pledge to "work together to further optimize Peloton's music licensing systems and processes."

Although representatives for the parties have said how proud they are to partner with one another in ensuring songwriters are fairly compensated, one cannot help but wonder if the parties' purported relationship is really just a façade. Just a few months ago, Peloton had lodged an aggressive antitrust countersuit against National Music Publishers Association ("NMPA"), alleging anticompetitive and tortious conduct that had precluded Peloton from negotiating with music publishers regarding the licensing of their music. In addition to arguing NMPA had violated the Sherman Act, Peloton also counterclaimed alleging tortious interference with prospective business relations in violation of New York State Law. However, the federal judge tossed Peloton's collusion and market control arguments as falling flat against what typically constitutes antic-competitive behavior.

As we all know, that ruling did not stop Peloton from continuing its defense and pursuing direct deals with artists, including some of today's megastars. In doing so, Peloton forged a much less complicated path to music licensing (albeit, likely more expensive for Peloton!). It will be interesting to see how this settlement unfolds and whether Peloton will continue to seek direct licenses or stay committed to this newly formed relationship with the NMPA.

THE MUSIC MODERNIZATION ACT & ALL ITS ACRONYMS!

Most of us have at least heard about the Music Modernization Act, but with all the acronyms (e.g., MLC, DLC, etc.), we figured a little clarification as to what those mean might be helpful!

First, a Refresher… The Orrin G. Hatch-Bob Goodlatte Music Modernization Act (a/k/a the "Music Modernization Act", a/k/a the "MMA") was enacted to account for today's music licensing landscape and better facilitate music licensing by digital services. However, the MMA actually has three main sections -

1. The Music Modernization Act - creates a blanket license for interactive streaming services, and establishes a mechanical licensing collective ("MLC") and digital licensee coordinator ("DLC"). These entities were created to establish a more efficient process for issuing licenses and ensuring creators collect their royalties.
2. The Classics Protection and Access Act ("Classics Act") - creates some federal rights for owners of sound recordings that were made prior to February 15, 1972.
3. The Allocation for Music Producers Act ("AMP Act") - created means by which music producers, mixers and sound engineers can collect certain royalties.

Title I of the Music Modernization Act is actually called, "The Music Licensing Modernization Act". This Title establishes a blanket license for interactive streaming services. It also establishes a mechanical licensing collective ("MLC" - today's first acronym!) and a digital licensee coordinator (or "DLC" - today's second acronym!)

"MLC" - This is the nonprofit entity that has been tasked with administering the new blanket licensing system (by 1/1/2021). They will receive notices and reports from the digital music providers, identify works and owners, and then collect and distribute royalties accordingly. Additionally, they will create and maintain a database regarding such works, which will include information on the works, ownership shares, and if known, identity and location of the copyright owners in these works (as well as the sound recordings accompanying the works). Best of all - the database will be publicly available.

Creators should keep in mind, however, that if the MLC cannot match a work to its copyright owner it may distribute royalties based on the market share of copyright owners reflected in the reports provided by the digital music services. In case you needed another reason to ensure your clients' works are properly and accurately registered, here it is!

"DLC" - The digital licensee coordinator is also a nonprofit entity, but they are tasked with coordinating the activities of the licensees. A member of the DLC also serves as a non-voting member on the board of the MLC.

"MLCI (a/k/a Mechanical Licensing Collective, Inc.)" - This is the entity designated by the Copyright Office to serve as the MLC.

"DLCI (a/k/a Digital Licensee Coordinator, Inc.)" - This is the entity designated by the Copyright Office to serve as the DLC.

Under the MMA, Copyright owners will be able to claim ownership of previously unmatched musical works, once the MLC creates the process to do so. The MLC database will then be updated. Stay tuned for more information from the Copyright Office (copyright.gov) on claiming ownership in works!

NAME, IMAGE AND LIKENESS: NCAA RULES IN FAVOR OF COMPENSATION FOR STUDENT ATHLETES BUT AGAINST FAIR PAY TO PLAY

In late September 2019, California Governor, Gavin Newsom, signed into law the Fair Pay to Play Act, which takes effect on January 1, 2023. This Act allows student-athletes in California to earn compensation by licensing their name and image and to receive professional legal and agent representation without losing their scholarship eligibility or amateur status under the National Collegiate Athletics Association's (NCAA) Division I and II eligibility criteria. Although the NCAA has responded negatively to the Fair Pay to Play Act, on October 29, 2019 the NCAA's Board of Governors voted unanimously to permit student-athletes to benefit from the use of their name, image, and likeness so long as it occurs in a manner consistent with the collegiate model. The Board set the deadline as January 2021 for the NCAA rule change to take effect.

Permitting student-athletes to benefit from their likeness is a huge stride for the NCAA. Traditionally, Division I athletes sign a waiver at the beginning of each school year to be eligible to play. This waiver grants NCAA conferences and schools permission to use their name and likeness to "promote NCAA championships or other NCAA events, activities and programs." Under the NCAA's rules an athlete could lose her amateur status for hiring an agent and was prohibited, with few exceptions, from receiving any pay based on her athletic ability, whether from boosters, companies seeking endorsements, or licensors of the athlete's name, image, and likeness. It is reported that the NCAA made $1.1 billion in revenue in 2017, of which none went to players.

Despite voting to permit student-athletes to benefit from the use of their name, image, and likeness, the NCAA Board of Governors opposes California's statute. The Board maintains the position that college sports must be regulated at a federal level to ensure the uniformity of rules and a "level playing field for student-athletes." The Board fears that state legislation will turn athletes into employees of the college, which contradicts the NCAA's mission of college sports. This mission emphasizes, "student-athletes are students first and choose to play a sport they love against other students while earning a degree." California's statute raises a Constitutional question as well. The Dormant Commerce Clause prohibits states from passing legislation that discriminates against or excessively burdens interstate commerce, this is implicit in the Commerce Clause (U.S. Const. art. 1, §8, cl. 3). California's statute may be found to discriminate against and burden interstate commerce through game broadcasting contracts and the interstate travel of student-athletes. However, the NCAA has yet to pursue any legal action towards the statute.

The passing of California's statute is not the first time the NCAA has faced opposition. The prohibition on athletes from monetizing their name, image, and likeness was the basis of Ed O'Bannon's 2015 suit against the NCAA which argued that the NCAA's amateurism rules that prevented student-athletes from being compensated for the use of their name, image, and likeness, was an illegal restraint of trade under Section 1 of the Sherman Act, 15 U.S.C. §1 (*O'Bannon v. The NCAA,* 802 F.3d 1049 (9th Cir. 2015)). O'Bannon is a former UCLA basketball player who recognized himself in a video game produced by Electronic Arts (EA)—O'Bannon never consented to the use of his likeness nor had he been compensated for it. In that case, the Court of Appeals Circuit Judge found that the NCAA is subject to antitrust laws and that it had been more restrictive than necessary in support of the college sports market. However, the court concluded that the NCAA is not required to permit its schools to compensate student-athletes for their name, image, and likeness.

Notable Current Proposals

Following California's Fair Pay to Play Act, many states across the country are proposing bills to their state legislatures addressing student-athlete compensation for the use of their name, image, and likeness. The main issues addressed in proposed legislation include a prohibition on postsecondary institutions and athletic associations from preventing student-athletes from earning compensation based on the use of their name, image, or likeness; permitting student-athletes to obtain representation by an agent or lawyer; and requiring student-athletes to disclose any contracts to the institution, while prohibiting such contracts from conflicting with the institution's own contracts. The main variation between states' proposed legislation is whether prospective student-athletes may be compensated.

The Illinois House of Representatives has passed HB 3904[8], which was referred to Assignments in the Senate on December 1, 2019. This bill is substantially similar to California's Fair Pay to Play Act and would go into effect in January 2023 if adopted. Similarly, Michigan legislatures are considering two different bills, one in the Senate and one in the House. SB 0660[9] and HB 5217[10] have been referred to committee. SB 0660 is unlike most other legislation in that it allows high school student-athletes to earn compensation for their name, image, or likeness. However, this bill does not address whether prospective student-athletes could receive such compensation. HB 5217 permits college student-athletes to earn compensation for their "athletic reputation" as well as their name, image, or likeness. This proposed legislation could go into effect as early as July 2020. South Carolina's S. 935[15] is similar to California's statute but includes a section that requires institutions to award stipends to student-athletes based on the total number of hours they spend associated with the intercollegiate sport and to deposit $5,000 per year into a trust fund for each student-athlete which is to be paid out after graduation. Tennessee's proposed legislation (SB 1636 and HB 1694[17]) require each public institution that participates at the Division I NCAA level to establish a student-athlete grant fund and to deposit one percent of the gross athletics revenue into the fund each year. These funds will provide grants to student-athletes upon their graduation from the institution.

(Nicole Berkowitz, Samuel P. Strantz & Susan A. Russell, *More States Step Up to the Plate with New Legislation to Address Student Athlete Compensation and the NCAA Passes the Ball to Congress*, Baker Donelson https://www.

bakerdonelson.com/more-states-step-up-to-the-plate-with-new-legislation-to-address-student-athlete-compensation-and-the-ncaa-passes-the-ball-to-congress (last visited Feb. 4, 2020)).

One Senator has expressed the desire to tax athletes if they choose to benefit from their likeness. In an October 29 tweet, U.S. Senator Richard Burr of North Carolina announced that he was introducing a bill to tax student-athlete scholarships like income if those students choose to profit off of their likeness. It is important to note that any money that student-athletes would earn through third party licensing is already taxable as income. Burr seeks to tax the athlete's scholarship only if he takes advantage of third-party licenses. An economist with the Tax Foundation, Erica York, argued that it is bad tax policy to single out a group of students to tax their scholarships when the goal of tax policy should be to treat similarly situated taxpayers the same. Currently, the tax policies for students and student-athletes are the same—if a student uses their scholarship to pay for tuition, fees, and required books, the scholarship is tax free but if the student uses their scholarship on non-required materials then it is treated as taxable income. (Blake Weaver, *Burr Responds to NCAA Vote with Plans to Tax Student-Athlete Scholarships*, Daily Tar Heel (Nov. 13, 2019), https://www.dailytarheel.com/article/2019/11/burr-ncaa-bill-1113).

Name, Image and Likeness Under the NCAA Going Forward

The Board has created a list of guidelines and principles that will instruct rule makers during the modernization of the NCAA's regulations. A few of these include enhancing diversity, inclusion and gender equity; assuring student-athletes are treated similarly to non-athlete students unless a compelling reason exists to differentiate and making clear that compensation for athletic performance or participation is impermissible. A working group comprised of presidents, commissioners, athletics directors, administrators and student-athletes will gather feedback through April for recommendations on the principles and regulatory framework and to determine how to respond to state and federal legislation. The board has asked each division to begin creating new rules immediately, but no later than January 2021.

The future of the ability for student-athletes to benefit from their likeness is very unclear. With the rise of social media and brand partnerships, successful student-athletes will likely find their name, image and likeness to be very profitable. It is probable that Electronic Arts will pursue a relaunch of their NCAA video game series if EA can negotiate a group license for the athletes depicted in the game in order to avoid another lawsuit similar to O'Bannon's. However, the NCAA will likely seek to limit how much athletes can profit off their image in order to maintain equality and the integrity of the recruiting process. If the states succeed in passing their proposed legislation, each NCAA school may be playing under drastically different rules and student-athletes will no doubt consider those when deciding between colleges. If the NCAA succeeds in pressuring Congress to create federal legislation it is likely that student-athletes will remain very restricted in their ability to benefit from their likeness. Although the future is uncertain, this policy change remains a step in the right direction for student-athletes. Being able to control one's own image and persona should not continue to be the sacrifice one has to make in order to play intercollegiate sports.

CORTÉS-RAMOS V. MARTIN-MORALES

Failing to register a copyright prior to filing a lawsuit for copyright infringement is not a jurisdictional defect, but should a court dismiss a claim for copyright infringement with prejudice if the allegedly infringed work is not registered, or should a court allow a claimant to supplement the claim under Federal Rule of Civil Procedure 15(d) upon registration? On April 13, 2020, the United States Court of Appeals for the First Circuit remanded this case to the district court "to consider whether to dismiss the copyright claim without prejudice or to allow Cortés-Ramos to supplement his complaint under Rule 15(d)."[1]

In April 2014, Enrique Martin-Morales (a/k/a Ricky Martin) released his song "Vida."[2] Luis Adrián Cortés-Ramos sued for copyright infringement in the United States District Court for the District of Puerto Rico. The case, which has a long and complicated procedural history, returned to the court of appeals for the *fourth* time after the district court dismissed the copyright claim with prejudice for Plaintiff's failure to allege either registration or preregistration.[3]

The court of appeals noted that the Copyright Act expressly provides that no action for infringement "'shall be instituted until…registration of the copyright claim has been made in accordance with this title.'"[4] The court of appeals also noted that the Plaintiff "conceded that he had not secured registration before filing this action."[5]

Although the Plaintiff failed to allege registration, he did allege the other essential elements of a claim for copyright infringement: ownership of his work and copying. "[T]he district court should not have dismissed the copyright claim with prejudice;" rather, "the dismissal should be 'without prejudice' when the plaintiff may be able to satisfy the requirement in the future."[6]

Plaintiff argued that the case should not have been dismissed but that he should have been allowed to amend.[7] The court of appeals, neither agreeing nor disagreeing with Cortés-Ramos, recognized that Federal Rule of Civil Procedure 15(d) permits supplementation, within the discretion of the trial court, to allege "'any transaction, occurrence, or event that happened after the date of the pleading to be supplemented.'"[8] In exercising its discretion, the district court is encouraged to permit supplementation when doing so (1) will not prejudice the rights of any other parties, (2) will not cause undue delay but (3) "will promote the economic and speedy disposition of the entire controversy between the parties."[9]

This case presents an interesting question for the district court; if the case is dismissed, then the Plaintiff will be barred from recovering actual damages and the profits of the Defendant earned more than three years before the date that Plaintiff files his new complaint. How should the

Plaintiff's ability to recover damages for infringement be balanced against the Defendant's right not to risk exposure for liability for damages within the period set by Congress?

AM GEN. LLC V. ACTIVISION BLIZZARD, INC.

The *Rogers* test provides that courts should interpret the Lanham Act narrowly if a defendant's product is artistic or expressive "in order to avoid suppressing protected speech under the *First Amendment*."[10] On March 31, 2020, the United States District Court for the Southern District of New York concluded, based upon that test, that *Call of Duty* videogames depicting Humvees did not violate the Lanham Act.[11]

Since 1983, when the Department of Defense awarded Plaintiff AM General LLC (AMG) "a contract to build the High Mobility Multipurpose Wheeled Vehicle," the Humvee has been an essential component of military operations.[12] *Call of Duty* is a well-known video game franchise that has sold over 130 million video games; "Humvees are depicted in nine *Call of Duty* games for varying durations."[13]

Whether the videogame manufacturer is permitted as a matter of law to depict the vehicle depends on the application of the *Rogers* test. The *Rogers* test has two elements.

First, a court must determine whether the use of the trademark has any artistic relevance.[14] The court easily concluded that the use at issue had artistic relevance; "[f]eaturing actual vehicles used by military operations around the world in video games about simulated modern warfare evokes a sense of realism."[15]

Second, if the use of the mark has some artistic relevance, the court must then determine whether the use "'explicitly misleads as to the source or the content of the work.'"[16] Under the second prong, [i]t is not enough that a likelihood of confusion exists; rather, 'the finding of likelihood of confusion must be particularly compelling to outweigh the *First Amendment* interest recognized in *Rogers*.'"[17]

Analyzing the second prong requires application of an eight-factor test known as the *Polaroid* test.[18] None of the eight factors is determinative; the list is not exhaustive, and the analysis is not intended to be applied mechanically.[19]

The first factor–strength of the plaintiff's mark–focuses on the mark's tendency to identify the goods as coming from a particular source, the mark's inherent distinctiveness and its acquired distinctiveness.[20] Defendants did not contest the first factor.

The second factor is the degree of similarity between the two marks, and the test is whether confusion is probable among consumers who are ordinarily prudent.[21] "'If the marks are used for different purposes and are presented to the public differently, even though they say the same thing, they are dissimilar and no issue of fact is created.'"[22] Here, the intended uses were clearly different, and the court made a point to note that "recognition is not confusion."[23]

The third factor–proximity of the products–"'focuses on whether the two products compete with each other,' with special attention devoted to assessing whether goods 'serve the same purpose, fall within the same general class, or are used together.'"[24] Here, the factor fell in favor of the Defendants. Although Plaintiff does license the right to depict Humvees, the focus of this element is on the user's central purpose.[25]

The fourth factor is whether the prior owner will bridge the gap into the junior user's market in the future. "Plaintiff has presented no evidence that it is likely to enter the video game industry."[26]

The fifth factor is whether consumers are actually confused about origin or sponsorship.[27] "Here, there is no evidence of actual confusion."[28]

The defendant's good faith in adapting the mark is the sixth factor. "[T]he gravamen of bad faith is 'the intent to sow confusion between the two companies' products.'"[29] The court found that the sixth factor "tips in Defendants' favor" after weighing the parties' respective arguments.[30]

The seventh factor focuses on the quality of the junior user's product. If the junior user's product is of inferior quality, a greater risk of injury exists in the event of actual confusion.[31] Neither party presented evidence regarding this factor.

The eighth factor focuses on the sophistication of the consumers for each product. "One problem for Plaintiff on this point is that the purchasers of Humvees–that is, some 50 militaries from around the world, including the U.S. Armed Forces–are not buying Call of Duty video games, and vice versa."[32]

SOLID OAK SKETCHES, LLC V. 2K GAMES, INC.

Plaintiff holds an exclusive license to the copyrights for five tattoos that appear on certain players in the National Basketball Association, including LeBron James, Eric Bledsoe and Kenyon Martin.[33] "Defendants annually release an updated basketball simulation video game that depicts basketball with realistic renderings…of NBA players and their tattoos."[34]

"The tattoos comprise only a miniscule portion of the video game data: only 0.000286% to 0.000431% of the NBA 2K game data is devoted to the Tattoos."[35] Often, the tattoos appear out of focus or are blocked by other players, and the players move quickly, making the tattoos difficult to see clearly.[36]

In order to be infringing, the allegedly infringing work must be substantially similar to the allegedly infringed work; "[t]o be substantially similar, the amount copied must be more than *de minimis*."[37] An alleged infringer can establish that a use is *de minimis*–and therefore not actionable–by demonstrating "that the copying of the protected material is so trivial 'as to fall below the qualitative threshold of substantial similarity, which is always a required element of actionable copying.'"[38]

The qualitative analysis examines (1) the amount of the allegedly infringed work that was copied, (2) "'the observability of the copied work–the length of time the copied work is observable in the alleged infringing work,'" and (3) "factors such as 'focus, lighting, camera angles, and prominence.'"[39] "'[O]bservability of the copyrighted work in the allegedly infringing work' is fundamental to a determination of whether the 'qualitative threshold' of substantial similarity has been crossed.'"[40]

The district court granted summary judgment in favor of Defendants. Under the *de minimis* test, "no reasonable trier of fact could find the Tattoos as they appear in NBA 2K to be substantially similar to the Tattoo designs licensed to Solid Oak."[41]

The court also found that "the tattooists necessarily granted the Players nonexclusive licenses to use the Tattoos as part of their likenesses."[42] Although the United States Court of Appeals for the Second Circuit "'has not yet ruled on the precise circumstances under which an implied non-exclusive license will be found,'" an implied non-exclusive license can be found "'where one party created a work at the other's request and handed it over, intending that the other copy and distribute it.'"[43]

ALLEN V. COOPER

May an individual sue a state for copyright infringement? The Supreme Court of the United States held on March 23, 2020, that the Eleventh Amendment to the United States Constitution forecloses such a claim, although Congress could, theoretically, pass a statute that would allow such a claim.[44]

"In 1717, the pirate Edward Teach, better known as Blackbeard, captured a French slave ship in the West Indies and renamed her *Queen Anne's Revenge*."[45] The ship, which became "his flagship," "took many prizes as she sailed around the Caribbean and up the North American coast."[46] *Queen Anne's Revenge* ran aground one year later and sank off the coast of North Carolina; a marine salvage company discovered the wreck in 1996, began authorized salvage operations, and hired a videographer to document those salvage operations with both video and still footage.[47]

That videographer, the Petitioner Frederick Allen, registered copyrights in all his works.[48] Allen filed suit against North Carolina based on the State's having posted five of his videos online and having used one photograph in a newsletter.[49] Allen's lawsuit "charges the State with copyright infringement (call it a modern form of piracy) and seeks money damages.[50]

"North Carolina moved to dismiss the suit on the ground of sovereign immunity."[51] Allen maintained that the *Copyright Remedy Clarification Act of 1990* "abrogated the State's sovereign immunity from suits like his."[52]

The district court agreed with Allen, but the United States Court of Appeals for the Fourth Circuit reversed, finding the *CRCA* unconstitutional.[53] "Because the Court of Appeals held a federal statute invalid, this Court granted certiorari."[54]

The Supreme Court began its analysis by noting that, based upon the Eleventh Amendment and cases interpreting that amendment, "a federal court generally may not hear a suit brought by any person against a nonconsenting State."[55] An exception exists, however, if Congress has enacted legislation that unequivocally abrogates "the States immunity from the suit" and "some constitutional provision must [allows] Congress to have thus encroached on the States' sovereignty."[56]

No one contested that the language of the *CRCA* clearly abrogated the States' immunity. "The contested question is whether Congress had authority to take that step."[57]

The Supreme Court noted that its decision was largely controlled by its own earlier decision in *Florida Prepaid Postsecondary Ed. Expense Bd. v. College Savings Bank*.[58] In that case, the Court had (1) considered a statute related to patent remedies that was virtually identical to the *CRCA* and (2) concluded "that the patent statute lacked a valid constitutional basis."[59]

Allen argued that *Florida Prepaid* did not control the Supreme Court's decision in his case and that Congress's authority to abrogate immunity from copyright-infringement litigation could be found either in Article I or Section 5 of the Fourteenth Amendment.[60] "Neither contention can succeed."[61]

Article I authorizes Congress "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."[62] Allen argued that "[a]brogation is the single best–or maybe, he says, the only–way for Congress to 'secur[e]' a copyright holder's 'exclusive Right[s]' as against a State's intrusion."[63]

"The problem for Allen is that this Court has already rejected his theory."[64] Relying on both *Florida Prepaid* and its even earlier decision in *Seminole Tribe v. Florida*, the Supreme Court concluded that "'Article I cannot be used to circumvent' the limits sovereign immunity 'place[s] upon federal jurisdiction.'"[65]

"Section 5 of the Fourteenth Amendment, unlike almost all of Article I, can authorize Congress to strip the States of immunity."[66] The Supreme Court noted that the first section of the amendment prohibited the States from depriving anyone of property without due process; Section 5 allows Congress to "abrogate the States' immunity and thus subject them to suit in federal court."[67]

"For an abrogation to be 'appropriate' under Section 5, it must be tailored to 'remedy or prevent' conduct infringing" the substantive prohibitions.[68] A court must find "'a congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end.'"[69] Courts should consider "the constitutional problem Congress faced" (usually by reviewing the legislative history) and "the scope of the response Congress chose to address that injury. Here, a critical question is how far, and for what reasons."[70]

The Supreme Court then asked: "When does the *Fourteenth Amendment* care about copyright infringement?"[71] In order to constitute a deprivation of property (and a copyrights are property), a negligent infringement does not suffice; "an infringement must be intentional, or at least reckless to come within the reach of the *Due Process Clause*."[72]

In examining the legislative record underlying the *CRCA*, the Supreme Court found evidence that the Register of Copyrights had testified that "state infringement is 'not widespread' and 'the States are not going to get involved in wholesale violation of the copyright laws.'"[73] In sum, the legislative record reflected "an absence of constitutional harm."[74]

By abrogating immunity from suit, "the statute aims to 'provide a uniform remedy' for statutory infringement, rather than to redress or prevent unconstitutional conduct."[75] A plaintiff's right to file a lawsuit against a State was no different than any plaintiff's right to file a lawsuit against any defendant. The statute that abrogated *Eleventh Amendment* immunity, therefore, bore no relation to a State's deprivation of a constitutional right. Therefore, "[u]nder *Florida Prepaid*, the *CRCA* thus must fail our 'congruence and proportionality' test."[76]

DANIELS V. WALT DISNEY CO.

"Although characters are not an enumerated copyrightable subject matter under the Copyright Act, *see 17 U. S. C. § 102(a)*, there is a long history of extending copyright protection to graphically-depicted characters."[77] However, the characters at issue in *Daniels* were lightly sketched and therefore "do not enjoy copyright protection," and the United States Court of Appeals for the Ninth Circuit, therefore, affirmed "the district court's dismissal of Daniels's complaint" on March 16, 2020.[78]

Denise Daniels–"an expert on children's emotional intelligence and development"–developed The Moodsters, "five characters that are color-coded anthropomorphic emotions, each representing a different emotion: pink (love); yellow (happiness); blue (sadness); red (anger); and green (fear).[79] Beginning in 2005, Daniels pitched The Moodsters "to numerous media and entertainment companies," including The Walt Disney Company and Pixar.[80] Specifically, she alleged that she spoke with a number of representatives from The Walt Disney Company, including director and screenwriter Pete Doctor.[81]

Disney developed the movie Inside Out beginning in 2010; the movie, released in 2015, "centers on five anthropomorphized emotions that live inside the mind of an 11-year-old girl named Riley."[82] Doctor directed and cowrote the movie, and he "stated that his inspiration for the film was the manner with which his 11-year-old daughter dealt with new emotions as she matured."[83]

The court of appeals explained that, under the *Towle* test (recognized in that circuit regarding the copyrightability of graphically depicted characters) a character must meet three criteria in order to be entitled to copyright protection. First, the character must have both physical and conceptual qualities; second, display consistent and identifiable character traits and attributes and be "'sufficiently delineated to be recognizable as the same character whenever it appears,'" and, third, the character must contain "'unique elements of expression'" and be "'especially distinctive.'"[84]

The parties did not dispute "that the individual Moodster characters meet the first prong of the *Towle* test."[85]

"The second prong presents an insurmountable hurdle for Daniels."[86] The court identified "consistently recognized" characters, such as James Bond and Godzilla. The court then noted that neither ideas nor, generally, colors are copyrightable. "Daniels cannot copyright the idea of colors or emotions, nor can she copyright the idea of using colors to represent emotions where the ideas are embodied in a character without sufficient delineation and distinctiveness."[87]

The court noted that "the physical appearance of The Moodsters changed significantly over time."[88] Only the ideas of color and emotion remained consistent. The court also observed that, "in every iteration the five Moodsters have a completely different name."[89]

The court of appeals also found that The Moodsters failed the third prong of the Towle test. The Moodsters "are not 'especially distinctive' and do not 'contain some unique element of expression.'"[90]

The United States Court of Appeals for the Ninth Circuit recognizes another test for both literary as well as graphic characters: The Story Being Told test.[91] "This is a high bar, since few characters so dominate the story that it becomes essentially a character study."[92] The court found that The Moodsters failed that test; "each of The Moodsters serves primarily as a means by which particular emotions are introduced and explored."[93]

GRAY V. PERRY

"An ostinato is a short musical phrase or rhythmic pattern repeated in a musical composition."[94] After a jury awarded $2.8 million in damages for copyright infringement, the United States District Court for the Central District of California, considering post-trial motions, noted that [t]his copyright infringement action concerns the allegation that an 8-note ostinato from defendants' song 'Dark Horse' infringes upon the plaintiffs' copyright in the musical composition of the 8-note ostinato in their song 'Joyful Noise.'"[95] On March 16, 2020, the district court concluded that "Dark Horse" did not infringe "Joyful Noise" and vacated the jury verdict, finding that "plaintiffs fail to satisfy the extrinsic test" regarding substantial similarity.[96]

"The initial query is whether any elements of the ostinato in 'Joyful Noise' are individually protected, and if not, whether the unprotectable elements that make up the ostinato, taken in combination, are nevertheless entitled to copyright protection."[97] The district court, after an exhaustive analysis, found that none "of the allegedly original individual elements of the 'Joyful Noise' ostinato are independently protectable as a matter of law."[98]

The district court then turned its attention to examining whether a *combination* of the unprotectable elements was itself protectable. In order to protect such a combination, known as a selection-and-arrangement copyright, the claimant must explain "'how these elements are particularly selected and arranged.'"[99] "It is not enough [simply] to assert 'a combination of unprotectable elements.'"[100]

The district court, noting that prior decisions provided very little guidance, extrapolated three guideposts. First, "even a very short musical phrase containing some mix of musical elements may be entitled to protection if that mix is sufficiently original."[101] "Second,…the protected combination concerned a mix of compositional elements present across a compositional work as a whole, not within a single portion of that composition."[102] "And third, the number of elements comprising a given combination does not strictly determine its protectability in the aggregate, and supplies a less material consideration than the overall combination's originality."[103]

The court then analyzed "whether the musical elements that comprise the 8-note ostinato in 'Joyful Noise' are 'numerous enough' and 'arranged' in a sufficiently original manner to warrant copyright protection."[104] "The court concludes that they do not."[105]

"[T]he parties have not cited any authority…holding that an otherwise unprotected musical phrase, isolated from the rest of a musical composition, in fact warranted copyright protection."[106] The court also found that prior art, including works by the parties themselves, included the same elements that the Plaintiff claimed to be protected.[107]

"Because the sole musical phrase that plaintiffs claim infringement upon is not protectable expression, the extrinsic test is not satisfied, and plaintiffs' infringement claim–even with the evidence construed in plaintiffs' favor fails as a matter of law."[108] The court denied the remainder of Defendants' motion as moot.[109]

PHOTOGRAPHIC ILLUSTRATORS CORP. V. ORGILL, INC.

On March 13, 2020, the United States Court of Appeals for the Fourth Circuit held that, "[i]n this case of first impression in the circuit courts, we hold that a copyright licensee given the unrestricted right to grant sublicenses may do so without using express language."[110] The Plaintiff, PIC, "provides commercial photography services–primarily photos of consumer goods–through its principal photographer, Paul Picone."[111] "PIC owns valid copyrights to thousands of photographs of Sylvania lightbulbs."[112]

Sylvania licenses the right to use those photos to market and sell its products. Under the license, Sylvania had the right to use and to license, "in its sole and absolute discretion," the use of those photographs."[113]

Defendant Orgill markets and sells Sylvania lightbulbs; "[a]t issue here is Orgill's use of PIC photos of Sylvania lightbulbs in Orgill's electronic and paper catalogs."[114] Orgill told Sylvania which photos Orgill wanted to use in its catalogs, and either Sylvania sent copies of the photos to Orgill or Orgill copied them directly from Sylvania's website.[115]

PIC sued Orgill and others for copyright infringement. The district court granted summary judgment in favor of Orgill, "ruling that Sylvania impliedly granted Orgill a sublicense."[116]

On appeal, PIC argued "that any sublicense of the right to use a copyrighted work must as a matter of law be 'express.'"[117] The court of appeals, noting that no circuit court had addressed the issue, reasoned that "[n]othing in the Copyright Act requires that two parties' agreement to a sublicense be expressed in any specific language."[118] The court also noted that, in order to have a sublicense, an underlying license must exist, "and the owner can set forth in the license the ground rules of the license itself–including the rules by which the licensee may permit others to distribute the work."[119] "In sum, we hold that, where a licensor grants to a licensee the unrestricted right to sublicense and permit others to use a copyrighted work, a sublicense may be implied by the conduct of the sublicensor and sublicensee."[120]

CASTILLO V. G & M REALTY L. P.

The *Visual Artists Rights Act of 1990*, which amended the Copyright Act, "creates a scheme of moral rights for artists."[121] "'The right of attribution generally consists of the right of an artist to be recognized by name as the author of his work or to publish anonymously or pseudonymously.'"[122] "'The right of integrity allows the [artist] to prevent any deforming or mutilating changes to his work, even after title in the work has been transferred.'"[123] "VARA gives 'the author of a work of visual art' the right 'to prevent any destruction of a work of recognized stature' and provides that 'any intentional or grossly negligent destruction of that work is a violation of that right.'"[124]

In 2002, Gerald Wolkoff "undertook to install artwork in a series of dilapidated warehouse buildings that he owned in Long Island City, New York."[125] In 2013, in connection with his redevelopment of the buildings, Wolkoff began to destroy the artwork and, when the artists sought injunctive relief, whitewashed the artwork before the district court could issue an opinion.[126]

In 2018, the district court concluded that "45 of the works had achieved recognized stature."[127] The "district court concluded that it could not reliably fix the market value of the destroyed paintings and, for that reason, declined to award actual damages."[128] Rather, the district court concluded that "Wolkoff acted out of 'pure pique and revenge for the nerve of the plaintiffs to sue to attempt to prevent destruction of their art'" and awarded maximum damages for willful infringement 'for a total of $6.75 million.'"[129]

On February 20, 2020, the United States Court of Appeals for the Second Circuit affirmed the judgment.[130] "The crux of the parties' dispute on this appeal is whether the works …were works of 'recognized stature,' thereby protected from destruction under § 106A(a)(3)(B)."[131] The court of appeals concluded "that a work is of recognized stature when it is one of high quality, status or caliber that has been acknowledged as such by a relevant community."[132]

The most-important component in determining "recognized stature," the court reasoned, is "artistic quality."[133] The court further recognized that an objectively poor work by a recognized artist might merit protection, and it could therefore "'be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of [visual art.]'"[134] As a result, "expert testimony or substantial evidence of non-expert recognition will generally be required to establish recognized stature."[135] Finding that the district court's findings of fact regarding which works did and did not achieve "recognized stature" were only reviewable for clear error, the court of appeals found that "Appellants do not hurdle this high bar."[136]

Wolkoff also challenged the district court's finding of willfulness and the amount of statutory damages awarded. "A violation is willful when a defendant had knowledge that its conduct was unlawful or recklessly disregarded that possibility."[137] The court of appeals again found no clear error to overturn the district court's finding of willfulness.[138]

Regarding the award of the maximum amount of statutory damages, the court of appeals noted that the district court had wide discretion that could only be overturned if the district court had abused its discretion, such as applying the incorrect legal standard, making a clearly erroneous finding of fact or reaching a conclusion not within a range of permissible decisions.[139] The court of appeals found no abuse of discretion.[140]

BEIJING DADDY'S CHOICE SCI. & TECH. CO. V. PINDUODUO INC.

The Lanham Act allows an award of attorneys' fees in favor of a prevailing party in "exceptional cases."[141] On February 13, 2020, the United States District Court for the Southern District of New York had "no hesitancy concluding that [the present case] is an 'exceptional case' under the Lanham Act" and awarded fees and costs in the amount of $386,185.24 in favor of Pinduoduo and affiliated companies (collectively, PPD).[142]

"Defendant PPD is a Chinese e-commerce platform that integrates Chinese social media networks to connect Chinese merchants with Chinese consumers."[143] Defendant's platform was designed to target both consumers and merchants in China, not Chinese American consumers in the United States.[144]

The sale that was the basis of Plaintiff's claim of personal jurisdiction in the United States "was the only sale to a U.S. consumer that was alleged in the operative complaint."[145] That "sale" resulted from Plaintiff's attempts to persuade fifteen different merchants to make the purchase, the deliberate inclusion of false shipping and payment information in the order, payment of an exorbitant shipping fee for a product that was readily available in the United States and the use of false tracking and cell phone information.[146]

The district court articulated the appropriate standard of review in considering whether to award fees and costs under the Lanham Act: "an 'exceptional case is simply one that stands out from others with respect to the substantive strength of a party's litigating position…or the unreasonable manner in which the case was litigated.'"[147] The standard "demands a simple discretionary inquiry: it imposes no specific evidentiary burden."[148] However, exercising discretion requires considering the factors identified by the Supreme Court of the United States: frivolousness, motivation, objective unreasonableness and the need in particular circumstances to advance considerations of compensation and deterrence.[149]

Regarding frivolity, the district court noted that a case is frivolous if the factual contentions are baseless or the legal theory is objectively without merit.[150] In this case, the complaint and amended complaint did "not allege *a single U.S. shipment effectuated through the PDD platform* other than one secured via plaintiff's own elaborate scheme."[151] Thus, the district court found that the case was frivolous.

PDD suggested that the plaintiff filed the lawsuit "to disrupt PDD's ability to raise capital in the United States."[152] The court did not adopt that allegation but did view the filing with skepticism regarding Plaintiff's motivation.

The district court also found that the case was objectively unreasonable. The district court noted "the uniquely contrived manner in which plaintiff sought to manipulate contacts with [the] forum in order to create jurisdiction."[153] "Such conduct weighs strongly in favor of a finding of exceptionality in this case."[154]

The district court further concluded that considerations of compensation and deterrence favored an award of fees and costs. "[A] fee award remains necessary to deter this plaintiff and others from clogging the U.S. court system with frivolous lawsuits initiated solely on the basis of manufactured contacts."[155]

The court set the fee by deducting a reasonable percentage–in this case, 30%–of the fee requested.[156] The court reasoned that a court is permitted to take "judicial notice of the rates awarded in prior cases and the court's own familiarity with the rates prevailing in the district."[157] The court further reasoned that "'negotiation and payment of fees by sophisticated clients are solid evidence of their reasonableness in the marketplace.'"[158] In reducing the fee request by 30%, the district court balanced the minimum fee necessary to litigate the case effectively against the client's "'subjective desires or tolerance for spending.'"[159]

ESTATE OF SMITH V. GRAHAM

A fair-use analysis requires determining whether the allegedly infringing use is transformative. On February 3, 2020, the United States Court of Appeals for the Second Circuit affirmed the district court's grant of summary judgment in favor of defendants, finding that defendants' use of the "Jimmy Smith Rap" in "Pound Cake" was transformative.[160]

Plaintiffs/ Appellants, the Estate of James Oscar Smith and Hebrew Hustle, Inc., own the "Jimmy Smith Rap."[161] The "Jimmy Smith Rap" is "about the supremacy of jazz to the derogation of other types of music, which–unlike jazz–will not last."[162]

Defendants, including recording artists Drake and Jay-Z, recorded "Pound Cake," in which they send "a counter message–that it is not jazz music that reigns supreme, but rather 'all music,' regardless of genre."[163] "Pound Cake" includes not only the text of some of the lyrics of the "Jimmy Smith Rap" but also a sample of thirty-five seconds of that work "at the beginning of an approximately seven-minute long hip-hop song" in which the artists "rap about the greatness and authenticity of their [own] work."[164]

The court of appeals found that the defendants' work "emphasizes that it is not the genre but the authenticity of the music that matters."[165] Consequently, defendants' work transformed plaintiff's work by using it for a purpose different than that for which plaintiffs' work was created, making the use transformative.[166]

The court did not focus on the other three statutory fair-use factors. The court did note that "Pound Cake" did not usurp demand for the "Jimmy Smith Rap" or create a negative market effect and that there was no "evidence of the existence of an active market for 'Jimmy Smith Rap,' which is vital for defeating Defendants' fair use defense."[167]

SOUTHERN CREDENTIALING SUPPORT SERVS., L.L.C. V. HAMMOND SURGICAL HOSP., L.L.C.

Section 412 of the Copyright Act generally prohibits an award of statutory damages and attorneys' fees for any infringement of copyright commenced before the effective date of its registration."[168] On January 9, 2020, the United States Court of Appeals for the Fifth Circuit concluded that section 412's prohibition barred recovery of attorneys' fees and costs for post-registration infringements of a different exclusive right under section 106 that began after registration so long as infringement of an exclusive right predated registration.[169]

"In 2010, Southern Credentialing Support Services began providing health care credentialing services to Hammond Surgical Hospital."[170] That service stopped in 2013, but Hammond's new service provider continued to use portions of Southern Credentialing's forms; Southern Credentialing registered copyrights for its forms in 2014 and sued Hammond.[171]

At trial, the district court awarded statutory damages "because the defendant's post-2017 internet distribution was 'different in kind' from its pre-2017 infringing activity."[172] The district court found that "Hammond's preregistration infringement reproduced the copyrighted forms (violating 17 U.S.C. § 106(1)), whereas its postregistration infringement distributed the forms by making them publicly available on its website (violating 17 U.S.C. § 106(3))."[173]

The court of appeals recognized its own earlier decision that concluded "that section 412 (2) bars statutory damages when the same defendant infringed the same work in the same fashion before and after registration."[174] Although the district court reasoned that violating different exclusive rights before and after registration justified awarding statutory damages, the court of appeals noted that "[n]o court has previously applied Southern Credentialing's approach."[175]

The court of appeals rejected Southern Credentialing's approach. "We see no textual, precedential, or logical reason why infringements occurring after registration are more worthy of punishment because they are 'different in kind' from those occurring earlier."[176] The court did note, however, that the result might be different "if there were a substantial gap in time between preregistration and postregistration infringement."[177]

PETER V. NANTKWEST, INC.

The Patent Act permits an applicant who is dissatisfied with a decision of the Patent Trial and Appeal Board to file a civil action in the United States District Court for the Eastern District of Virginia.[178] The statute provides that "[a]ll expenses of the proceedings shall be paid by the applicant."[179]

The Supreme Court of the United States considered whether "all expenses" included "the salaries of attorney and paralegal employees of the United States Patent and Trademark Office."[180] On December 11, 2019, that court decided that "all expenses" does not include the salaries of attorneys and paralegals.[181]

Although a case decided under the Patent Act may seem out of place here, one additional fact links the relevance of this case to copyright, entertainment and trademark law. The Trademark Act contains a provision–15 *U.S.C.* §1071– that is similar to the provision at issue from the Patent Act: 15 *U.S.C.* § 1071(b)(3).

In analyzing the question presented by the Patent Act, the Supreme Court of the United States wrote, "[t]his Court's basic point of reference when considering the award of attorney's fees is the bedrock principle known as the American Rule; each litigant pays his own attorneys fees, win or lose, unless a statute or contract provides otherwise.[182]

The Government argued that the American Rule had no application at all. The American Rule's presumption that each party pays its own fees "is most often overcome when a statute awards fees to the "prevailing party." The provision of the Patent Act, on the other hand, applies regardless of outcome.[183]

"That view is incorrect. This Court has never suggested that any statute is exempt from the presumption against fee shifting."[184] In fact, the Court noted an earlier decision in which the Court expressly upheld a statute's shifting fees to an unsuccessful litigant.[185]

The next step in evaluating whether to depart from the American Rule's presumption was the Court's examination of the specific language of statute at issue.[186] First, the Court noted that the statute's "reference to 'expenses' in § 145 does not invoke attorney's fees with the kind of clarity we have required to deviate from the American Rule."[187] In fact, the complete phrase in the statute, "expenses of the litigation," is similar to a Latin phrase that has traditionally been interpreted to mean "generally allowed costs," which excludes fees.[188]

Finally, use of the word "all" in § 145 "conveys breadth [but] cannot transform 'expenses' to reach an outlay it would not otherwise include."[189] The statute's "plain text does not overcome the American Rule's presumption against fee shifting to permit the PTO to recoup its legal personnel salaries as 'expenses of the proceedings.'"[190]

The court next examined how Congress had used the terms "expenses" and "fees" in other contexts. "That 'expenses' and 'attorney's fees' appear in tandem across various statutes shifting litigation costs indicates that Congress understands the two terms to be distinct and not inclusive of each other."[191]

4 PILLAR DYNASTY LLC V. NEW YORK & CO., INC.

On August 8, 2019, the United States Court of Appeals for the Second Circuit clarified that "a district court may award to a plaintiff trademark holder the profits made by a willful infringer, without requiring that the plaintiff demonstrate actual consumer confusion."[192] The court of appeals also affirmed the district court's finding that "the Defendants' infringing acts were willful."[193] The appellate court, however, vacated the district court's award of attorneys' fees because, during the pendency of the case, the applicable standard for determining whether a case was "exceptional" under the Lanham Act changed, and the district court did not have a chance to apply "the more flexible" standard.[194]

Plaintiffs design and sell women's activewear "under the registered trademark 'Velocity.'"[195] Defendants operate "hundreds of retail stores across the United States," selling branded clothing both through its stores and over the internet.[196]

Plaintiffs sued Defendants for trademark infringement, "alleging that an NY & C product line of women's activewear that it labeled 'NY & C Velocity' infringed the 'Velocity' trademark."[197]

The case was tried to a jury. Plaintiffs called one witness: co-owner Behrooz Hedvat, and he testified that (1) he had visited Defendants' website after one of his customers asked him whether he had licensed the "Velocity" mark to Defendants and (2) Defendants had continued to sell their products after having been served with the lawsuit.[198]

Defendants' counsel, in his opening statement, "focused heavily on the expected testimony of two witnesses who would appear for NY & C: Christine Munley, NY & C's head of merchandising, and Yelena Monzina, the company's creative director."[199] The parties stipulated to Defendants' gross sales of $1,864,337.29, and then Defendants rested their case without calling any witnesses.[200]

The jury found that NY & C had infringed Plaintiff's trademark and rendered an advisory verdict that the infringement was willful.[201] The trial court entered judgment in favor of Plaintiffs (1) in the stipulated amount of Defendants gross sales, (2) $365,862.75 in fees and costs and (3) $110,950.91 in prejudgment interest.[202]

"To support an award of Defendants' profits to Plaintiffs, the District Court first had to find that their infringement of Plaintiffs' trademark was willful."[203] In order to show willfulness, a plaintiff must show "'(1) that the defendant was actually aware of the infringing activity, or (2) that the defendant's actions were the result of reckless disregard … or willful blindness.'"[204] The district court, having no direct evidence of Defendants' state of mind, relied upon (1) Defendants' failure to stop selling the goods after being sued, (2) Defendants' failure to call witnesses they said they would call and (3) its finding the use of the word "Velocity" was a blatant infringement.[205]

Defendants argued that not calling witnesses was a strategic decision based on their view that Plaintiffs had failed to prove their case. While the court of appeals found that argument to be compelling, the appellate court was unable to conclude that the trial court's decision was clearly erroneous since the decision was in line with the jury's advisory verdict after "witnessing the trial."[206] Also, the court of appeals found that "the District Court permissibly drew an adverse inference from Defendants' failure to call the witnesses whom they themselves had highlighted as the centerpiece of the defense case."[207]

The court of appeals also wrote its opinion "to clarify that, in our Circuit, a plaintiff need not establish actual consumer confusion to recover lost profits under the Lanham Act."[208] The court of appeals had historically found three distinct rationales for awarding lost profits: "(1) to avoid unjust enrichment; (2) as a proxy for plaintiff's actual damages and (3) to deter infringement."[209]

The unjust-enrichment rationale is consistent with a constructive-trust theory; "were it not for defendant's infringement, the defendant's sales would otherwise have gone to the plaintiff," and that was "indistinguishable from 'the element of consumer confusion required to justify a damage award' under the [Lanham] Act."[210]

Likewise, the profits-as-proxy rationale requires the plaintiff to show consumer confusion. That rationale places "the hardship of disproving economic gain onto the infringer."[211]

"[T]he third rationale–deterrence–included no mention of actual consumer confusion."[212] "Tethering the power of district courts to require a defendant's disgorgement of profits to a plaintiffs showing of actual consumer confusion would hamper courts' ability to deter willful misconduct, contrary to the purposes of the Lanham Act."[213]

Regarding an award of fees, the Lanham Act allows an award of attorney's fees to a prevailing party in an "exceptional case."[214] A finding of willfulness determined entitlement to an award of fees in a trademark-infringement case in 2017 in the Second Circuit.[215] In 2018, however, the Second Circuit adopted the standard that the Supreme Court of the United States applied to "an identical attorney's fee provision found in the Patent Act."[216]

That case defined an "exceptional" case as "'one that stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.'"[217] The court of appeals remanded the case for a determination by the district court of Plaintiffs' entitlement to an award of fees under the revised standard.[218]

ESTATE OF KAUFFMANN V. ROCHESTER INSTITUTE OF TECH.

On August 1, 2019, the United States Court of Appeals for the Second Circuit concluded that an author's articles were not works-made-for-hire because the written agreement providing that the articles were works-made-for-hire "was signed long after the works were created, and no special circumstances even arguably warrant applying the written agreement."[219] The court of appeals therefore reversed the district court's grant of summary judgment in favor of Defendant.[220]

Author Stanley Kauffmann, who was never employed by *The New Republic*, "contributed numerous film reviews and other articles to the magazine."[221] With the exception of a 2004 letter agreement, *TNR* and Kauffmann "never formalized any understanding about whether Kauffmann's were 'works made for hire.'"[222] That letter agreement, however, provided that Kauffmann and *TNR* had always had "an oral understanding" that Kauffmann's articles were all works made for hire pursuant to the Copyright Act.[223]

Kauffmann died in 2013; Defendant Rochester Institute of Technology "published an anthology of Kauffmann's film reviews including 44 that had originally been published in *TNR* in 1999."[224] In 2015, Kauffmann's estate "discovered the anthology and sued RIT for copyright infringement."[225]

The district court found that the 2004 agreement clearly "'memorialize[d] in writing a preexisting oral contract, evidently dating back to when Kauffmann started writing for *The New Republic* in 1958.'"[226]

The court of appeals noted that the result on appeal turned on the effect of the 2004 letter agreement. First, the court noted that the letter agreement "was executed five years after the year in which the 44 articles were written."[227] Although circuits are split on whether a work-made-for-hire agreement must be executed before creation of the work, the Second Circuit recognized that, "in some circumstances a series of writings executed *after* creation of the works at issue can satisfy the writing requirement of section 101(2)" if the writings confirm a prior agreement.[228]

The court reasoned that the type of subsequent agreement that would suffice would be one in which "'unanimous intent among all concerned [confirmed] that the work for hire doctrine would apply, notwithstanding that some of the paperwork remained not fully executed until after creation of the subject work.'"[229] The court found that no circumstances approached those in which a subsequent agreement was sufficient; "[t]he 2004 Agreement does not satisfy the writing requirement of section 101(2)."[230]

SILVERTOP ASSOC. V. KANGAROO MFG. INC.

On August 1, 2019, the United States Court of Appeals for the Third Circuit, deciding an issue of first impression for that circuit, found that a full-body banana "costume's non-utilitarian, sculptural features are copyrightable," and, in so finding, affirmed "the District Court's preliminary injunction."[231] The court of appeals began its analysis by observing, "[t]his dispute stems from a business relationship that went bad."[232]

Plaintiff sold thousands of full-body banana costumes to a company owned by Defendant's founder. Plaintiff discovered that Defendant was selling costumes that resembled the costumes that Plaintiff sold and sued for copyright infringement.[233]

Defendant claimed that Plaintiff did not hold a valid copyright.[234] That, in turn, required the court to analyze the non-utilitarian features of the costume and to determine "whether those features can be identified separately from its utilitarian features and are capable of existing independently from its utilitarian features."[235] Otherwise, the costume would simply be a "useful article" incapable of copyright protection.

The court of appeals determined that the non-utilitarian features of the costume were capable of an independent existence as a copyrightable work. "Those sculptural features include the banana's combination of colors, lines, shape and length."[236] Other, utilitarian features, such as "the cutout holes for the wearer's arms, legs, and face; the holes' dimensions; or the holes' locations on the costume" are not capable of an independent existence from the useful article and are therefore not copyrightable.[237]

Defendant argued "that depictions of natural objects in their natural condition can never be copyrighted."[238] The court of appeals rejected that argument; "[t]he essential question is whether the depiction of the natural object has a minimal level of creativity," and the full-body banana costume met that test.[239]

"Lastly, [Defendant] invokes two copyright doctrines–merger and scenes a faire–to argue the banana costume is ineligible for protection."[240] Under the merger doctrine, which the court described as "rare," courts refuse copyright protection "only when 'there are no or few ways of expressing a particular idea.'"[241] "Courts also exclude scenes a faire from copyright protection, which include elements 'standard, stock, or common to a particular topic or that necessarily follow from a common theme or setting."[242]

The analysis under either doctrine raises the same question: "whether copyrighting the banana costume would effectively monopolize an underlying idea, either directly or through elements necessary to that idea's expression."[243] The court rejected those arguments, finding that "there are many ways to make a costume resemble a banana."[244]

IN RE MALLETIER

On July 5, 2019, the United States Court of Appeals for the Federal Circuit affirmed the Trademark Trial and Appeal Board's refusal to register Louis Vuitton Mallatier's applied-for mark APOGEE given the likelihood of confusion with the already-registered mark APHOGEE.[245] The Examining Attorney and, later, the Board, found that the two marks were "similar in appearance, sound connotation, and commercial impression."[246]

The opinion bears a legend that notes that the decision is "nonprecedential" and "may not be cited as precedent." Federal Rule of Appellate Procedure 32.1(a), however, specifically provides that "[a] Court may not prohibit or restrict the citation of federal judicial opinions, orders, judgments or other written dispositions."

Louis Vuitton sought to register its mark in connection with a perfume. KAB Brands, the party that objected to Louis Vuitton's proposed mark, already held two marks that KAB maintained would be harmed if Louis Vuitton's mark were allowed to be registered. One, APHOGEE, is a standard character mark used in connection with hair-care products. The second, ApHOGEE, is a stylized mark used in connection with "'Hair Conditioner for Professional Use Only.'"[247]

In reviewing the Board's decision, a court of appeals reviews "the Board's legal conclusions de novo and its factual findings for substantial evidence."[248] A reviewing court determines "whether there is a likelihood of confusion using the *DuPont* factors," and the court only considers those specific factors that are significant to the current dispute (not every *DuPont* factor is relevant in each proceeding, nor need each factor be specifically considered).[249]

The parties disputed only the first four *DuPont* factors. Regarding the first factor, the similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation and commercial impression, the court found that neither mark is a "recognizable English word."[250] Moreover, as a standard character mark, "[n]othing prevents KAB from styling APHOGEE exactly as Louis Vuitton styles APOGEE," because KAB's mark does not limit its claim to any color, size or font style.[251]

The second *DuPont* factor compares the nature of the goods and services described in the application (or registration) with prior marks. The court of appeals stated that the specific test is to examine whether "'the circumstances surrounding their marketing are such that they could give rise to the mistaken belief that [the goods] emanate from the same source.'"[252] The court of appeals found that the evidence "shows that perfumery and hair care products are complementary products which often emanate from the same source."[253]

Regarding the third *DuPont* factor, the similarity or dissimilarity of established, likely-to-continue trade channels, the court of appeals noted that APHOGEE's registration "lacks any trade channel restrictions. We thus presume KAB's goods travel in all normal channels of trade."[254] Louis Vuitton's application restricts trade channels, but both goods travel within high-end retail channels.

The court of appeals next reviewed the fourth *DuPont* factor: "[t]he conditions under which and buyers to whom sales are made, i.e. 'impulse' v. careful, sophisticated purchasing."[255] The court of appeals concluded that factor favored neither KAB nor Louis Vuitton.[256]

ANDY WARHOL FOUND. FOR THE VISUAL ARTS, INC. V. GOLDSMITH

On July 1, 2019, the United States District Court for the Southern District of New York granted summary judgment in favor of the Andy Warhol Foundation for the Visual Arts (AWF), finding that AWF's use of Goldsmith's photographs of the musical performer Prince were immune from claims of copyright infringement based on the fair-use doctrine.[257]

In December 1981, Goldsmith photographed Prince in concert, and she also photographed him the next day in her New York Studio.[258] In October 1984, Vanity Fair licensed one of the photographs.[259]

Then, "Vanity Fair commissioned Warhol to create an illustration of Prince for an article titled 'Purple Fame.'"[260] "Based on the Goldsmith Prince Photograph, Warhol created the 'Prince Series,' comprised of sixteen distinct works – including the one used in Vanity Fair magazine – depicting Prince's head and a small portion of his neckline."[261]

After Prince died in 2016, *Vanity Fair* published an online version of its 1984 article.[262] The publisher of *Vanity Fair* then issued "a commemorative magazine titled 'The Genius of Prince' and obtained a commercial license to use one of Warhol's Prince Series works as the magazine's cover."[263]

The district court concluded that three of the four statutory fair-use factors favored AWF and that the remaining factor was neutral.[264] "A holistic weighing of these factors points decidedly in favor of AWF. Therefore, the Prince Series works are protected by fair use, and Goldsmith's copyright infringement claim is dismissed."[265]

Preliminarily, the court noted that the ultimate "question in determining fair use is whether copyright law's goal of 'promot[ing] the Progress of Science and useful Arts would be better served by allowing the use than preventing it.'"[266] The district court then analyzed each of the four statutory factors.

Regarding the first factor – the purpose and character of the use – the court found that examining the works side-by-side reveals that the Warhol images "'have a different character, [and] give [the Goldsmith's] photograph[] a new expression and employ new aesthetics with creative and communicative results distinct from [Goldsmith's].'"[267] "The Prince Series works can reasonably be perceived to have transformed Prince from a vulnerable, uncomfortable person to an iconic, larger-than-life figure."[268] Thus, the district court concluded, the first factor favored AWF.

The district court found that the second factor – the nature of the copyrighted work – favored neither party. The court wrote, "this factor is of limited importance because the Prince Series works are transformative works."[269]

The district court found that the third factor – the amount and substantiality of the portion used in relation to the copyrighted work as a whole – weighs heavily in AWF's favor.[270] The court found that the transformation by Warhol "removed nearly all the photograph's protectable elements in creating the Prince Series."[271] "Warhol's alterations wash away the vulnerability and humanity Prince expresses in Goldsmith's photograph and Warhol instead presents Prince as a larger-than-life icon."[272]

Regarding the fourth factor – the effect of the allegedly infringing use on the potential market for the copyright – the district court observed that "the fair use analysis 'is concerned with only one type of economic injury to a copyright holder: the harm that results because the secondary use serves as a substitute for the original work.'"[273] The district court found that "the licensing market for Warhol prints is for 'Warhols.' This market is distinct from the licensing market for photographs like Goldsmith's – a market which Goldsmith has not even attempted to enter into with her Prince photographs."[274] ■

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They're Playing Our Song: Copyright at Concerts

By Michael A. Einhorn, PhD.

1. INTRODUCTION

Live concerts allow musicians to earn money from performances for appreciative audiences and represent a fast-growing source of revenue in the music industry. Concert appeal may grow with the emergence of alternative promotion, live streaming, and virtual reality.

Copyright plaintiffs in any matter may seek to recover damages for infringing material performed in concert. In *Fahmy v. Jay Z*, a District Court ruled as a matter of law that a plaintiff's claim for concert earnings could survive summary judgment and proceed to the next stage.[1] In *Marino v. Usher*, plaintiff Dan Marino sought to disgorge concert earnings resulting from Usher's song "Bad Girl".[2] Plaintiff Montana Connection sought to recover concert earnings from country singer Justin Moore for the work "Backwoods".[3]

The matter is now in center stage in two important cases. Ed Sheeran now faces Structured Asset Sales that claims, *inter alia*, that Sheeran's concert performances of the hit "Thinking Out Loud" infringed its earlier rights in Marvin Gaye's "Let's Get It On"; the District Court held in January, 2020 that the defendants are not protected by a blanket license from Broadcast Music Inc.[4] And producer Artem Stoliarov recently filed suit again the music group Bastille for its performance of the popular song "Happier", a purported infringement of Stoliarov's musical adaptation "I Lived (Arty Remix)".[5]

Assuming that plaintiff can prove liability, this article considers matters for analysis of financial recovery – i.e., causality of revenue, necessary revenue and cost accounting,, and considerations for value apportionment from non-infringing elements. It is based in part on professional reports and testimony that I provided in my practice as a testifying expert in the area of intellectual property.

2. STATUTORY TERMS

The exclusive rights for derivations and public performance of musical works are established in 17 U.S.C. 106. Compulsory licenses (e.g., 17 U.S.C. 115) and the rights of joint owners (17 U.S.C. 201) do not extend to the production and performance of a derivative that changes the words or melody of the original.

Per 17 U.S.C. 504(b), a copyright plaintiff may recover damages that s/he actually suffered from lost sales or licensing opportunity that resulted from the infringement, as well as additional defendant profits not taken into account. Actual damages may be recovered from joint defendant infringers; remaining profit amounts are disgorged severally from each infringer. Plaintiff first bears the burden of identifying each infringer's revenues related to the infringement, and a necessary causal connection from infringement to the sought recovery.

Actual damages in a concert implicate the license amount that the song would rightfully have earned for its owner.[6] This would generally implicate licensing fees that plaintiff would have earned through its share of a PRO license for the event. By itself, this amount is expectedly small.

More significantly, a plaintiff may disgorge any additional profit that an infringer may have gained from the performance. This could be part of a larger suit that includes reproduction rights for a related album. A prevailing plaintiff at the outset would need to prove *only gross revenues* earned from activity resulting from infringing use of the work.

Once plaintiff burdens are met, the defendant must prove deducible costs and a basis for apportioning value of non-infringing elements in the performance. With regard to music, the latter would include the relative values of elements commingled in the song, and songs commingled in the concert. The U.S. Supreme Court affirmed that "an infringer who commingles infringing and non-infringing elements must abide the consequences unless it can make a separation of the profits so as to assure to the injured party all that justly belongs to him."[7]

3. RECOVERING FROM LIVE PERFORMANCES

A precedent case regarding allowable recovery from live events was established in *Frank Music v. Metro-Goldwyn-Mayer*,[8] where an MGM casino performed an infringing work (taken from the musical *Kismet*) in a ticketed review that contained eight separate staged acts. The use in a non-dramatic performance was found to be infringing because the contested theme had never been placed in the ASCAP catalogue, which the defendant incorrectly believed to have established the necessary allowance for its use.

As a general matter of law, a recovering claimant would need to establish some type of causal connection from tort to profits in order to disgorge the latter. In *Frank Music*, no ticket sale could be directly traced to the infringing song element. Nonetheless, the Ninth Circuit upheld revenue disgorgement of the casino's box office profits (as well as a share of indirect earnings from rooms, dining, and parking). Even with no direct causality, the musical score was an essential part of the audience appeal and the song was a part of the score. By later standards, song and sales had a *reasonable relationship*.[9]

Subsequent to *Frank Music*, a Circuit split emerged over profit causality in copyright matters that have implicated performances at live events, *inter alia*. [10] A judicious resolution appears in *Thornton v. J Jargon Co*.[11] The matter involved an unauthorized handout of the plaintiff's copyrighted trivia quiz as a component of a theater playbill; playbill contents were not known at the time of ticket purchase. The defendant claimed that the plaintiff failed to prove the requisite causality from use to sale, and so motioned for summary judgment.

With no preexisting standard for causality in the governing Eleventh Circuit, Judge Whittemore (M. D. Fl.) invoked Congressional intent behind the Copyright Act to adopt a *reasonable relationship* standard;[12] playbills enhance the theater experience and are required by the rules of Actor's Equity. The court denied defendant's motion for summary judgment and the case ultimately settled.

Returning to musical performances, the right to create and perform a derivative song is an exclusive right held by the original copyright owner. This is often misunderstood by defendants who claim protection under a blanket license issued by ASCAP or BMI. As ruled in January, 2020 by Judge Louis Stanton (S.D.N.Y.), an unauthorized derivative work is *not a properly licensed component of any PRO license that would otherwise cover performances of catalog works at a licensed concert.*[13] Unless consent to derivation and registration is explicit, Judge Stanton rejected declarations from BMI's Jose Gonzalez and ASCAP's Richard Reimer to rule that a defendant cannot protect against infringement by citing the appearance of the work in a blanket license catalog.[14] Defendants were responsible for infringements at every concert, and were compelled to turn over all documents related to that (including merchandising, infra).

4. BASIS FOR RECOVERY

To seek recovery, a copyright plaintiff would need to file action against the performing artist/touring company who either knew of, or was in a position to know of, the infringing material to be performed at the event. The label possibly may be implicated for contributory or vicarious infringement.

The terms for artist payments for performances and tours (including ticket sales and merchandise) appear in a contract negotiated between the artist's appointed agent and the talent buyer (e.g., promoter) who puts together the event or tour.[15] Payments generally include a *minimum guarantee* (or flat fee) as well as a *backend arrangement* for an artist share of concert revenues. Backend deals may be structured:

1. *Guarantee versus Percentage Deal without Deductions:* Artist earns the larger of the guarantee and a backend percent of box office revenue.
2. *Guarantee versus Percentage Deal with Deductions*: Artist earns the guarantee and--after a specified sales breakeven point is reached -- a backend share of the talent buyer's net profits (infra)
3. *Plus deal:* Artist receives the specified minimum. Talent buyer pays from box office receipts all fixed and variable expenses for event, and keeps an allowable profit for its services. Remaining amounts after recovery of actual costs are split between artists and buyer (e.g., 85/15). The plus deal is used for the largest acts and the accounting is the most complex of the three contract arrangements.

Per a contract rider, a performing artist may also receive a share of *merchandise revenue* sold at the show. Merchandising amounts are significant revenue sources for performing artists at concerts. Terms are specified with the talent buyer who would bring in the merchandising platforms at the event. A plaintiff may recover merchandise revenue from every infringing concert.[16]

5. RECORDING CONTRACTS AND CONCERTS

Label earnings from concerts may be implicated in recovery, depending on the relation between the performance and a prior album release. The label is not a direct infringer at the concert but may be implicated for its production role in albums and its promotion of the event.

New label releases involve promotion expenses related to touring, radio, and video production. In a traditional recording contract, the label would recoup promotion expenses from due artist royalties, but not share in the artist's concert, merchandise, songwriting, acting, and sponsorship revenues. The label was in the strict business of earning profits by selling records and leaving the remainder to the artist.

On the label's profit and loss statement (P&L), cost deductions would appear for promotion expenses (including concerts), net artist royalties, publisher royalties,, pressing, and distribution). The basic label P&L statement then accounted for the costs of concert promotion. However, the plaintiff may yet challenge the deductibility of any promotion expenses that can be related to the use of infringing material.

Beginning in the year 2002 (with Robbie Williams and EMI), some artists and labels negotiated a number of alternative *revenue-sharing* contracts that split concert and merchandise revenues, as well as film appearances, sponsorships, and writer royalties. Allowed revenue shares will then show up as income on the label's P&L. If the label is judged to be infringing, a revenue share for concert and merchandise earnings are appropriately disgorged, subject to deductions for cost and apportionment for the value of non-infringing elements.

Other artist contracts do not implicate the record label at all. For example, established artists may leave labels in order to enter *direct deals* with tour promoters; e.g., Madonna and Jay Z have revenue sharing arrangements with promoter Live Nation. Alternatively, a new artist may *self-promote* on free mixtape, streaming, and social media, and move directly to the concert stage before getting a label deal (e.g., Chance the Rapper). Neither of these arrangements would apparently involve a revenue recovery from a label. Finally, while a plaintiff might attempt to explain why it is proper to include other parties (e.g., promoter, venue, and ticket service), these entities do not appear to have been in a demonstrable position to have known of the potential infringement when arranging and providing services.

6. APPORTIONMENT

After deducting for costs, artist earnings from a concert would be subject to apportionment for non-infringing elements, particularly other songs performed at the event. The defendant bears the burden of proof. It is essential here for contesting parties to review contracts, events, setlists, and accountings related to each infringing concert or tour.

Public information is particularly useful for a plaintiff for scoping preliminary market information on the importance of the song. Information on tours and events is commonly available through weekly reports of events and ticket sales that can be found in *Pollstar.* A public source of setlist information is *setlist.fm*, which is a fan-reported site that lists the music performed at a number of events.

The respective importance of listed songs on a setlist can be discerned by comparing relative audience appeal – e.g., video views on YouTube, accumulated audiences on Last.fm,[17] or streaming and digital sales on Alpha Data (f/k/a BuzzAngle Music).[18] Radio play and video expenses may also be useful if new releases are implicated and can be related to the concert performance.

7. CONCLUSION

After reviewing the basis for financial recovery, it is worth recalling the imprimatur behind the Copyright Act; common law precedents should also be kept in mind.

The Copyright Act purposely minimizes the plaintiff's burden to prove defendant profits once infringement is proven. The potential disgorgement of additional profits is intended to minimize any profit gain that an infringer may expect to gain from a copyright theft. Congress purposely established the disgorgement remedy to prevent an infringer from unfairly benefiting from a wrongful act.[19] According to the U.S. Supreme Court, Congress' stiff disgorgement in copyright law is aimed particularly to deter recidivists, who would otherwise prey repeatedly on creators and profit themselves from catalogs of unlicensed work.[20] That is, "by preventing infringers from obtaining any net profit, [the statute] makes any would-be infringer negotiate directly with the owner of a copyright that he wants to use, rather than bypass the market."[21] The precedents should be kept in mind. ■

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ENDNOTES

1 Fahmy v. Jay Z, (C.D. Ca. 2011), Case 2:07-cv-05715-CAS-PJW, Document 309. *See also* note 13, infra.

2 Marino v. Usher 2:11-cv-06811-(E.D. Pa.) Defendant won case on other legal grounds related to proper authorization of a co-written work.

3 Montana Connection, et al. v. Justin Moore, (M.D. Tenn., 2013); case settled.

4 Infra Supra note 13 and surrounding text. .

5 Artem Stoliarov *v.* Marshmello Creative, LLC (2:19-cv-03934), C.D. Cal. (2019).

6 On Davis v. The Gap, 246 F.3d 152, 165 (2d Cir. 2001).

7 Harper and Row Publishers, Inc., v. Nation Enters., 471 U.S. 539, 576; 105 S. Ct. 2218, 85 L. Ed. 2d 588 (1985); (quoting Sheldon v. Metro-Goldwyn Pictures Corp., 309 U.S. 390, 406, 60, S. Ct. 681, 84 L. Ed. 825 (1940); MGM must demonstrate a procedure for apportionment due a screenplay taken for a motion picture.

8 886 F. 2d 1548, 1550 (9th Cir. 1989).

9 *Thornton*, infra note 11.

10 Infra note 11, at 1280. Judge Whittemore identified alternative jurisprudential standards for requisite evidence and proof. First, he considered the need to prove a *causal connection* between defendant's revenues and the *infringing use* of the plaintiff's particular work, which he associated with the Fourth and Ninth Circuits. Alternatively, he reviewed the need to demonstrate a discernible *reasonable relationship* between the defendant's revenues and *infringing activity* that includes the infringed work as a commingled element. The judge ascribed the latter standard to the Second, Seventh, and Eighth Circuits.

11 580 F. Supp. 2d 1261 (M. Fl. 2008).

12 Id. at 1280. Citing H.R. REP. No. 94-1476 at 161 (1976).

13 Judge Stanton has been the sole District Court judge appointed to oversee the Rate Court with regarding to BMI, as established by BMI's Consent Decree with the U.S. Dept. of Justice. see *Structured Asset Sales, LLC v. Sheeran et al,* Case 1:18-cv-05839-LLS Document 144 Filed 01/15/20, pp. 2-4

14 Id.

15 Material from this section is drawn from D. Waddell, R. Barnet, J. Berry, THIS BUSINESS OF CONCERNT PROMOTION AND TOURING, Chapter 10 (2007).

16 Supra note 13.

17 Using a search technology called "Audioscrobbler," **Last.fm** records the details of the tracks listened from user computers and portable devices. The data then are compiled to create reference pages for individual artists.

18 **Alpha Data** provides statistics on record sales and music streaming now used in *Rolling Stone* charts. The website shows total music consumption including album sales, song sales, streaming history, and social media analytics. Data are collected from retailers, record stores, radio stations, and music venues. Related competitive services are offered at Soundcharts, Chartmetric, and Instrumental.

19 H.R. Rep. No. 1476, 94th Congress, 2d Session 161 (1976).

20 Sony Corp. of America v. Universal City Studios, Inc., 104 S. Ct. 774, 793, reh'g denied, 104 S. Ct. 1619.

21 Taylor v. Meirick, 712 F. 2d 1112, 1120 (1983).

As The NCAA Prepares For The New Frontier In Student-Athlete Marketing, It Should Look To The New Olympic-Athlete Marketing Rules For Guidance

David Lisko and Daniel Buchholz

I. INTRODUCTION

The National Collegiate Athletic Association ("NCAA") recently announced it will permit students participating in college athletics to benefit from the use of their name, image, and likeness.[1] The NCAA's announcement is only the beginning, however. The NCAA has not provided any substantive guidance on its recent policy change, and it is unclear what rules and procedures the NCAA will adopt. This Article argues that the NCAA should look to the recently revised U.S. Olympic & Paralympic Committee Rule 40 guidelines as precedent to follow in its effort to balance fairness between the NCAA, the schools, and the student athletes' marketing endeavors.

II. HISTORIC NCAA AMATEURISM RULES

The NCAA proscribes rules governing eligibility for student-athletes at its roughly 1,100 member colleges and universities. A long-standing requirement of the NCAA is that participants of intercollegiate sports be amateurs.[2] The NCAA has therefore adopted numerous "amateurism rules" that limit student-athletes' ability to profit from their athletic performance. These amateurism rules for Division I schools – those with the largest athletic programs – are located in Article 12 of the Division I Manual Bylaws.[3] Bylaw 12.1.2 provides that individuals lose their amateur status – and thus, are not eligible to participate in NCAA athletics – if they receive payment for their athletic performance.[4] Further, Bylaw 12.5.2.1 states a student-athlete becomes ineligible to participate in NCAA athletics if the individual:

> (a) Accepts any remuneration for or permits the use of his or her name or picture to advertise, recommend or promote directly the sale or use of a commercial product or service of any kind; or (b) Receives remuneration for endorsing a commercial product or service through the individual's use of such product or service.[5]

In other words, Bylaw 12.5.2.1 prohibits student-athletes from entering into marketing contracts for the use of their names, images, and likenesses.[6]

The NCAA's historic amateurism model has faced harsh criticism in recent years. For starters, some have contended the NCAA's definition of amateurism has been historically malleable, changing frequently over time in significant and contradictory ways.[7] Others have contended the NCAA applies its amateurism principles inconsistently.[8] Furthermore, while the amateurism model is intended to promote competitive balance, some have argued the NCAA's "[r]estrictions on pay are actually promoting competitive *imbalance* as the very best talents join each other on the same small collection of teams."[9]

The NCAA's amateurism rules have faced numerous challenges in court as well. For example, in 2009, a group of Division I basketball and football student-athletes brought an antitrust class action against the NCAA and its licensees to challenge the NCAA's amateurism rules regarding the use of their name, image, and likeness.[10] The court in the Northern District of California ultimately held the NCAA's amateurism rules violate federal antitrust laws and student-athletes were entitled to $5,000 annually for use of their name, image, and likeness.[11] The Ninth Circuit Court of Appeals affirmed the district court's holding that the amateurism rules violate antitrust laws, but reduced the $5,000 payment to the cost of attendance.[12] In another case, a group of former student-athletes at the University of Pennsylvania brought an action against the NCAA, their school, and more than 120 Division I schools, alleging that student-athletes were employees who were entitled to minimum wage under the Fair Labor Standards Act ("FLSA").[13] Ultimately, the district court and the Seventh Circuit Court of Appeals concluded that student-athletes are not employees under the FLSA.[14]

In response to this criticism and in recognition of a changing culture regarding amateurism, the NCAA's governing board recently voted unanimously to permit college athletes "to benefit from the use of their name, image and likeness in a manner consistent with the collegiate model." The NCAA's decision was based on recommendations from the NCAA Board of Governors Federal and State Legislation Working Group – a task force comprised of college presidents, athletics directors, and student-athletes. This task force is currently compiling input and feedback on how best to respond to the state and federal legislative environment. For example, California passed a law requiring the NCAA to allow student-athletes to monetize their name, image, and likeness.[15] Additionally, five U.S. senators formed a bipartisan working group to discuss federal legislation allowing student-athletes to profit from their name, image, and likeness.[16]

The NCAA's board also requested the NCAA's three divisions to immediately consider updating their bylaws and policies. The NCAA has not yet provided guidance on its recent policy change, and it is unclear what rules the NCAA's three divisions will adopt.

III. HISTORIC OLYMPIC-ATHLETE SPONSORSHIP AGREEMENTS AND RULE 40

Unbeknownst to most because it has been generally ignored by the sports media, there has been a similar uproar from Olympic-athletes regarding their ability to profit off of their name, image, and likeness. Prior to 2019, Bylaw 40.3 of the Olympic Charter ("Rule 40") stated: "Except as permitted by the [International Olympic Committee ("IOC")] Executive Board, no competitor, coach, trainer or official who participates in the Olympic games may allow his person, name, picture of sports performance to be used for advertising purposes during the Olympic Games." In other words, no athletes participating in the Olympics could allow their name, image, or likeness to be used for commercial advertising purposes during the games period unless a limited waiver was granted by the IOC.

Not surprisingly, Rule 40 was unpopular among Olympic-athletes because it created a situation where Olympic-athletes could not enter into marketing contracts for the use of their name, image, or likeness during the exact time when their name, image, and likeness had their highest earning potential.[17] Frustrated by the situation, during the 2016 Summer Olympics, athletes from several countries organized and staged protests against Rule 40's restrictions. Following the 2016 Summer Olympics, two athletes and the Federal Association of the German Sports Goods Industry took affirmative action and brought the issue to the German Federal Cartel Office (*Bundeskartellamt*, "FCO") – the authority responsible for enforcing German laws against restraints on competition. The FCO's president noted that "[w]hile athletes are the key figures of Olympic Games, they cannot benefit directly from the IOC's high advertising revenue generated with official Olympic sponsors."[18] The FCO concluded Rule 40 was "too far-reaching and thus constitute[d] abusive conduct," in violation of the German Constitution.[19]

In response, the IOC amended Rule 40 in June 2019.[20] The revised version of Rule 40 now states: "Competitors, team officials and other team personnel who participate in the Olympic Games may allow their person, name, picture or sports performances to be used for advertising purposes during the Olympic Games in accordance with the principles determined by the IOC Executive Board."[21] The IOC then issued its "key principles" for implementing the amended Rule 40 in July 2019 and instructed each country to implement and publish its own Rule 40 guidelines and compliance procedures.[22] On October 7, 2019, the U.S. Olympic and Paralympic Committee ("USOPC"), which is responsible for implementing the IOC's key principles in the United States, issued guidance on Rule 40. For convenience, the term "Rule 40" as used throughout the rest of this Article refers collectively to Rule 40, Bylaw 40.3, the IOC's key principles, and the USOPC's guidance.

IV. THE NEW RULE 40 GUIDELINES

The scope of Rule 40 is limited in time and to who it applies. Specifically, Rule 40 only applies during the 2020 Olympic Games, meaning from the opening of the Olympic Village (July 14, 2020) until two days after the Closing Ceremony (August 11, 2020).[23] Additionally, Rule 40 only applies to competitors, coaches, trainers, and officials participating in the 2020 Olympic Games.[24] Former Olympic participants who are not competing in the 2020 Olympic Games are excluded from Rule 40's application.[25] Rule 40's application is further limited to non-Olympic partners or "personal sponsors" of participants. Many of Rule 40's requirements and restrictions do not apply to official Olympic partners that have sponsorship agreements with the IOC and other Olympic committees.

Where Rule 40 applies, the process for Olympic-athlete marketing begins with obtaining permission. Rule 40 permission is a two-step process. First, the athlete must register their personal sponsors with the USOPC. Second, the personal sponsor must successfully complete the "Personal Sponsor Commitment."[26] Additionally, "[p]ermission will not be granted without the explicit, advance consent of the athlete for his/her name, image and/or likeness to be used in the relevant campaign. There are no exceptions."[27]

After permission is obtained, athlete marketing is allowed in two ways: (1) "generic marketing" of a product, service, or brand, which includes one or more athletes; or (2) "athlete-focused marketing" reflecting a personal sponsor's support of an athlete's participation in the Olympic games. In either case, the marketing must follow certain rules. For starters, the advertisement cannot use Olympic intellectual property or imagery from the Olympic games. Additionally, the advertisement cannot imply any relationship or association between the sponsor and the Olympics. These rules mean the advertisement cannot use the official Olympic logo or depict the athlete wearing official Olympic team gear (e.g., "Team USA"). Nor can the advertisement include an image of the athlete taken from within an Olympic venue.

Generic marketing means any advertising of a company or brand where the only connection to the Olympics is that the advertisement uses a participating athlete's image.[28] The advertisement must be specific to an athlete's relationship with the company or brand.[29] The advertisement cannot imply an association with the Olympics, use Olympic intellectual property, or use an image taken from within an Olympic venue.[30] And while the advertisement may include Olympic accomplishments, it may only do so if such accomplishments are balanced with non-Olympic accomplishments.[31] For example, an athlete's biography that states "Olympian" and "Tour Champion" is permissible, but a biography that just states "Olympian" is not permissible.[32]

Athlete-focused marketing means a piece of content that includes an athlete's likeness, such their name, image, or voice.[33] Athlete-focused marketing comes in two forms: (1) athletes thanking personal sponsors; and (2) personal sponsors recognizing athletes' performances.[34] Athlete-focused marketing can make factual references to an athlete's story or performance.[35] It may not, however, mention or promote the sponsoring company's products or services.[36] Additionally, athlete-focused marketing cannot use more than one participating athlete.[37] This prohibition is intended to prevent any implication that the advertisement is connected to the Olympics.

Most significantly, there was a substantial focus on Olympic-athlete social media marketing campaigns during the 2020 Olympic Games. Precise rules and procedures were set in place for what Olympic-athletes were, and were not, allowed to do on social media during the 2020 Olympic Games.[38] A procedure was even created for Olympic-athletes to submit proposed social media posts to the USOPC for comment and approval prior to the 2020 Olympic Games.[39] Finally, a social media monitoring system was referenced that will monitor Olympic-athletes' social media activity during the 2020 Olympic Games.[40]

According to the IOC and USOPC, the restrictions outlined above are premised on the principle of solidarity.[41] Under this principle, the IOC, the specific national Olympic committees, and the Olympic-athletes share in the marketing dollars available so that operations of the IOC and specific national Olympic committees are supported, Olympic sports development and promotion are supported, and the Olympic-athletes are able to profit off of their hard work and athletic ability.[42] Obviously, there are enormous costs associated with the Olympics and if those costs are not covered there would not be a 2020 Olympic Games. The program also helps secure funding of all Olympic teams – regardless of the individual profile and commercial or sporting success of their athletes.[43] This is important because the majority of Olympic sports, teams, and individual Olympic-athletes are not profitable or even self-sustaining financially. "[B]y accepting some limited restrictions on [marketing] activities during the [Olympic] Games, athletes who enjoy personal sponsorship deals are helping to secure funding to support all national Olympic teams, regardless of the profile or success of their athletes."[44]

V. THE NCAA SHOULD ADOPT RULE 40 TYPE REGULATIONS FOR STUDENT-ATHLETES

The NCAA must ensure a workable plan is adopted to implement its new policy. A lot of money and many futures are at stake. The USOPC's Rule 40 guidelines provide a baseline for the NCAA's new rules based on similar athletes in similar situations. First, there must be solidarity between the NCAA, athletic conferences, schools, and student-athletes. Marketing dollars must be shared to ensure operations and opportunities are maintained. Second, like in the Olympics, a select handful of superstars receive the majority of the spotlight and will receive the majority of the marketing opportunities. Third, like Olympic-athletes, student-athletes have significant social media influencer potential, which is the primary basis for their marketability. Fourth, both Olympic-athletes and student-athletes are generally unsophisticated actors that will need significant compliance coaching and monitoring.

The USOPC's Rule 40 guidelines provide a good fit to work off of. Many of Rule 40's requirements and restrictions can be easily applied to collegiate athletes without much change. Like Rule 40, the process for student-athlete marketing should begin with obtaining permission. The student-athlete should have to register their personal sponsors with the NCAA, their athletic conferences, and the institution the student-athlete attends. Second, the personal sponsor should have to successfully complete the a commitment form, similar to Rule 40's Personal Sponsor Commitment. This commitment form should allow the NCAA, the athletic conferences, and the athlete's institution to, among other things, review the content of the advertisement and confirm the sponsor obtained the athlete's consent to use their name, image, or likeness.

After permission is obtained, student-athlete marketing should follow similar rules and methods provided for under Rule 40. To begin, the advertisement should not use the intellectual property of the NCAA, the athletic conferences, or the student-athlete's school, and the advertisement should not include imagery from NCAA- or school-affiliated games. This means the advertisement cannot use the official logos of the NCAA or the student-athlete's school. Nor can the advertisement depict the athlete wearing official team gear. Furthermore, the advertisement should not imply any relationship or association between the sponsor, the NCAA, the athletic conferences, and the student-athlete's school.

These restrictions would strike a fair balance between the student-athlete, the NCAA, the athletic conferences, the school, and the sponsor. The student-athletes would be able to profit from the use of their name, image, and likeness. The NCAA, athletic conferences, and schools would be able to protect their highly valuable intellectual property. And the sponsor could enter into sponsorship deals with college athletes, rather than the NCAA, athletic conferences, or schools, at presumably a lower cost.

Provided the rules outlined above are followed, permissible methods of student-athlete marketing should include generic marketing and athlete-focused marketing. Similar to Rule 40, generic marketing will mean any advertising of a sponsor where the only connection to the NCAA, the athletic conferences, or the student-athlete's school is that the advertisement uses an image of an athlete who participates in NCAA athletics. Generic marketing may include the athlete's NCAA, athletic conference, or school accomplishments, but only if such accomplishments are balanced with non-NCAA or non-school accomplishments. Athlete-focused marketing – any content that includes a student-athlete's name, image, or likeness – will include athletes thanking sponsors and sponsors recognizing athletes' performances. Athlete-focused marketing can make factual references to a student-athlete's story or performance, but it should not, however, mention or promote the sponsor's products or services. Additionally, athlete-focused marketing should not use more than one student-athlete from the same school, athletic conference, or sport. This prohibition will prevent any implication that the advertisement is connected to the NCAA, a particular athletic conference, or the athlete's school.

The USOPC's Rule 40 guidelines are not, however, a perfect fit. The scope of student-athlete marketing rules must be more expansive than Rule 40. Rule 40 only applies when the athletes are participating in the Olympic Games. A comparable period for student-athletes might be when their sport is in season (*e.g.*, August to January for college football players). But the student-athlete marketing rules should apply for a relatively longer period than Rule 40 – most likely, their entire collegiate career. Additionally, Olympic-athletes are allowed to have agents and attorneys solicit, draft, and negotiate sponsorship agreement while NCAA student-athletes currently are not, which must change under this new regime of amateurism rules and regulations. Most importantly, wealthy individuals and companies giving money to Olympic-athletes without receiving anything in return is encouraged. Student-athletes are not permitted to receive similar gifts. In fact, the NCAA's worst case scenario is a rich booster entering into one-sided sponsorship agreements with student-athletes (potentially never even publishing any marketing materials using the student-athletes' name, image, or likeness but paying them anyways) in order to buy himself or herself a national championship for their preferred school. In sum, the USOPC's Rule 40 guidelines provide a baseline for the NCAA's new rules, but those guidelines are not a perfect fit and additional factors will need to be take into consideration.

VI. CONCLUSION

The NCAA's recent announcements regarding rule changes opens up a significant opportunity for a small number of elite student-athletes to receive compensation based on their athletic performance. However, the NCAA must ensure a workable model is adopted to maintain principles of solidarity between the NCAA, athletic conferences, school, and student-athletes. While not a perfect fit, Rule 40 provides a baseline for the NCAA's new rules and should be used as precedent by the NCAA when creating guidelines for these new rules. ■

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ENDNOTES

1 Board of Governors starts process to enhance name, image and likeness opportunities (Oct. 29, 2019), http://www.ncaa.org/about/resources/media-center/news/board-governors-starts-process-enhance-name-image-and-likeness-opportunities.

2 NCAA, Division I Manual 60 (2019), https://web3.ncaa.org/lsdbi/reports/getReport/90008 [hereinafter NCAA Manual] ("Only an amateur student-athlete is eligible for intercollegiate athletics participation in a particular sport.").

3 While each of the three divisions have their own bylaws, the relevant amateurism rules are the same.

4 NCAA Manual, supra note, at 63

5 NCAA Manual, supra note, at 77.

6 Conversely, however, Bylaw 12.5.1.1 provides that colleges may use a student-athlete's name, image, or likeness to support charitable and educational activities. NCAA Manual, supra note, at 74.

7 O'Bannon v. NCAA, 802 F.3d 1049, 1058 (9th Cir. 2015).

8 *Id.* at 1059.

9 David J. Berri, *Paying NCAA Athletes*, 26 Marq. Sports L. Rev. 479, 485 (2016).

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11 *Id.*

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Some Bizarre Facts About Celebrity Trademarking In Life and Death

By James T. Berger

A trademark is any word, name, symbol, or design, or any combination thereof, used in commerce to identify and distinguish the goods of one source from another and trademark law is the set of laws and legal regulations that are set up to protect trademarks.[1]

While trademarks are mostly used for distinguishing various product and service brands, there is a whole section of trademarking that celebrities and athletes can use to make themselves ever richer. Some high-profile actors and athletes have been able to trademark popular phrases in addition to their own names.[2]

BASIC BACKGROUND

Historically, both state and federal laws form the basic rules for trademarks. [3] The main origin of protection emanated from state common law. It wasn't until the late 1800s that the U.S. Congress passed the initial deferral trademark legislation.[4] Such federal protection gradually took over the various laws until 1946 when the Lanham Act became the law of the nation.[5] The 1946 statute was amended 50 years later when the 1996 law was passed.[6] While state trademark legislation is still available, the Lanham Act has become the "coin of the realm."

Just about anything can be trademarked as long as it is used to help the consumer recognize the specific or unique service or product. It can be an image, name, word, phrase, symbol, logo, sound, color.[7] And, it can be the name of a celebrity — living or dead.[8]

The trademark most commonly appears on the product itself or on the product's packaging. The service mark (sm) is used in media or Internet advertising for a service. For a product, a "tm" indicates a trademark that is unregistered while the ® identifies a registered trademark.[9] Normally, only trademarks that are arbitrary or fanciful as well as suggestive or description can earn the ® designation.[10]

Arbitrary or fanciful trademarks have no obvious association with the specific product or service.[11] Examples, *Sony* for electronic products is a fanciful trademark and *Budweiser* for beer is an arbitrary trademark.[12]

Suggestive trademarks require the consumer to mentally link the consumer with the product or service.[13] The linkage results from a word that suggests the function of the product or service. For example: *Ocean Spray* for cranberry products.

Descriptive trademarks focus on an attribute of the product or service that describes the product.[14] Descriptive trademarks are hard to register and relatively easy to challenge. When challenged, the trademark must be able to prove it has attained acquired distinction or "secondary meaning." For example *Planter's* for nuts.

Generic trademarks cannot be registered and are not entitled to protection.[15]

For claims by celebrities for trademark protection, courts exercise traditional infringement analysis including standard likelihood of confusion tests. This includes looking at the "strength" of the trademark, proximity of goods, similarity of the trademarks, evidence of actual confusion, the similarity of channels of trade used and the alleged infringer's intent.

Celebrities and their publishers and licensing agents often sue for trademark protection for likeness and images for many years.[16] The nature of these lawsuits is the alleged infringement of their image or photograph. Suing celebrities allege their images or photos hold value. The Lanham Act requires the party bringing the suit (plaintiff) to prove that the alleged infringement of the plaintiff's identity has likely deceived consumers to believe the celebrity endorses the product or service in question. These claims are hard to prove, and courts typically reject such claims.

In addition to infringement, trademark owners also can file lawsuits alleging dilution under both federal and state laws.[17] For example a company owning a trademark for an office printer might be diluted by another company using the same trademark for a recreational product.[18] Federal law dictates that a claim only applies if the trademark owner has a "famous" name.[19] To determine fame, the following factors would have to be examined:

- The degree of acquired distinctiveness;
- The length of time the trademark has been used;
- How extensive has the trademark been used;
- The amount of money spent on advertising and publicity;
- The geographic reach of the market;
- The channels of trade;
- The degree of recognition in the trading areas;
- Any use of similar trademarks by third parties.
- Whether the trademark is registered.

State laws don't necessarily have the "fame" requirement.[20] Often state laws seek to determine if the trademark has selling power or a distinctive quality or if the trademarks are substantially similar.

Once these prerequisites have been met, the next criteria to be satisfied is if the dilution is "blurring" or "tarnishment."[21] Blurring takes place when the trademark is weakened when identified by the dissimilar product.[22] Tarnishment takes place when the trademark is portrayed in a derogatory way. One-way tarnishment happens when the trademark is associated with inferior or distasteful products.[23] Dilution claims for celebrities are rare. Often parodies of celebrities are created by usually fall under the *fair expression* doctrines.[24]

The face of the celebrity has value. Photos of the celebrity him or herself as well as the characters they portray becomes "pitch people" or spokespeople. Clearly, celebrities who achieve notoriety place value in their likeness through photo or graphic illustration. The value of a celebrity as a pitch person is often evaluation in the form of a "Q Factor," which is how the celebrity stacks up in term of believability and likeability.[25]

BIZARRE STORIES ABOUT CELEBRITY TRADEMARKS

Celebrities – whether actors or athletes – have a limited "shelf life," Age or an injury can quickly fade the celebrity into oblivion. During their "15 minutes of fame," many celebrities can generate immense success and popularity and can use their names or personas to endorse products and otherwise earn great sums of money.

The trademark is an attempt to protect these sources of collateral income and to prevent the exploitation of their names and personas. Unique phrases they have coined also can be trademarked.[26]

Even though some celebrities make incredible amounts of money, many still try to cash in even more by trademarking their own names, names of their children and popular phrases. Celebrities are not universally successful in their attempts at trademarking, here are some example of those who tried and succeeded and others who have tried and failed.

Beyoncé and JAY-Z. They actually trademarked the name of their first daughter, *Blue Ivy Carter.*[27] The trademark application was filed soon after she was born in January 2012, and the name became officially registered by BKO, which is Beyoncé's company.

Rachel Zoe. Fashion stylist Rachel Zoe became popular through her reality TV show, *The Rachel Zoe Project*. She became known for the phrase, "I die."[28] Although it may sound a little morbid, it became a popular phrase and Zoe put her official stamp on this catchphrase and successfully trademarked these two words.

Emeril Lagasse. This famous chef often used the phrase, "BAM!" in associating with cooking.[29] He became one of the first of the celebrity chefs and the powers that be ruled he had every right to trademark his distinctive lingo. One benefit of the trademark will be to prevent anyone from introducing a line of BAM cookware.

Anthony Davis, the star National Basketball Association (NBA) player is known for his :"unibrow" and has trademarked two phrases, "Fear the brow"[30] and "Raise the Brow."[31] Why did he do it" "He told CNBC: "I don't want anyone trying to grow a unibrow because of me and then try to make money off of it."[32]

Kylie Jenner. She is the last sibling in her generation from the Jenner/Kardashian clan. Kylie wanted to trademark her first name. The Daily Telegraph reported she made the request because she wanted to use "Kylie" for advertising and endorsement purposes.[33] Unfortunately, the U.S. Patent and Trademark Office denied her claim.[34] Kylie Jenner's claim was legally disputed by singer Kylie Minogue.[35] The reality show star Kardashian sisters – Kim, Kourtney and Khloé – are hardly strangers to trademark registrations. They own Kroma makeup brand and Kim successfully trademarked Kimono Intimates in 2018.[36]

Paris Hilton. She was a winner with "That's Hot," a phrase she coined. Her argument was the when you heard that phrase you automatically thought of Ms. Hilton. She trademarked "That's hot" in 2006 while she was starring in *The Simple Life*, a TV series with Nicole Ritchie.[37] Her trademark, according to Business Insider, only applies to clothing and alcohol products.

Charlie Sheen. The troubled actor was a loser in his hopes to register a number of phrases: "Duh, Winning," "Vatican Assassin," "Tiger Blood," "Rockstar from Mars," and "I'm not bipolar, I am bi-winning."[38] His reason for trying to trademark these phrases was he didn't want anyone to profit on his expressions.

Nicole 'Snooki' Polizzi. She is a personality that gained notoriety from her role in the Fox TV series, *Jersey Shore*. She wanted to register her nickname, :Snooki, but was turned down because, according to Business Insider, "they were worried consumers might get her confused with Snooky, the cat star of a children's book, which already owns the trademark.[39]

Donald Trump. Before becoming President, Trump tried trademarking everything he could as evidenced by his putting his name on items like Trump Steaks, Trump University and the Trump Shuttle airline. One of his most famous phrases was "You're Fired," from *The Apprentice*. The Trademark Office turned him down on "You're Fired," because it was too similar to the educational board game, "You're Hired."[40]

Sarah Palin. This remarkable political figure who ran as John McCain's vice-presidential candidate and served as governor of Alaska wanted to trademark her name. She hired an attorney to create the application, but the Patent and Trademark Office denied he claim because there was no signature on the application. What she intended to do was prevent anybody from naming a child, "Sarah Palin."[41]

Michael Buffer. This popular ring announcer has made a fortune from his famous "Let's get ready to rumble," He started using it in 1992, and, according to *Business Insider* has earned him more than $400 million through the middle of 2018.[42]

Tim Tebow. Here's an attempt to trademark a gesture. This Heiman Trophy winning quarterback commonly bowed down on one knee with his fist on forehead. This move became known as "Tebowing." The Trademark Office denied any use of the gesture for profit, but Tebow, according to the Washington Times, had only one goal, "to control how it's used, make sure it's used in the right way."[43]

Taylor Swift. This highly popular singer started using the phrases "party like it's 1989," "because we never go out of style," and "this sick beat." She successfully trademarked these phrases for items like clothing, tattoos, soap, leather product like harnesses and saddles.[44]

Pat Riley. This highly successful NBA coach started using "three peat" when his Los Angeles Lakers was fighting for a third straight championship, and he successfully registered it.[45] Unfortunately, his Lakers fell short, but the Chicago Bulls accomplished a true "three-peat" in 1993.

Dennis Green. Another former coach uttered "They are who we thought they were" after his Arizona Cardinals were badly beaten by the 2006 Chicago Bears. However, the mark has been abandoned, so anybody can claim it.[46]

Tom Brady. Here's the situation where the celebrity trademarked a name he detested. The star quarterback for the New England Patriots hated the name "Tom terrific" so he trademarked it to make sure nobody else would it on clothing or other merchandise.[47] Fans of Major League pitching legend Tom Seaver objected. According to the New York Daily News, Brady said he meant no offense to Seaver but was only trying to prevent his name (Brady) from being used.

TRADEMARKING BEYOND THE GRAVE

When it comes to the megastars, going to the Great Beyond often boosts their value. Elvis Presley, in the 40th anniversary year of his death, earned more than $27 million in 2017, according to *Forbes* magazine In its annual list of dead celebrities.[48] Another megastar, Michael Jackson, earned $825 million, eight years after his death. (Most of that amount, $750 million was a result of the sale of Jackson's half of the Sony/ATV Music Publishing catalog in March 2016.)[49]

Ben Arnon, in *Huffpost* (6/2/17), writes: "The licensing of names and images of dead celebrities can be very big business."[50] Arnon reports that dead celebrities, which he calls "delebrities," were everywhere in the 2017 Licensing Expo in Las Vegas.[51] "John Wayne and Bela Lugosi even had their own booths on the show floor."[52]

Forbes magazine annually publishes a list of the highest-paid dead celebrities. In its last published list, 2018, following Michael Jackson's $400 million value were Elvis Presley, $40 million; golfer Arnold Palmer, $35 million; cartoonist Charles Schultz, $34 million; singer Bob Marley, $23 million; author "Dr. Seuss," 16 million; Playboy magazine publisher High Hefner, $15 million' Marilyn Monroe, $14 million; singer/songwriter Prince, $13 million; singer/songwriter John Lennon, $12 million; rapper XXXTentacion, $11 million; boxer Muhammad Ali, $8 million, and model Bettie Page, $7 million.[53]

On the 2017 list were: musician Tom Petty, $20 million; scientist Albert Einstein, $10 million; musician David Bowie, $9.5 million, and actress Elizabeth Taylor, $8 million.[54]

The *Forbes* list is remarkably consistent year after year. For example, 2016, only actor Steve McQueen was on the list for the last time.[55] Michael Jackson has been No. 1 since his death in 2009.

Celebrities that have come and gone since 2009 include: fashion designed Yves Saint Laurent, No. 1 in 2009 with $350 million in earnings, never appeared again.[56] Likewise, the composer/song writing team of Richard Rodgers and Oscar Hammerstein was No. 2 in 2009 with $235 million but left the list thereafter.[57] Author J.R.R. Tolkien of *Lord of the Rings* was fifth on the 2009 list at $50 million[58] but left the list after 2010.

DEAD CELEBRITIES AND THE LAW

The Lanham Act requires trademarking of the names of deceased celebrities be filed by the late celebrity's estate or heir(s).[59] Section 1(a) of the Lanham Act prohibits someone other than the owner of the celebrity's postmortem rights from registering the celebrity's name or image as a trademark.

But popular celebrities who wish to protect their branding rights in perpetuity must bequeath these rights to publicity as part of their legacy. If the celebrity and his/her heirs do not wish to cash in, a licensing prevention clause must be inserted into the estate planning process. This happened in the case of actor Robin Williams.[60]

According to "Guide to Deceased Celebrity Licensing" by Robert Strand in *Branding Strategy Insider* magazine, July 5, 2016: "Heirs and estates of dead celebrities argue that celebrities should be able to leave their "assets" to their heirs, and that it would be unfair to allow an advertiser or a merchandiser to make money without sharing it with the celebrity's family."[61]

Strand points out that "advertisers, merchandisers, and public domain advocates argue that celebrities shouldn't be able to control how their images are used after death. So, what is a deceased celebrity (delebrity) worth?"[62]

Strand notes tangible assets include cars, bank accounts, and homes. Next there are the intangible assets – copyrights, trademarks [and] the right of publicity, which is the right to your name and likeness. Governing the protection and ability to pass on these intangible assets is the state where the celebrity resided. It is that state's laws that govern the deceased celebrity's rights of publicity.

Branding Strategy Insider magazine writes that there can be several types of intellectual property that contribute to the overall value of the estate.[63] These rights include copyrights, patents, trademarks, and other creative works.[64]

There also can be yet another key asset of truly substantial, the right of publicity. This needs to be identified for estate and tax purposes. According to *Brand Management*, the right of publicity is a property right in a person's identity that can be legally separated from a person in a way that privacy rights cannot. Importantly, according to *Brand Management*, "postmortem rights of publicity exist beyond the death of a celebrity and are protected by and in many states."[65]

Rights of publicity can be vastly different depending on the particular state because there is no federal right of publicity law. Twenty-five states have enacted statutes to protect rights of publicity, including Florida, Illinois, New York and California.[66] In other states, including those with enacted statutes, common law rights of publicity exist instead of, or in addition to enacted statutes.[67] Central to every postmortem right of publicity case are two key issues:

1. Whether a state recognizes the right to publicity extending beyond the individual's death; and
2. Which state's law applies to a particular deceased individual?

Each state deals with the right of publicity differently, and results will vary greatly depending on which state's law applies. In states without a specific right of publicity statute, the right of publicity may still be recognized via common law. For example, according to Branding Strategy Insider :[68]

- **Arizona**: Statutes apply to members of the military only, defined as "any active member or former member of the armed forces of the United States, including any member who was killed in the line of duty."

- **California**: Duration of postmortem rights is 70 years. A Right Of Publicity claim will fail if too much like a copyright claim.

- **Delaware**: Digital assets, including social media accounts, become accessible to heirs, like any other asset.

- **Florida**: Duration of postmortem rights is 40 years.

- **Illinois**: Duration of postmortem rights is 50 years.

- **Indiana**: Protections for a person's distinctive appearance, gestures, or mannerisms. Does not cover anyone who has formed a personality solely on the basis of being charged or convicted of a crime. Includes those living outside of the state. Duration of postmortem rights is 100 years.

- **Oklahoma**: Deceased personalities include "any such natural person who has died within 50 years prior to January 1, 1986." Remedies can include profit.

- **New York**: Does not recognize commercial post-mortem right of publicity.

Branding Strategy Insider further explains: "To break it down, imagine an advertiser wants to use movie footage and photos of a deceased celebrity in an ad:[69]

- The owners of copyright protected footage may license their footage of a deceased celebrity for commercial purposes, and a photographer their copyright protected photos;

- If the state in which the deceased celebrity was a resident doesn't recognize deceased rights of publicity, New York for example, the commercialization rights enjoyed during one's lifetime are extinguished upon death by operation of law. So when in public domain, as in the eyes of New York, the deceased celebrity's heirs have no rights and have no say with regards to consent for commercial use.

- If a deceased celebrity's rights of publicity are protected (i.e. was a resident of California), get ready to manage the many layers of clearance, approvals, licensing as well as prepare to cut a multitude of checks to the sometimes multiple heirs (sometimes agreeable, other times embroiled in a family feud), agents, foundations etc.

The New York and California statutes came into play in a notable case concerning Marilyn Monroe's right of publicity. In **Shaw Family Archives Ltd v. CMG Worldwide, Inc,** (486 F Supp 2d 309 (SDNY 2007), *Branding Strategy Insider* explains that family members of the late photographer Sam Shaw – who took some famous images of Marilyn Monroe including the iconic image of her standing above a subway grate with her white skirt billowing in the wind – contended that they could sell Shaw's images of Monroe for commercial use without paying a license fee to Monroe's estate.[70] The U,S. District Court for the Southern District of New York held that because Marilyn Monroe died before the passage of California's Celebrity Rights Act in 1985 and because New York does not recognize a post-mortem right of publicity, her name, image and voice were in the public domain in California and New York.[71] The court noted that no matter which state's law applied, Monroe's heirs could not have inherited a property right that Monroe did not own at the time of her death.[72]

According to *Branding Strategy Insider*, the value of one's intellectual property portfolio is an important factor to consider when estate planning or disbursement and can have significant tax implications.[73] The IRS' attempt to collect as much as it can turned it into a the rather contentious area of intangibles, which include property interests like computer software, patents, copyrights, publicity rights and literary, musical and artistic compositions can be difficult to put a price.[74]

More recently, the estate of former singer Whitney Houston has been contesting the valuation of Ms. Houston's publicity rights, according to *The Hollywood Reporter*.[75] Ms. Houston's estate is just one of many in recent years. Michael Jackson's estate is more notably involved in significant tax claims over the valuation of certain assets, most importantly the worth of Jackson's public image. For the valuation of an estate of a celebrity, the right of publicity analysis is added to the value of any other intellectual property, such as trademark or copyright, residing in the estate.

Following, according to *Brand Management*, there are a number of "compensation drivers" for determining the value of deceased celebrities:[76]

- **Level of Celebrity**: How well known is the individual? Is the person a local celebrity, or an international superstar?

- **Level of Involvement**: What is required from the celebrity or their heirs/estate? If deceased, do the state laws pertaining to the celebrity protect the heirs or estate, or are they public domain? Will stock photos be used, copyright protected footage licensed, will live or holographic appearances for promotion be desired or required? If living, will the celebrity actually design the product? If deceased, did they have direct involvement or known interaction with the product or service?

- **Level of Use**: Where, when, and how often will the celebrity's likeness be used? The name only? The name and likeness?

- **Level of Affiliation**: Is the celebrity closely associated with the product? Is or was the product related directly to an athlete's sport? Does or did the musician use those instruments in concert? Is the actress known to wear the perfume? For example, in 1952, Marilyn Monroe shared with Life Magazine that she regularly wore Chanel No.5 to bed and has been used in Chanel No.5 advertising.

- **Level of Assets**: Are there trademarks, copyrights and film participation rights owned by the celebrity and their heirs?

THE COMPENSATION OF COLLEGE ATHLETES ISSUE

A new controversy has arisen in recent years involving allowing high profile college athletes to earn money for selling their endorsements or likenesses. The issue is part of the movement to pay college athletes who help generate billions of dollars in attendance and television dollars. Since it is the athletes that attract the fans and viewer, compensation advocates reason they should receive compensation.

Gavin Newsom, governor of California, in September, 2019, signed a bill to allow students paying college sports to strike endorsement rules and hire agents.[77] The state law is scheduled to take effect in 2023 will allow student-athletes in California to be paid for using their names, image or likeness, and to hire agents.

The new law says that the schools, conferences or the National Collegiate Athletic Association (NCAA) cannot punish students, take away their scholarships or limit their playing time. There is one caveat – student-athletes will not be allowed to make deals that conflict with a provision in a team's contract.[78] For example, the University of Michigan has a contract with Nike so one of its players wouldn't be allowed to endorse an Adidas product.[79]

The current NCAA policy is dictated by the general rule that a college athlete cannot "be represented by an agent for the purpose of marketing his or her athletics ability or reputation in their sporty."[80]

California has a way of becoming a national trend-setter. Similar laws could start being passed by legislatures in other states.

Forbes magazine, in an article: "9 Reasons To Allow College Athletes To License Their Names, Images and Likenesses," by City College of New York (CCNY) law professor Marc Edelman presents nine reasons why the NCAA should allow students to license publicity rights.[81] Edelman calls a recent ruling by the NCAA Basketball Commission, "a shameful report on college basketball that failed to grand college athletes the immediate right to license their names, images and likeness for money."[82]

Edelman's nine reasons why the athletes should be allowed licensing rights:

1. **It Would Benefit College Athletes.** It would provide spending money because student athletes often don't have the time to work traditional work-study jobs.
2. **It Would Benefit Small Businesses** that operate on college campuses.
3. **Consumers and Fans Want It to Happen.** If not, there would ne no market for such endorsements.
4. **College Athletes Have a Legal Right to Do So.** Section 1 of the Sherman Antitrust Act states that any contract, combination or conspiracy, in the restraint of trade shall be declared illegal.
5. **Revamping the NCAA Bylaws Is Simple.** The author offers amended language for The "Permissible Student Athlete Licensing Rights" clause: "A payment administered by non-educational institution is not considered to be the pay or the promise for athletics skill, provided the student athlete does not use the trademark of the NCAA or any NCAA member college in any manner that maybe construed as an endorsement. Unless such manner is otherwise protected by principles of the First Amendment or fair use."
6. **The Title IX Problem? What Problem?** According to Edelman, changing the rules regarding compensation to athletes has nothing to do with Title IX, which deals with equal opportunity irrespective of gender.
7. **Allowing Endorsement Would Benefit All Athletes, Male or Female.** Elite female athletes in basketball or track and field can also benefit.
8. **Athletes Are Likely to Stay in School or Graduate.** Licensing compensation would possibly remove the pressure of athletes to go pro to support themselves and family.
9. **It Would Reduce the Risk of Future Bribery and Corruption.** A good example of such corruption are the point-shaving controversies that often erupt from high-profile basketball programs, Edelman writes: "the best way to quash this bribery and corruption is to bring the market for college athletes' services into the public and simply allow sneaker companies to hire the best college athlete endorser they can find."

In Shakespeare's "Othello," (*Act 3, scene 3, 155–161)* the evil Iago says: ***"Who steals my purse steals trash…But he that filches from me my good name robs me of that which not enriches him And makes me poor indeed."***[83]

The good name of a celebrity or athlete, living or dead, how they are perceived, and what they say or what they said can be highly valuable intellectual property and has the possibility of delivering an enormous stream of income. ■

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Esports

The Differences Between Entertainment and Sports Dealmaking

By Jeremy M. Evans

Turner "Tfue" Tenney is a popular esports gamer who was represented by Faze Clan, an esports organization and digital, social, and streaming content network. Faze Clan would take a percentage of Tenney's endorsement deals and winnings from tournaments on Twitch (owned by Amazon/AMZN). The relationship does not seem much different from a sports agency model for an athlete or an entertainment agency like WME/Endeavor or CAA for entertainment, media, and sports talent.

The question is what rules apply to Tenney and Faze Clan. Is Tenney an athlete, entertainer, or an influencer in the media space? Is Tenney all three designations in one under the law?

For this article, the focus will be on California since the Golden State is where this author is licensed to practice law, but also because California like New York state have robust laws and regulations for the broad-based field and term of talent representation, which includes varying legislative acts for entertainment, media, and sports individuals and business firms (agencies and attorneys, etc.) in the space.

Where we begin in a lawsuit[1] filed by Tunney against his former representation firm that argues unfair business practices and Talent Agencies Act violations in California, which raises questions about differences between sports and entertainment dealmaking. The purpose of this article will be to address those distinctions.

Previously, this author has written on the topic of talent representation. In 2018, in this publication, "Lawyers, Agents, and the Blurred Lines Regulating Talent Representation," appeared in the Winter 2018, Volume 34, Issue 2 Edition of *Entertainment and Sports Lawyer*.[2] In 2016, "Ethical and Practical Implications and differences between Sports Agents and Attorneys," appeared in the Summer 2016, Volume 23, Issue 3 Edition of what is now *the PRACTITIONER* with the Solo and Small Firm Section of the California Lawyers Association.[3] Although not required, those aforementioned articles would be a good primer or reference to this article.

To assist the reader through this article, the author has labeled five sections of importance as to how esports gamer's might be defined and agencies and attorneys regulated in terms of the talent space, with discussion how each of those labeling exercises causes both excitement and concern.

START A UNION, BUT WHAT ABOUT THE WGA-AGENCY DISPUTE?[4]

Unions have done some great things for labor, especially in the sports and entertainment industries where there is constantly a battle for leverage between management/ownership and the talent. That leverage space is where dealmaking is at its very best where each party is always trying to move the needle in their direction. However, unions are the not the answer to everything and of course individual athlete sports do not have unions and it is likely that many in that space would not complain since talent teams are allowed to secure deals according to their own understanding. Furthermore, it is not certain that a union would help a NASCAR, Formula 1, tennis, or golf athlete make more money or be better for the industry.

Esports, however, have somewhat of a hybrid role, somewhat like team sports, where the gamers have their own brands, endorsement deals, and sometimes distribution channels, but those same gamers are also members of teams like Faze Clan. The Writers Guild of America (WGA) is an example of the battle between labor and management and sometimes more importantly the agents and agencies who represent talent and what deals are good for the talent versus what is good for the agent/agencies, and management. Conflicts arise in the those situations and any move to unionize would (1) require consolidation of the esports teams into selected leagues, which may constrict the available leagues, teams, and opportunities and relegate teams and gamers to lower levels (think triple A and double A minor league baseball), and (2) buy-in from all parties that may cause some gamers to want to go it alone and not join a team with an entrepreneurial spirit and not be limited to percentage deals coming on multiple ends (an agent and team taking a percentage for example, or worse, a company working as both a manager and agent, which is illegal in California and New York).[5]

Esports industry organization as a whole might be better for marketing purposes, and for laymen to understand what is what, but whether gamers should unionize and have an individual set of rules in an already convoluted space would be unwise without further understanding of the implications.

ESPORTS ARE A SPORT AND GAMERS ARE ATHLETES, THE *MILLER-AYALA ACT*[6] APPLIES

Normally in California, if you want to represent a professional athlete, you have to file a simple Athlete Agent Disclosure Statement[7] and pay a small fee. If you represent an athlete that plays in a league that has a union (NBAPA, NFLPA, NHLPA, MLBPA, or MLSPA)[8] then you will have to generally take a test, fill out an application, and pay a fee. The Miller-Ayala Act governs the rules and regulations for agents in California.[9] Attorneys fall somewhere in legislative purgatory because they are licensed to practice law, but must also get an agency license and separate business if they want to represent talent for doing legal things like negotiating contracts, term sheets, drafting contracts, and, you know, dealmaking.

If we assume gamers are athletes, then their representation should fall under the aforementioned established rules. However, it is not certain that gamers are athletes under the typical definition of or model. If anything, gamers are a mixture of three industries, entertainment, media, and sports. On the other hand, the sports industry does allow attorneys attorney's to negotiate and participate in dealmaking without an over-arching law with their law licenses.

ESPORTS ARE MEDIA AND ENTERTAINMENT, THE *TALENT AGENCIES ACT*[10] APPLIES

Years ago, this nifty little legislative carve out, some would refer to it as a monopoly and restraint on trade,[11] and possibly worse the unauthorized practice of law, the *Talent Agencies Act* (TAA) was signed into law at the push of some in Hollywood who wanted more control and less competition in the industry. Now, however, there are some terrific agents and leaders in industry who have been trusted and delivered on major deals for their clients. It is also true that many agents graduated from law school and either decided not to practice law or practice law on a limited basis.

That being said, the concern arises when, for example, in the *Tenney v. Faze Clan* case and the WGA-ATA dispute where conflicts of interest between clients and businesses, percentage deals, packaging, and the like are not covered as clients protections or enforced strongly enough. Attorneys are not without fault in the legal industry, but there is always the threat of discipline and disbarment especially with the State Bar of California focusing solely on licensing and discipline since January 2019, which split with the now newly formed *California Lawyers Association*.[12] The TAA something that has fallen under scrutiny before, whether anything changes going forward is likely to begin in Sacramento and Washington, D.C. Until and if that time comes, attorneys and all others will need to be registered under the TAA to "procure" employment. At the end of the day, agents are practicing law and this needs to be addressed legislatively where a non-attorney is a licensed agent.

ESPORTS ARE SOMETHING COMPLETELY NEW, AND "INFLUENCERS" NEED A NEW REGULATION

What would an influencer law look it and who would it cover? One argument is that influencers are entertainers and that the *Talent Agencies Act* applies especially where deals are procured for the gamer. An argument that the sports agency rules apply would be a stretch at best unless the influencer was an athlete in some sport, but then the influencer would be an athlete who also does influencer promotions.

There is a combining of industries, audiences and fans are just as likely to see a gamer win a competition as they are to see their performances streamed on Twitch or YouTube, and with hundreds of teams and gamers without any real organization the teams represent something more like the studios in entertainment as well. Gamers are also like influencers in that they utilize social media, like athletes and entertainers to promote products and ideals. A gamer is also like an athlete in team sports with individual branding opportunities.

Where is an attorney, or agent, to turn for answers? A new or revised law covering esports and influencers might be helpful to navigate the space, but basing any new legislation on the current landscape would be a mistake based on difficulties that currently exist. On the one hand, gamers, influencers, athletes, entertainment, and media clientele (e.g., talent) need protection. On the other hand, the representation who represent the talent needs to be able to, well, represent. To be clear, limitations on who represents talent should be based on qualifications and those who represent talent must be guided by clear and strong rules on ethics.

ESPORTS AND THE ENTIRE INDUSTRY NEEDS A REVAMP

The truth is the industry is changing. The entertainment, media, and sports industries still have their industry channels and established content, but it is likely that a new model is needed. The *Tenney v. Faze Clan* case is an example of the issues in entertainment and sports dealmaking in general: a lack of regulation and/or confusing and outdated regulation that favors the few.

This author would argue that, first, the best and possibly easiest path forward is to require that all legal work being done for talent should be completed by attorneys where the ethical rules[13] as applied to attorneys currently covers all clientele. Legal work includes and should include drafting and negotiating of contracts and dealmaking in that space, which could and has always been interpreted broadly. If new legislation is drafted, it could be specific to talent in putting caps on percentage deals and defining more specifically conflict of interest and how it applies to talent and their representatives. The one downfall of new legislation is that more regulation on the legal industry is not necessarily the best thing where private deals between clients and their attorneys are best guided by the ethical rules and what the parties negotiate as a fair deal.

In the meantime, attorneys, agents, and all talent clientele are in limbo when it comes to gamers and influencers. Gamers are probably more akin to the sports industry and most practitioners are registering or acting as attorneys in that space. Influencers have taken the path of attorneys and talent agents through the TAA because there seems to be an entertainment feel to the work. Either way, it would be much easier to have one clear law for all. ■

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Copyright Protection Designed for Music's Illusory Innovation Space

A Sliding Scale Framework of Broad to Thin Protection

By Christopher Chiang

I. INTRODUCTION

Since the *Williams v. Gaye* case, where a jury found Pharrell Williams and Robin Thicke's "*Blurred Lines*" infringed upon Marvin Gaye's "*Got to Give it Up*", music copyright disputes have increasingly captured media attention on "Why All Your Favorite Songs Are Suddenly Being Sued"[1] with winking headlines about the "Music Industry's 'Blurred Lines' on Copyright".[2] And it seems no modern artist is safe. Lady Gaga's "Shallow", Lizzo's "Truth Hurts", Sam Smith's "Stay with Me", Coldplay's "Viva La Vida", Ed Sheeran, Lana Del Rey, Cardi B, Miley Cyrus, Carrie Underwood, and Kendrick Lamar have all been accused of copyright infringement.[3]

The copyright lawsuits against Led Zeppelin, Pharrell Williams, and Katy Perry illustrate an ambiguous framework that lacks predictability and permits increasingly narrow claims of infringement. This is problematic as musicians need clarity on what may be referenced as a musical idea and what are protected musical expressions. Era-inspired works like "Uptown Funk,"[4] which was hit with three copyright lawsuits, exemplify the current framework's overbroad protection which risks punishing the creation of permissible inspired works.[5] And with 40,000 songs uploaded per day to Spotify, music's drastic growth comes with more fear of liability.[6]

The current framework overlooks the fact that all music draws upon prior works for inspiration.[7] The fundamental building blocks (melody, harmony, and rhythm), which are limited to a finite system, create the backbone of a musical composition upon which all secondary elements rest upon.[8] This article proposes a sliding scale framework between broad and narrow protection dependent on the primary or secondary role of allegedly infringing elements.

II. THE CURRENT SUBSTANTIAL SIMILARITY FRAMEWORK

A. Access and the Extrinsic – Intrinsic Analysis of Musical Works

When a plaintiff holds a valid copyright to a song, a musical artist infringes upon that copyright if the plaintiff can prove circumstantial copying by showing that (1) the defendant had access to the plaintiff's work; and (2) that the two works share substantial similarities.[9] Access may be based on a theory of widespread dissemination and subconscious copying."[10] Courts have applied an "inverse-ratio rule", in which a lower standard of proof of substantial similarity is required when a high degree of access can be shown.[11]

In order to determine the substantial similarity prong, courts employ the extrinsic and intrinsic test. The first "extrinsic" test considers whether two works share similar ideas and expressions, as an idea alone is not protectable, but the expression of an idea can be.[12] This test limits protection solely to protectable elements by breaking the works down into their constituent elements, then comparing those elements for substantial similarity.[13] Because it is essential that courts filter out unprotectable elements such as ideas and scènes à faire[14], musical experts and analytic dissection is recommended to help a judge or jury analyze alleged similarities in those elements.[15] Extrinsic analysis of elements in the illusory space of music can be difficult to grasp, especially since the Ninth Circuit in *Swirsky v. Carey* expressly refused to announce a uniform set of factors for analyzing musical compositions.[16] Fortunately, specific examples of some unprotected musical elements have developed as "expressions that are standard, stock, or common" are not protectable (e.g., arpeggios, chromatic scales).[17]

If "extrinsic" substantial similarity is not found, the inquiry ends.[18] Otherwise, courts proceed to the intrinsic test, the subjective counterpart reserved for the jury. This test asks juries to determine whether the average listener could hear substantial similarities in the "total concept and feel" of the two works."[19] Analytic dissection and expert testimony presented during the extrinsic test are expressly excluded.[20]

B. The Ninth Circuit has held that Musical Works Enjoy Broad Copyright Protection

A work is broadly protected if there is a wide range of expression. Under "broad" copyright protection, infringement is found if the work is substantially similar to the original copyrighted work.[21] But if there is a narrow range of expression, then copyright protection is "thin" and the work must be "virtually identical" in order to infringe.[22]

A combination of unprotectable elements may be eligible for copyright protection, but only if those elements are numerous enough, their selection and arrangement original enough, and their combination constituted an original work of authorship.[23] *Satava v. Lowry* makes clear that "copyright on these original elements (or their combination) is "thin", comprising no more than his original contribution to ideas already in the public domain."[24] Thin copyright only protects against "virtually identical copying".[25]

Though music can be a "combination of unprotectable elements", the Ninth Circuit contrarily afforded it "broad" protection per *Swirsky's* categorization of music as a "large array of elements", thus a broad range of expression.[26] Thus, alleged infringing musical works do not need to meet *Satava's* higher "virtually identical" standard, only "substantially similar".[27]

III. CURRENT POLICY ISSUES AND PROPOSAL OF A REVISED FRAMEWORK

A. The Ninth Circuit Should Drop the Illogical Inverse-Ratio Rule.

The Ninth Circuit has held that when a high degree of access is shown, a lower standard of proof for substantial similarity is required (the "inverse-ratio rule").[28] In *Skidmore v. Led Zeppelin*, Michael Skidmore, trustee of the Randy Wolfe Trust, claimed that Led Zeppelin's "Stairway to Heaven" infringed upon Wolfe's song "Taurus".[29] The Ninth Circuit directed the district court to consider this doctrine, unless plaintiff's proof of access was "insufficient to trigger the inverse-ratio rule".[30]

This rule has been widely condemned by sister circuits and legal scholars.[31] While proving access to plaintiff's work is a necessary element to show the probability of copying, "more access" does not logically "trigger" an increased probability that the defendant copied from that plaintiff. To illustrate, while Led Zeppelin may have had some access to "Taurus", they also had far more access to widely popular songs (e.g., "Let It Be" by the Beatles, "Mary Had a Little Lamb"). "More access" does not make it more likely that Led Zeppelin copied from those works instead of "Taurus".[32] Simply put, "more access" is not probative of copying.

Consequently, the Ninth Circuit should align with other circuits who have dropped the inverse-ratio rule.[33] In *Rentmeester v. Nike*, the Ninth Circuit seemed to move in this direction.[34] Yet, the *Skidmore* court still reinforced its relevance by instructing the application of the inverse-ratio rule.[35] As the *Skidmore* case is being reheard en banc, the Ninth Circuit should take the opportunity to abandon the rule and affirm that a "showing of substantial similarity necessary to prove unlawful appropriation does not vary with the degree of access the plaintiff has shown."[36]

B. Music's Finite Innovation Space is Misaligned with Absolute Broad Protection

In *Williams*, the Ninth Circuit held that musical works enjoyed broad copyright protection, thus not requiring "virtual copying" to prove infringement. On counterclaim by Marvin Gaye's' family, the jury found that plaintiff Pharrell Williams' song "*Blurred Lines*" infringed upon Gaye's song "*Got to Give It Up*" ("*Give It Up*").[37] Williams argued that because the alleged infringing elements of "*Give It Up*" were unprotectable elements, it should only enjoy thin protection in accordance to *Satava*.[38] The court disagreed, holding that musical compositions are broadly protected since they are "not confined to a narrow range of expression".[39] Per *Swirsky*, music "is not capable of ready classification into only five or six constituent elements; music is comprised of a large array of elements, some combination of which is protectable by copyright."[40]

Because of the illusory nature of ideas and expression in a musical context, the *Williams* court misapplied the test for substantial similarity and consequently protected musical style/genre ("ideas") under the guise of protecting an original combination of elements ("expression"). First, it is important to properly understand music's finite innovation space from both case law and music professionals.[41] Western music is primarily a "tonal system", a hierarchical and relational system of tones (e.g. the notes of a major or minor scale), in which there are only a limited number of possible pitch and harmonic relationships.[42] Furthermore, the tonal system's hierarchy of predominate chords and pitches create "patterns and tendencies… common to virtually all musical works composed in the tonal system".[43] From here, songwriters draw upon a common vocabulary of fundamental elements to create melody[44], harmony[45], and rhythm[46]. Melody, harmony, and rhythm comprise the "backbone" of a musical composition and thus its most important elements.[47] A combination of secondary elements are then used to enhance the appeal of the work, but they are fundamentally enhancements of the "backbone's" primary elements.[48] Historically, pre-*Swirsky* courts accordingly focused on the primary elements, even to the point of excluding the other primary elements to solely focus the inquiry on melody.[49]

The *Williams* court's view that music as incapable of "ready classification into a few constituent elements", overlooks the hierarchical importance in the roles of primary and secondary elements in music composition. And while there may be a wide array of elements, the *Williams* court's view fails to realize that the primary elements which constitute the "backbone" of a musical work are systemically constrained to a narrower range of expression.[50] These are even further constrained because, as Judge Learned Hand said, "while there are an enormous number of possible permutations of the musical notes… only a few are pleasing; and much fewer still suit the infantile demands of the popular ear… recurrence is not therefore an inevitable badge of plagiarism."[51]

Furthermore, the sharing of structural elements are especially common within a particular musical genre.[52] Each musical genre has its own common patterns which can be classified as scènes à faire.[53] The scènes à faire doctrine allows anyone to use the defining elements of a genre or style without infringing copyright, because these building blocks are "indispensable" to creating within that genre.[54] The *Williams* court's failure to hold a musical combination of unprotected elements to the virtually identical standard, broadens infringement to common patterns used to invoke the "style" or "feel" of an era.[55] In effect, this prevents artists from referencing previous material, particularly problematic as all music is inspired by prior music.[56]

C. A Revised Framework Designed for Music's Innovation Space is Needed

i. Current Policy Considerations Illustrated through Williams

In designing an updated infringement framework for musical work, competing policies must be considered. The

Williams case illustrates the problems of the current framework. Williams had said he was inspired by the "late-70's feeling" by using elements from that era, which Gaye claimed infringed on "Give It Up's" originality.[57] But in fact, many elements in "Give It Up" are unoriginal staples of funk music, from the bass line, falsetto, and hook elements.[58] To prove that the alleged infringing elements were scènes à faire, Williams' experts cited prior works that utilized the same elements.[59] However, the district court ruled that per *Swirsky* the expert testimony failed to show that "*Blurred Lines*" was "more similar" to these prior works than it was to "*Give It Up*".[60] But this "more similar" focus was misplaced, as the issue in both *Swirsky* and *Williams* was whether the individual elements were scènes à faire, not whether the works were entirely unoriginal. Because the district court failed to properly consider the issue at summary judgment of whether the defendants copied original elements, the case proceeded to a jury.

The current framework intended for judges to play a "gate-keeping" role in applying the extrinsic test at summary judgment.[61] But when the court bypasses actual consideration of the protectability of the elements themselves, problems compound when proceeding to intrinsic analysis. The "total concept and feel" test asks juries to decide whether the two works are substantially similar. Yet, research shows that non-musicians are significantly more likely to find similarity between musical works based off a particular timbre or shared performance style.[62] Thus, the unprotectable sounds of instruments or vocal styles shared within a genre can have a prejudicial effect on a jury's perception of musical similarity between the two works.[63] This is further complicated as the intrinsic analysis expressly prevents expert testimony who could mitigate this subtle risk.[64] Here, the *Williams* jury found similarity where the 70's-inspired "*Blurred Lines*" shared similar unprotectable timbre and genre elements with "Give It Up".[65]

ii. A New Sliding Scale Framework that Properly Categorizes Elements

Competing policy interests are remedied in a new framework that allows for a sliding scale between broad and thin copyright protection, based upon the hierarchical importance of the alleged infringing musical elements. At the extrinsic stage, musical works that share similar melodies, the most important of the primary "backbone" elements, should enjoy broad protection subject to the "substantial similarity" standard. Harmonic and rhythmic elements are probative as primary elements, but by themselves do not warrant broad protection. However, when rhythmic or harmonic elements are combined with numerous shared secondary elements, it may rise to a level that warrants broad protection. Secondary elements, as functional enhancements of the primary elements, lean towards thin protection if shown to be unoriginal and unprotected. Thus, an original combination of secondary elements may only be infringed upon if the works are "virtually identical". If extrinsic similarity is found, the intrinsic test should allow for music expert testimony. Jurors in each unique case need genre-specific guidance on applicable similarity standards in order to distinguish a genre's unprotectable sounds and performance styles from an original work's non-genre protectable "concept and feel".

This framework balances multiple interests. Placing utmost importance on melodic similarity comports with the policy behind those who argue that copyright should be restricted to only melody.[66] It also aligns with pre-*Swirsky* case law that historically focused the inquiry to melody.[67] And the inclusion of less important elements also generally comports with post-*Swirsky* precedents analyzing music as a "large array of elements" with a comparably wider range of expression than other mediums.[68]

Original copyright holders may argue that copyright law should protect original combination of elements beyond their melodies. However, copyright law has often withheld such overbroad protection from creative expression that theoretically could be protected.[69] When Congress extended protection to choreography but withheld it from "social dance steps and simple routines", it explicitly linked musical and choreographic works as categories that did not extend to a full range of creative authorship.[70]

In any case, the sliding scale still considers the original combination of elements by appropriately aligning the similarity standard with *Satava* when necessary. This framework balances the desire to protect original combinations with the danger of overbroadly reaching into the unprotectable defining elements of genre. Allowing rhythmic and harmonic primary elements the opportunity to lean towards broad protection gives courts room to address each unique combination. This aligns with current case law's view that "there is no magical combination of factors… each allegation of infringement will be unique".[71]

This sliding scale presents more guidance at the summary judgment stage than the current amorphous framework which refused a uniform set of factors. This allows the court to play its gate-keeping role more effectively and set more precedent, which would in turn make the law more predictable. It provides clearer margins for artists to create new music. They would now know that their inspired works are absolutely permissible if their melodies are dissimilar and the other elements are not "virtually identical".

iii. Applicability of the New Framework Illustrated through Gray

In *Gray v. Hudson*, plaintiff Marcus Gray claimed defendant Katy Perry's song "*Dark Horse*" infringed upon his song "*Joyful Noise*", based entirely on the alleged similarity of an ostinato.[72] At issue were five common musical elements:

1. a pitch sequence of scale degrees 3-3-3-3-2-2;
2. rhythm;
3. timbre ("pingy" synthesizer sound);
4. phrase length;
5. the "placement" of the ostinato"[73]

Beginning with the first prong of access, the new framework would not include the inverse-ratio rule even if Perry had "more access" to Gray's work because of "*Joyful*

Noise's" widespread popularity. However, as this was not the case with "*Joyful Noise*" the district court here appropriately did not consider the inverse-ratio rule anyways.[74]

As for the substantial similarity prong, the new framework would examine the importance of the alleged infringing elements. Gray claims that the ostinatos share the primary element rhythm. However, here the rhythm element would lean heavily towards thin copyright as it is particularly unprotectable. The shared rhythm is exceptionally unoriginal as a basic pattern of repeating evenly spaced notes of equal length notes, an utterly commonplace sequence that is ubiquitous throughout all genres of western music.[75]

Next, the secondary elements would be examined for their protectability. Here, where they are largely unoriginal and combined with the exceptionally basic and ubiquitous rhythm, the sliding scale would hold "*Joyful Noise*" to thin copyright protection. Therefore, in order for extrinsic similarity to be found, "*Dark Horse's*" ostinato must be virtually identical. This is not the case as the ostinatos differ in the notes used, order of pitches, portamento use, and ostinato length.[76] Thus, the inquiry would and should have ended here.

Instead, the unguided jury here proceeded to the intrinsic test and found that the total concept and feel of the works were substantially similar. Under a revised framework, a musicologist could provide guidance by testifying on the common use of ostinatos and synthesizer sounds within the hip-hop genre, particularly the sub-genre of "Trap Music" upon which these beats were based upon.[77] A jury could have reasonably found that the works are not virtually identical as "*Dark Horse*" is lyrically and compositionally different except for an arguable ostinato.

IV. CONCLUSION

This proposed sliding scale framework provides clarity, guidance, and predictability in *Swirsky's* ambiguous absence of factors for analyzing musical works. It accounts for the policy considerations of those arguing for protection strictly limited to melody, while simultaneously avoiding drastic upset of Ninth Circuit precedents that gave import to non-melodic elements as part of music's wider range of expression. And for many modern artists, it provides much needed creative boundaries in music's innovation space. ■

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ENDNOTES

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3 Libby Torres, *33 artists whose hits were accused of ripping off other songs*, Insider (Oct. 16, 2019), https://www.insider.com/songs-that-allegedly-stole-from-other-songs-2018-3.

4 Michelle Kaminsky, *Bruno Mars And Mark Ronson's 'Uptown Funk' Faces (Yet Another) Copyright Infringement Suit*, Forbes (Dec. 30, 2017), https://www.forbes.com/sites/michellefabio/2017/12/30/bruno-mars-and-mark-ronsons-uptown-funk-faces-yet-another-copyright-infringement-suit/#1f829c0770c0.

5 Randall Roberts, *How the 'Blurred Lines' case could have chilling effect on creativity*, Los Angeles Times (Mar. 6, 2015), https://www.latimes.com/entertainment/music/la-et-ms-blurred-lines-notebook-pharrell-williams-robin-thicke-marvin-gaye-20150306-column.html.

6 Wang, *supra* note 1.

7 *See* Brief of Amici Curiae 212 Songwriters et al. in Support of Appellants at 9, Williams v. Gaye, 895 F.3d 1106 (9th Cir. 2018) (No. 15-56880), 2016 WL 4592129 [hereinafter *Williams Amici Brief of 212 Songwriters*] ("From time immemorial, every songwriter, composer, and musician has been inspired by music that came before him or her… This is especially so within a particular musical genre. Virtually no music can be said to be 100% new and original.").

8 Wang, *supra* note 1 ("Christopher Buccafusco, a law professor who specialized in music copyright… tells Rolling Stone, 'The world of musical composition is not that broad… Most musicians are working in a finite innovation space. There are not a lot of sounds generally pleasing to people's ears and not that many ways to say, 'Love is a wonderful thing.'").

9 Williams v. Gaye, 895 F.3d 1106, 1119 (9th Cir. 2018).

10 *Id.* at 1123.

11 Rice v. Fox Broad. Co., 330 F.3d 1170, 1178 (9th Cir. 2003).

12 Swirsky v. Carey, 376 F.3d 841, 845 (9th Cir. 2004).

13 *Id.*

14 *Rice*, 330 F.3d 1178 (defining "scènes à faire as expressions indispensable and naturally associated with the treatment of a given idea [which] "are treated like ideas and are therefore not protected by copyright.").

15 Cavalier v. Random House, Inc., 297 F.3d 815, 822 (9th Cir. 2002).

16 *Swirsky*, 376 F.3d at 849 ("In analyzing musical compositions under the extrinsic test, we have never announced a uniform set of factors to be used. We will not do so now.").

17 Standard musical elements such as arpeggios (i.e., notes of a chord played in sequence) or chromatic scales are not independently protectable under copyright law. *See* Compendium (Third) § 802.5(A) (citing "chromatic scales" and "arpeggios" as "examples of common property musical material"). And certain short musical phrases, even if novel, may not "possess more than a *de minimis* quantum of creativity" and thus unprotectable. *See* Feist Publications, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 363 (1991); *see* Compendium (Third) §§ 313.4(C), 802.5(B).

18 *Swirsky*, 376 F.3d at 845.

19 Three Boys Music Corp. v. Bolton, 212 F.3d 477, 485 (9th Cir. 2000)

20 Sid & Mart Krofft Television Prods., Inc. v. McDonald's Corp., 562 F.2d 1157, 1164 (9th Cir. 1977).

21 *Id.*

22 Williams v. Gaye, 895 F.3d 1106, 1120 (9th Cir. 2018) ("To illustrate, there are a myriad of ways to make an 'aliens-attack movie,' but 'there are only so many ways to paint a red bouncy ball on blank canvas.' Whereas the former deserves broad copyright protection, the latter merits only thin copyright protection.").

23 Satava v. Lowry, 323 F.3d 805, 811 (2003).

24 *Id.*

25 *Id.* at 812; *see also*, Ets–Hokin v. Skyy Spirits, Inc., 323 F.3d at 766

(9th Cir.2003) ("When we apply the limiting doctrines, subtracting the unoriginal elements, Ets Hokin is left with ... a 'thin' copyright, which protects against only virtually identical copying."); Apple Computer, Inc. v. Microsoft Corp., 35 F.3d 1435, 1449 (9th Cir. 1994) ("When the range of protectable expression is narrow, the appropriate standard for illicit copying is virtual identity.").

26 Swirsky v. Carey, 376 F.3d 841, 849 (9th Cir. 2004) ("Music, like software programs and art objects, is not capable of ready classification into only five or six constituent elements; music is comprised of a large array of elements, some combination of which is protectable by copyright.").

27 *Id.*; *see also*, Williams v. Gaye, 895 F.3d 1106, 1120 (9th Cir. 2018) ("We reject the Thicke Parties' argument that the Gaye's' copyright enjoys only thin protection. Musical compositions are not confined to a narrow range of expression.").

28 Three Boys Music Corp. v. Bolton, 212 F.3d 477, 485 (9th Cir. 2000); *see also*, Rice v. Fox Broad. Co., 330 F.3d 1170, 1178 (9th Cir. 2003).

29 Skidmore v. Led Zeppelin, 905 F.3d 1116, 1122 (9th Cir. 2018).

30 In *Skidmore*, the Ninth Circuit evaded applying the inverse-ratio rule "as the jury did not reach the question of copying, the inverse ratio rule was not relevant, and any error in not including it was harmless." However, the court still noted that "there was substantial evidence of access, and indeed, the jury found that both James Page and Robert Plant had access to 'Taurus.' On remand, the district court should reconsider whether an inverse ratio rule instruction is warranted unless it determines, as a matter of law, that Skidmore's "evidence as to proof of access is insufficient to trigger the inverse ratio rule."). *Id.* at 1130–31 (9th Cir. 2018).

31 *See, e.g.*, *Arc Music Corp. v. Lee*, 296 F.2d 186, 187 (2d Cir. 1961); 3 William F. Party, *Patry on Copyright* § 9:91, at 9-243 (West 2007) (concluding that "[i]t is time the inverse ratio 'theory' be killed off permanently"); Alan Latman, *Probative Similarity As Proof of Copying: Toward Dispelling Some Myths in Copyright Infringement*, 90 Colum. L. Rev. 1187 (1990); Mark A. Lemley, *Our Bizarre System for Proving Copyright Infringement*, 57 J. Copyright Soc'y U.S.A. 719, 721 (2010); David Aronoff, *Exploding the Inverse Ratio Rule*, 55 J. Copyright Soc'y U.S.A. 125 (2008).

32 Brief Amici Curiae of 19 Intellectual Property Professors in Support of Petitioner Led Zeppelin, Skidmore v. Led Zeppelin, 905 F.3d 1116, 1122 (9th Cir. 2018) (No. 16-56057) [hereinafter Skidmore Amici Brief of IP Professors].

33 The Second, Seventh and Eleventh Circuits have likewise dropped the inverse ratio rule. See Arc Music Corp. v. Lee, 296 F.2d 186, 187 (2d Cir. 1961) ("the rule is superficially attractive… [but] upon examination confuses more than it clarifies.. access will not supply the lack of similarity, and an undue stress upon that one feature can only confuse and even conceal this basic requirement."); Peters v. West, 692 F.3d 629, 635 (7th Cir. 2012) ("we have never endorsed the other side of the inverse relation: the idea that a "high degree of access" justifies a "lower standard of proof" for similarity. This [access] issue is independent of the question whether an alleged infringer breached his duty not to copy another's work. Once a plaintiff establishes that a defendant could have copied her work, she must separately prove—regardless of how good or restricted the opportunity was—that the allegedly infringing work is indeed a copy of her original."); Beal v. Paramount Pictures Corp., 20 F.3d 454, 460 (11th Cir. 1994) ("the inverse-ratio rule has never been applied in this Circuit").

34 Rentmeester v. Nike, Inc., 883 F.3d 1111, 1124 (9th Cir. 2018) ("The showing of substantial similarity necessary to prove unlawful appropriation does not vary with the degree of access the plaintiff has shown.").

35 Skidmore v. Led Zeppelin, 905 F.3d 1116, 1130-31 (9th Cir. 2018).

36 *Rentmeester*, 883 F.3d at 1124.

37 Co-Plaintiffs Pharrell Williams, Clifford Harris Jr. (p/k/a "T.I."), and Robin Thicke, along with the manufacturer and distributor of "Blurred Lines" initially sought declaratory judgment of non-infringement. The copyright owners of "*Give It Up*", the Gaye family, counterclaimed for copyright infringement. After a seven-day trial and two days of deliberation, a jury found copyright infringement and awarded the Gaye family $4 million in actual damages. Williams v. Gaye, 895 F.3d 1106, 1118 (9th Cir. 2018)

38 Satava v. Lowry, 323 F.3d 805, 812 (9th Cir. 2003)

39 *Id.* at 811.

40 Swirsky v. Carey, 376 F.3d 841, 849 (9th Cir. 2004)

41 Wang, *supra* note 1 ("the world of musical composition is not that broad… Most musicians are working in a finite innovation space.")

42 *See generally* Carol L. Krumhansl & Lola L. Cuddy, *A Theory of Tonal Hierarchies in Music, in Music Perception*, 51 (M.R. Jones et al. eds., 2003).

43 Jeffrey Cadwell, *Expert Testimony, Scenes A Faire, and Tonal Music: A (Not So) New Test for Copyright Infringement*, 46 Santa Clara L. Rev. 137, 155-158 (2005) (arguing functional constraints make music prone to tendencies and commonalities).

44 "Melody" comprises a succession of pitches, each sounded for a particular duration. It is the most distinctive and memorable musical aspect in general because melody is what listeners most readily comprehend, recall and replicate. *See* Fishman, J. P., *Music as a matter of law*, Harvard Law Review, Vol. 131, pp. 1861-1923 (2018).

45 "Harmony" is the relationship between two or more pitches that are sounded simultaneously or in close succession (e.g., arpeggios). These pitches constitute a "chord." The harmonic progression of a composition is the sequence of chords that provide the support for its melodies.

46 "Rhythm" is the pattern of sounds and silences in a piece of music as determined by the sequence and duration of the notes being performed or the beats of a percussion instrument.

47 Musical works are built from a "common vocabulary of fundamental elements like pitch, duration, meter, key and timbre… Using these basic elements, composers build more complex structures like chords and melodic and rhythmic motifs, which they further develop and combine to create the rhythmically structured melodies and underlying harmonic progressions that constitute the original backbone of a musical work. Accordingly, the most important elements of a musical composition are its melody, harmony and rhythm." Amici Curiae Brief of Musicologists in Support of Defendants-Appellees at En Banc Rehearing, Skidmore v. Led Zeppelin, 905 F.3d 1116 (9th Cir. 2018) (No. 16-56057), 2019 WL 2996345 (C.A.9), at 7-8

48 While particular combinations and deployments of these secondary elements (e.g., tempo, instrumentation, phrasing) may enhance the appeal of a musical work, these are "fundamentally enhancements of the primary melodies, harmonies, and rhythm. There is no music without melody, harmony and rhythm; a musical work comprised of a constellation of elements like key, meter, dynamic markings, and designated instrumentation is meaningless. All songwriters choose from among these commonplace elements in forging their original musical expression." *Id.*

49 N. Music Corp. v. King Record Distributing Co., 105 F. Supp. 393, 400 (S.D.N.Y. 1952) ("Neither rhythm nor harmony can in itself be the subject of copyright… it is in the melody of the composition - or the arrangement of notes or tones that originality must be found.").

50 Gaste v. Kaiserman, 863 F.2d 1061, 1068 (2nd Cir. 1988) ("limited number of notes and chords available to composers").

51 Darrell v. Joe Morris Music Co., 113 F.2d 80, 80 (2d Cir. 1940).

52 Williams Amici Brief of 212 Songwriters, *supra* note 7 ("All composers share devices and building. This is especially so within a particular musical genre. Virtually no music can be said to be 100% new and original.").

53 Cadwell, *supra* note 46, at 165.

54 Jennifer Jenkins, *The "Blurred Lines"* of the Law, Duke Law Center for Study of the Public Domain (Mar. 10, 2015), https://web.law.duke.edu/cspd/blurredlines.

55 Edwin F. McPherson, *Crushing Creativity: The Blurred Lines Case and Its Aftermath,* McPherson LLP (Feb. 7, 2019), https://mcpherson-llp.com/articles/crushing-creativity-the-blurred-lines-case-and-its-aftermath (quoting Parker Higgins, director of copyright activism at the Electronic Frontier Foundation, that "when we say a song 'sounds like' a certain era, it's because artists in that era were doing a lot of the same things – or, yes, copying each other. If copyright were to extend out past things like the melody to really cover the other parts that make up the 'feel' of a song, there's no way an era, or a city, or a movement could have a certain sound. Without that, we lose the next disco, the next Motown, the next batch of protest songs.").

56 Wang, *supra* note 1 (quoting composer and producer Gregory Butler, "You've made it illegal to reference previous material. I'm never going to come up with something so radically different that it doesn't contain references to something else.").

57 Roberts, *supra* note 5.

58 Williams v. Bridgeport Music, Inc., No. LA CV13-06004 JAK, 2014 WL 7877773, at 19 (C.D. Cal. Oct. 30, 2014) (including "Low Rider" by War from 1975, "Superfly" by Curtis Mayfield from 1972 and "Funkytown" by Lipps Inc. from 1980).

59 *Id.* at 4, 13, and 15 (including "*Low Rider*" by War from 1975, "*Superfly*" by Curtis Mayfield from 1972 and "*Funkytown*" by Lipps Inc. from 1980).

60 *Id.* at 19.

61 Shyamkrishna Balganesh, *The Questionable Origins of the Copyright Infringement Analysis*, 68 Stan. L. Rev. 791, 860 (Forthcoming 2016).

62 Jamie Lund, *An Empirical Examination of the Lay Listener Test in Music Composition Copyright Infringement*, SSRN Electronic Journal (March 29, 2012), https://ssrn.com/abstract=2030509.

63 *Id.*

64 Sid & Mart Krofft Television Prods., Inc. v. McDonald's Corp., 562 F.2d 1157, 1164 (9th Cir. 1977).

65 Williams v. Gaye, 895 F.3d 1106, 1115 (9th Cir. 2018)

66 Skidmore Amici Brief of IP Professors, *supra* note 33.

67 Judge Learned Hand concluded in Hein v. Harris that infringement occurs only when "to the ear of the average person the two [parties'] melodies sound to be the same." 175 F. 875 (C.C.S.D.N.Y.), aff'd, 183 F. 107 (2d Cir. 1910). And under an earlier Copyright Act, the Supreme Court stated that copyright protects against copying "the compilation of notes which, when properly played, produces the melody which is the real invention of the composer." White-Smith Music Publishing Co. v. Apollo Co., 209 U.S. 1, 11 (1908).

68 Williams v. Gaye, 895 F.3d 1106, 1120 (9th Cir. 2018) ("they are unlike a page-shaped computer desktop icon or a "glass-in-glass jellyfish sculpture").

69 For example, in architectural works, protection is extended only to "buildings" and not other kinds of structures of architectural creativity (e.g. bridges, dams, walkways). Architectural Works Copyright Protection Act, Pub. L. No 101-650, 104 Stat. 5089, 5133 (1990).

70 Jessica Goudreault, *Copyrighting the Quotidian: An Analysis of Copyright Law for Postmodern Choreographers*, 39 Cardozo L. Rev. 751, 767 (2017); see also, H.R. Rep. No. 94-1476, at 53-54 (1976).

71 Williams, 895 F.3d 1120.

72 An "ostinato" is a continually repeated musical phrase or rhythm.

73 Brief of Amicus Curiae Musicologists in Support of Defendants' Renewed Motion for Judgment As a Matter of Law or, Alternatively, for a New Trial at 4, Gray v. Perry, 2:15-cv-05642-CAS-JC (Dec. 5, 2019) [hereinafter Gray Amicus Brief of Musicologists].

74 The court held that "[d]ue to the millions of views and plays of "joyful Noise" on YouTube and Myspace… and the success and popularity of "*Joyful Noise*" in the Christian hip-hop/rap industry… there is more than a "bare possibility that defendants – who are experienced professional songwriters – had the opportunity to hear "*Joyful Noise*". Minutes on Defendants' Motion for Summary Judgment, Gray v. Perry, Case 2:15-cv-05642-CAS-JCx (2018) [hereinafter Gray Civil Minutes].

75 Gray Amicus Brief of Musicologists, *supra* note 76, at 9.

76 *Id.* at 10.

77 For example, an expert could have testified that "in rap, especially Southern rap, the repetitive, ringing ostinato is an alarum that signifies fights, mayhem, and death…. One can trace the uses of ostinato in the South back to Three 6 Mafia's horrorcore-leaning early music… At the time, the dominant styles of LA and NYC rap were sample-based, which meant that the synth-based beats of the South stood out… The ostinatos of Trap Music buck trends of conventional, "nice" harmony (pun intended) and unbalance the listener." Phil Witmer, *21 Savage's 'Issa Album' Sounds Chilling Because Music Theory*, VICE (Jul. 12, 2017), https://www.vice.com/en_us/article/xwzv8a/21-savages-trap-sounds-chilling-because-music-theory.

2020 ELI RUNNER UP

Play It Again, Sam

The Free-Market Case for Government Intervention in the Music Streaming Sector

By John Gilbertson

It's no secret that record labels wield outsize influence to dictate streaming royalty payments. For every dollar paid to publishers in streaming royalties, major labels in 2021 are slated to take home four.[1] This discrepancy is a byproduct of the exceedingly complex structure of music licensing, which has more facets than a cut diamond—and music streaming, which accounts for 80% of music consumption domestically,[2] touches nearly all of them.

To stream a song into a consumer's laptop or smart phone, a service like Spotify must (generally) secure four separate licenses: two for the recording, and two for the musical work embodied in it.[3] Record labels have a free hand to negotiate whatever rate they can extract from the streaming services to license their recordings. Publishers don't have this ability; since 1941, the consent decrees governing ASCAP and BMI require them to offer mechanical licenses at a rate set by the Copyright Royalty Board (CRB), a panel of three federal judges with experience in copyright law and economics.[4]

In addition to the mechanical licensing rate, the CRB also sets the total amount a streaming service must pay to secure both mechanical and performance licenses for all musical works on its platform.[5] This "all-in" amount is defined as the greater of two figures: a percentage of the streaming service's total revenue, or a percentage of the service's "total content cost" (TCC), which is the combined amount the service must pay to license all sound recordings offered on its platform.[6] Whichever number is larger is the total amount owed to publishers.[7] How it's divvied up between mechanical and performance royalties depends on the price of public performance licenses, which are set by the Performing Rights Organizations (PROs) or in a rate court.[8] In other words, the mechanical royalty rate paid by streaming services to publishers and songwriters is calculated as follows:

> ["all-in" rate set by CRB] minus [public performance license rate set by PROs/rate court] = streaming service's total mechanical royalty obligation.[9]

Given the chronic unprofitability of streaming services, the "percent of revenue" figure is nearly always lower, and thus the "percent of TCC" method is, for all intents and purposes, the dominant one.[10]

To illustrate, in 2020 Spotify will have to pay publishers 24.1% of whatever it spends on TCC.[11] If TCC is $1 billion, for example, publishers and songwriters get $241 million; this means labels will rake in over 80% of what Spotify pays out in licensing fees this year. Moreover, in 2018 the CRB removed a cap on the TCC-linked calculation method, which previously had limited the TCC figure to a fixed per-subscriber royalty.[12] In other words, as of now, labels are not restricted to a TCC ceiling.[13] This creates a risk that the three biggest major labels, who control three-quarters of the recorded music market and are free to use that leverage in negotiations, will insist on rates exceeding those previous limits.

Songwriters and publishers stand to benefit from this. If and when labels demand higher rates from streaming services, it will drive up the services' TCC, thereby increasing the royalties paid to publishers and songwriters. It sounds great in theory—sort of a rising-tide-lifts-all-boats principle—and songwriters are understandably jazzed by it, because the current CRB rate structure represents a 44% raise from what they were being paid prior to 2018.[14]

From a consumer standpoint, however, this arrangement sets the stage for anticompetitive tomfoolery by the major record companies, who just so happen to own three of the four largest publishing companies.[15] This means they can increase royalty payments to their publishing arms—and effectively double dip into streaming revenue—simply by nudging up their own rates.

This is a problem for three reasons. First, if the labels act in concert, they could use their combined market power to drive up streaming costs unilaterally, leading to runaway rate increases across the board. Second, now that TCC-linked royalties have been uncapped by the CRB, major labels could demand a higher and higher percentage of a streaming service's revenue, thereby rendering them perpetually weak against the labels' collective bargaining power. Third, this lopsided environment will suppress competition in the streaming sector by artificially raising the bar to entry; it's not hard to imagine the difficulties a streaming startup would face trying to unseat services like Apple Music, Google Play, and Amazon Prime, whose losses are backstopped by the richest corporations on the planet.

An analogous situation in the publishing sphere is instructive, and provides a glimpse into how the ASCAP and BMI consent decrees preserve competition there. As of March 2019, Universal Music Group, Sony Music Entertainment, and Warner Music Group control about three-quarters of the recorded-music market.[16] Likewise, Universal Music Publishing Group (UMPG), Sony/ATV, and Warner/Chappell Music account for well over half of the music publishing market.[17]

This market power was on display in 2013, when Sony/ATV, UMPG, and ASCAP colluded to extract above-market licensing rates from Pandora.[18] The story began when Sony announced its decision in late 2012 to withdraw its "new media" rights from ASCAP on January 1, 2013.[19] Concerned about impacts to its licensing costs, Pandora filed a petition in the ASCAP rate court in November 2012 seeking redress pursuant to Article IX of the ASCAP consent decree.[20] This angered the major publishers, including UMPG, which had planned its own withdrawal of its new media rights from ASCAP.[21]

This withdrawal of new media rights from the PROs meant that Pandora would have to negotiate with the publishers directly, without oversight by a rate court. During these negotiations, Sony refused to provide a list of its songs to Pandora, preventing Pandora from knowing exactly which songs on its platform were subject to negotiations.[22] At the time, Sony's catalog represented about 30% of Pandora's offerings.[23] As the settlement deadline neared, Pandora was forced into a tight spot; either accept Sony's unfavorable terms, or risk copyright infringement for streaming Sony's content without a licensing agreement, which would have subjected Pandora to statutory damages of $150,000 *per infringement*.[24] To avoid the impending catastrophe, Pandora reluctantly accepted Sony's rates—about 25% above market. [25]

Despite a confidentiality agreement, Sony leaked key details of the settlement, providing a blueprint to UMPG, which was set to begin negotiations with Pandora following its own withdrawal of new media rights.[26] UMPG subsequently extracted a similar rate for its own mechanical licenses.[27] To cap it all off, both publishers then sought to use these inflated rates as benchmarks in the rate court proceedings.[28]

In her opinion, Judge Denise Cotes noted that "ASCAP, Sony, and UMPG did not act as if they were competitors."[29] Instead, "[b]ecause their interests were aligned against Pandora, and they coordinated their activities with respect to Pandora, the very considerable market power that each of them holds individually was magnified."[30]

This state of affairs bears a striking resemblance to that of the 1930s, when ASCAP and BMI, the biggest players in the dominant form of music consumption at the time—public performance of musical works—engaged in similar collusive conduct.[31] This attracted the attention of antitrust regulators, which ultimately gave rise to the consent decrees still in effect today.[32] These decrees restrict ASCAP and BMI from engaging in certain conduct, such as withholding licenses to certain works as leverage to charge more for blanket licenses,[33] and basing a license fee on a percentage of income from the use of songs *not* contained in the PRO's catalog.[34]

The purpose of this paper, therefore, is to propose a solution to the problem of near-certain anticompetitive conduct by the major labels in the streaming space. That solution is to impose restrictions on the major labels which mirror those in the consent decrees governing ASCAP and BMI. This would accomplish four things.

First, it would stabilize the current uncertainty in the wake of the CRB's 2018 rate determination. Armed with an uncapped TCC and enormous market power, labels have an opportunity to solidify their dominance over streaming royalties at the expense of consumers, songwriters, and streaming services alike; and it is unclear exactly how they might react.

One possibility is that labels could raise prices in lockstep to drive royalty payments artificially high. While services could in turn raise prices to compensate, culturally it has become somewhat entrenched that music should be widely available at a low cost. If Spotify raised its prices to, say $50/month, how would Apple respond? If it follows a similar playbook from past dust-ups, it will accuse Spotify of price gouging,[35] issue a statement about how deeply it cares about musicians,[36] and use its $245 billion in cash reserves to keep Apple Music afloat as Spotify users jump ship. This "Wal-Mart Effect" will ultimately reduce competition in the streaming sector and provide powerful disincentives to enter the marketplace.

Another possibility is that labels might simply buy a controlling stake in a streaming service, and accept payment in equity instead of cash.[37] This would allow labels to give sweetheart deals to its own service, such as a discounted rate to license the label's content.[38] This would harm music creators, as it would drive down TCC and thereby reduce royalty payments across the board. Consumers and creators alike thus have an interest in curbing the major labels' ability to capitalize on this uncertainty.

Second, such intervention would liberate songwriter royalties from the five-year plan contemplated by the CRB.[39] This would allow for an even faster increase in streaming royalties for songwriters, who, despite the recent increase, still have to bicker with Spotify over the crust after labels take home the pie.[40] Third, it will ensure that consumers have uninterrupted access to the wide-ranging catalogs they've become accustomed to, all in one place. Finally, and most importantly, it will promote long-term stability and predictability in the streaming sector by preventing the sort of anticompetitive shenanigans on display in *Pandora*.

The first and most obvious question is, why impose *more* government control over the price of music licenses? Instead of tying labels' hands to negotiate favorable rates for its artists, why not eliminate or modify the consent decrees, and thus free up publishers to do the same?

The answer is simple. It's because the consent decrees, as a practical matter, aren't going anywhere.

For one thing, they've already passed constitutional muster.[41] Second, the Department of Justice undertook a broad evaluation of the consent decrees in 2014, only to decline to take any substantive action two years later, concluding that the decrees' substantial benefits to music consumers and creators alike outweighed any drawbacks.[42] The DOJ since re-opened its evaluation, but has been met with resistance on many fronts, including, ironically, a dozen or so staunch free-market groups who recognize the music business as "inherently anticompetitive."[43]

If that weren't enough, the DOJ's decision to reopen debate on the subject was met with swift rebuke by the leaders of both the House and Senate Judiciary Committees, who drafted a joint letter to Assistant Attorney General Makan Delrahim, unanimously urging the DOJ not to modify or terminate the consent decrees.[44] Their reason? Much of the Music Modernization Act (MMA) was drafted on the presumption that the consent decrees would remain in place.[45] If the DOJ terminated or substantially modified them, the resulting "destabilization of the music marketplace would undermine our efforts" to implement the MMA.[46]

That such partisans can come together so seamlessly on an issue speaks to its self-evidence. Moreover, given the considerable disruptiveness terminating the consent decrees could undoubtedly cause,[47] it seems unlikely that the industry would plunge itself into a dark pool of uncertainty at precisely the moment when the MMA is bringing some welcome relief—this is especially true in light of the MMA's unanimous passage in Congress and warm, nearly universal embrace by the industry.[48]

Admittedly, more government intervention on an industry already under a substantial regulatory burden is a heavy proposition. Isn't there a better way? The answer is yes, and no. A grand solution to the problem of royalty disparity between labels and publishers has already been proposed by Richard Stumpf, CEO of Atlas Music Publishing. In an op-ed published in Billboard earlier this year, Mr. Stumpf set forth a comprehensive, fair, elegantly simple compromise to settle the issue not just of streaming royalties, but of *all* music royalties. From the simple premise that "[n]obody can answer the question who is more important to the song, the writer or performer," Richard proposes a grand compromise: split everything—streaming royalties, synch royalties, terrestrial radio royalties, everything—right down the middle.[49]

While Mr. Stumpf might be the last great pragmatist in the music business—and his proposal the fairest of them all—it has a fatal flaw; it requires a good-faith, multifaceted, rational compromise from a business which is anything but. There are just too many competing interests, and too much nuance in the set of rights at stake.

In the absence of meaningful action to curb major labels' leverage over streaming prices, the major labels are now poised to grab so much market power in the streaming sphere that any future negotiations to implement a grand compromise like Richard Stumpf's will be torpedoed before they begin. Therefore, Congress and the DOJ should act now so the streaming industry may flourish for the benefit of consumers and creators alike. ■

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2020 ELI RUNNER UP

Taming the Ticket Market

How a Closed Ticketing System Can Beat Back Scalpers and Recapture Lost Revenue

Graham Fenton

I. INTRODUCTION

Ticket resale for profit, or "scalping[1]," is seemingly as old as live entertainment itself.[2] With the advent of computerized "ticket bots" and online secondary markets, what started as a street-corner trade has exploded into a multi-billion-dollar industry.[3] In today's music market, this is particularly unfortunate as concert revenue often comprises the vast majority of an artist's income.[4]

Lawmakers have tried and failed to address the problem. Economists, on the other hand, question whether scalping is a problem at all, or rather an illustration of the free market at work. This paper argues that it is the artist's, rather than the market's right to determine the price at which tickets reach the consumer. This can eventually be accomplished through blockchain ticketing, but as the industry waits for blockchain technology to reach scalability, Congress should federally mandate a closed-ticketing system that mimics the blockchain.

Part II of this paper explains the economics of the resale market. Part III looks at how lawmakers have tried and failed to curtail scalping. Part IV examines how the industry has responded with limited success. Part V proposes short-term and long-term solutions while Part VI concludes.

II. THE ECONOMICS OF TICKET RESALE

A ticket scalped is a ticket underpriced.[5] With no resale restrictions, a scarce resource like tickets to a one-night-only Beyoncé concert will eventually approach the "market-clearing price"[6] and end up in the hands of the consumer willing to pay the most for a given seat.

Economists have been baffled as to why concert tickets are consistently underpriced.[7] There are a few explanations. First, artists often have imperfect information regarding demand; they price conservatively, preferring to lose some revenue rather than risk the embarrassment of discounting prices and/or performing to empty seats.[8] Second, artists want to protect their reputation, or goodwill.[9] Goodwill can make the difference between a one-time downloader and a lifelong fan and any perceived price-gouging may damage that goodwill. Lastly, many artists underprice because they view quickly selling out their shows as a point of pride.[10] Whatever the cause, underpricing presents an opportunity to rent-seeking scalpers.

Rent seeking occurs when an entity (e.g. a scalper) seeks increased wealth without generating any reciprocal value for society.[11] In the past, scalpers' rent-seeking behavior consisted of paying "pullers" to wait in line at the box office.[12] Today, pullers have been replaced by computer "bots" that can amass enormous ticket caches in mere seconds.[13] Intuitively, it would seem society loses when bots snatch underpriced tickets away from true fans. Despite this, economists believe scalpers increase net social wealth.

So the theory goes, ticket allocation is often sub-optimal after the initial sale; due to factors including speed, luck, and the costs of waiting on line, there may be ticketless fans willing to pay more for a seat.[14] Economists believe scalpers provide utility by helping each ticket find its way to the consumer that "values" it most, as measured by their willingness to pay.[15] Economists further argue that scalpers benefit the artist by speculatively gobbling up tickets, thereby assuming the risk that demand may fall short of expectations.[16] In short, society is better off when scalpers compete in an unfettered market.[17]

Concertgoing, however, is a unique commercial experience and buying a ticket to one's favorite artist is more personal than purchasing an appliance, for instance. Mistakenly, these economists narrowly view consumer value in terms of dollars and cents but discount the emotional value a fan derives from seeing their favorite artist, an experience that provides valuable, albeit intangible societal benefit. Moreover, underpricing may help the artist realize a net economic gain. For instance, suppose Ed Sheeran determines that by selling front-row seats at $100 each, he can get younger, social media savvy fans to his show and that those fans will convince their Instagram followers to buy his new album. Even if there are consumers willing to pay many times that $100 ticket price, Ed may be better off foregoing the additional ticket revenue. Further, unlike corporations, some artists choose to underprice for altruistic reasons.[18] For instance, some sold-out Broadway shows hold ticket lotteries where they virtually give away front-row seats.[19] Scalpers may play a valuable role under limited circumstances, but this paper argues that artists should be able to control if, when, and under what terms scalpers may enter their market.

III. THE LEGAL LANDSCAPE

There are currently 34 states with resale laws,[20] but the event ticketing industry is not federally regulated.[21] Many of these laws are antiquated—all are inadequate.

A number of states set resale price caps. Some allow for moderate price increases[22] or limited service and handling fees[23] while others require the vendor's prior authorization.[24] In theory, price caps are supposed to protect consumers from exorbitant markups while preserving their ability to resell tickets they cannot use. The simplicity of the price cap is also its shortcoming. In a 2018 study of the event ticket market, the U.S. Government Accountability Office (GAO) found that price caps are largely disregarded, difficult to enforce, and risk forcing the resale market underground, thereby increasing ticket fraud and depriving consumers of the mainstream market's benefits including refund guarantees.[25]

Eight states have implemented resale licensing requirements.[26] Licensing requirements regulate, rather than curtail the secondary market. Most requirements are reasonable and provide vital consumer protections.[27] However, in states that have had comprehensive licensing regimes on the books for some time (e.g. New York), the secondary market is still thriving.[28] Simply licensing scalpers does nothing to empower artists to deliver underpriced tickets to their fans at face value.

A number of states prohibit ticket resale within a certain distance of the venue grounds.[29] Others allow resale at the venue but prohibit resale during certain times, usually the day of the event.[30] These laws are antiquated in the age of the Internet. Though some brokers still resell tickets on the streets outside of venues, the substantial majority of the resale market has migrated to the web,[31] thereby making temporal and proximity laws moot.

Quantity restrictions are typically imposed by the ticket vendor, not the legislature,[32] but the federal Better Online Ticket Sales Act of 2016 (the BOTS Act) gives legal effect to vendor-imposed limits by making it illegal to circumvent website security measures that enforce purchase limits.[33] Many viewed the BOTS Act as a much-needed weapon in the war against scalpers.[34] Unfortunately, that optimism appears to have been premature. To date, no one has been prosecuted under the BOTS Act.[35] This is not due to a lack of bot activity nor the law's deterrent effect.[36] BOTS Act sponsor Senator Jerry Moran says, "It's going to require, in my mind, someone being made an example of."[37] Nearly three years after becoming law, the industry continues to wait for that example.

The Better Oversight of Secondary Sales and Accountability in Concert Ticketing Act of 2019 (The BOSS Act) aims to "protect competition in the resale marketplace so that consumers have more than one expensive and overbearing source from which to shop for or resell their tickets."[38] Additionally, the bill would require certain disclosures by primary and secondary ticket sellers, including the ticket's face value and all associated fees.[39] While consumers will welcome these disclosures, this bill fails to provide a mechanism for artists to enforce the terms and prices of their tickets. Contrary to this bill's proposal to increase secondary market competition, this paper argues the inverse: Congress should *restrict* the secondary market by requiring the initial sale and all resales to be self-contained within the vendor's platform.[40]

Because it has proven difficult to enforce anti-scalping laws on individuals, it seems logical to focus enforcement efforts on the secondary market websites themselves. However, section 230 of the Communications Decency Act (CDA) gives interactive computer service providers immunity for publishing information provided by third parties.[41] Section 230 frees websites such as Facebook from the litany of legal claims they might face if they were to be held liable for what users post their site. In 2012, the North Carolina Court of Appeals in *Hill v. StubHub, Inc.* held that immunity extends to ticket resale websites.[42]

IV. INDUSTRY-BASED SOLUTIONS

With current laws falling short, the music industry has implemented a number of approaches with mixed results. Artists have tried issuing nontransferable paperless tickets that require the ticketholder to present the buyer's credit card or other identification to enter the venue.[43] The GAO Report notes that nontransferable tickets do help to curb scalping.[44] It's somewhat surprising then that nontransferable tickets comprise only 0.1 percent of total sales.[45] This may be because transferable tickets offer consumers a valuable form of insurance—if a ticketholder cannot attend the event, they can likely get some, if not all of their money back by selling on the secondary market.[46] Scalpers have already found ways to curtail these restrictions by simply buying tickets with gift cards and then mailing the gift card to the eventual ticket purchaser.[47]

Ticketmaster's Verified Fan program allows authenticated fans to register for a chance to receive a presale code that will grant them early access, and thereby an increased chance at scoring tickets.[48] The program seems to have curtailed some scalping. According to Ticketmaster's early reports, 95 percent of fans that bought their tickets through the service did not resell them.[49] Scalpers, however, are learning to adjust; presale codes are now available for purchase on websites like presalecodes.com, a website which offers everything from presale codes, to actual phone-verified Ticketmaster accounts.[50] Additionally, it turns out Verified Fans may be just as interested in turning a profit as scalpers.[51] Verified Fan has made some progress but lacks a couple of features included in this paper's proposal including the ability for the artist to set resale restrictions (e.g. price caps) and share in a portion of the resale fees and/or price increase.[52]

The industry is currently experimenting with slow ticketing and dynamic pricing models. "Slow ticketing" is as it sounds; rather than releasing all tickets to the public at once, vendors slowly release tickets in small batches to preregistered fans.[53] This allows vendors to avoid the inevitable flood of bots that pound their servers at initial release.[54] "Dynamic pricing" is a tactic widely used in the airline and hotel industries that involves adjusting prices as supply and demand fluctuate.[55] From a sheer numbers perspective, the slow ticketing/dynamic pricing models are working.[56] Fans have not been welcoming however,[57] illustrating why artists have been reluctant to charge market prices. Whether an artist will turn off their fans by charging market rates is an artist-specific inquiry. For those that choose to price below market rates, these pricing models are of little help.

One of the most promising ticketing innovations currently in development is blockchain ticket technology. A blockchain is a decentralized network of computers that records transactions into an immutable ledger, providing complete transparency throughout the transaction process.[58] Though mostly known as the technological underpinning of cryptocurrencies such as Bitcoin, blockchain technology has broad application and could solve a host of ticketing issues. First, blockchain ticketing could make ticket fraud[59] nearly impossible because the purchaser's identity is digitally affixed to the ticket and would be verified upon entry.[60] Ticket transfers would require an identifiable purchaser who would likewise have their identity imprinted on the ticket's digital code.[61] Second, blockchain technology could finally provide a meaningful check to ticket bots. Like slow ticketing, the blockchain delays the purchasing process, thereby preventing bots from instantaneously buying large quantities of tickets.[62] Because one's identity is tied to the ticket and all transactions are transparent, bot activity would be readily identifiable, allowing vendors to block suspected bots.[63] Further, because tickets live as digital assets on the blockchain, there is no way for scalpers to resell tickets outside the closed system.[64] Third, the blockchain would afford ultimate control of each ticket from issue to venue entry via digital "smart contracts" that allow the artist to dictate the precise terms of resale.[65] Because the smart contact's terms are forever associated with the ticket, the terms cannot be breached, thus solving resale laws' enforceability problems.[66] Lastly, the blockchain will allow artists and other value creators to receive a portion of every resale as the transaction is commenced.[67]

Industry leaders are already investing in blockchain ticketing. DJ duo, The Chainsmokers, bought into YellowHeart set to launch in 2020.[68] The Schubert Organization, Broadway's largest theater operator, is partnering with True Tickets, which runs on IBM's blockchain platform.[69] Ticketmaster entered the space in 2018 by acquiring UPGRADED.[70] While actual test cases have been limited, GUTS, a Netherlands-based company, distributed 50,000 tickets over 36 shows in 2019, though distribution occurred only partially on the blockchain.[71] In November 2019, German airline Hahn Air issued three tickets as a test case using the blockchain.[72]

Blockchain ticketing is still in its nascent stages and there are issues left to address before widespread adoption is possible. The first problem is scalability; blockchain transactions are currently much too slow. Major ticket vendors like Ticketmaster reportedly process billions of transactions per day,[73] but currently, the blockchain heavyweight, Ethereum, can only handle about 15 transactions per second.[74] Second, once smart contracts are written onto the blockchain, the terms are not readily changeable.[75] This means that dynamic pricing models could be difficult to employ. A third issue is the questionable enforceability of smart contracts. Only Arizona and Nevada have amended their laws to specifically incorporate smart contracts into their state versions of the Uniform Electronic Transactions Act, which gives electronic records and signatures the same effect as written documents.[76] These lingering issues have deterred companies like Project Admission from going the full-fledged blockchain route, opting instead to solve ticketing issues through a traditional centralized database.[77]

V. PROPOSAL

As described above, state laws are ineffectual and outdated, while industry solutions have had only limited success. This paper proposes that while the blockchain will eventually be the best solution to control the ticket market, federal law, including provisions that mimic the blockchain, should be enacted in the interim.[78]

First, Congress should forbid states from setting restrictive resale laws including price caps. Because artists have idiosyncratic reasons for underpricing tickets, they should have the sole authority to set the terms of their resale market.

Second, Congress should require that tickets be freely transferable at all times, and vendors should be prohibited from setting resale price floors, as well as resale price caps below face value. Transferability is an important ticketholder insurance policy that should be protected.

Lastly, and most importantly, the industry needs a closed ticketing system. In the long term, this can be accomplished via the blockchain or a part-blockchain, part-centralized hybrid ticketing model. As described above, blockchain technology will end ticket fraud, increase consumer confidence, and will provide valuable consumer data once a digital ticket is tied to the concertgoer's identity. Artists will finally be able to set the terms of their ticket market and ensure that underpriced tickets remain with the fan that walks through the turnstile. If the artist would like to allow resale, they can easily share in the downstream revenue.

As blockchain technology continues to develop, Congress can pass legislation that mimics the blockchain. First, Congress can require vendors to employ a closed ticketing system in which the initial sale and all resales occur. Ticketmaster already does this to some extent through Verified Fan. Second, like the blockchain's public ledger, Congress should require vendors to keep a record of all ticket transfers. Again, this likely already occurs with Verified Fan and is currently required of all brokers operating in New York State.[79] This ledger could be periodically audited by government enforcement agencies. Lastly, to mimic the blockchain's unbreachable smart contracts, Congress should both require that vendors enforce the artist's resale parameters and make it illegal for consumers to circumvent these parameters to violate the artist's resale terms.

These proposals will bring significant challenges. First, these proposals will impose significant compliance costs upon vendors. However, these costs may be offset by the increased fees they will collect once all resales are forced to occur within their platform. To ensure smaller vendors are not overly burdened, there could be an exception for vendors issuing less than a certain number of tickets to a single event (e.g. 1,000). Second, this closed ticketing system will likely receive vigorous pushback from those companies solely operating in the resale market. But with blockchain ticketing increasingly becoming a reality, these companies would be wise to enter the primary market through merger or acquisition. Third, as with current resale laws, enforceability will continue to be a significant impediment. Congress should authorize the FTC to enforce these laws, but as seen with the BOTS Act, enforcement may continue to be an issue, further illustrating the need for blockchain ticketing. Fourth, by requiring vendors to build resale parameters into its platform, they may lose their CDA section 230 "neutral tool" immunity. For example, were a site to erroneously set the parameters and enable a seller to breach the artist's resale terms, a court could find the vendor "materially contributed" to the user's unlawful conduct and face secondary liability.[80] Congress could protect vendors by imposing liability only for knowing or reckless violations.

VI. CONCLUSION

The tension between artists' pricing strategies and crude market forces are what enable ticket scalpers to capture billions of dollars while adding little value to the concert experience. The explosion of ticket bots has supercharged scalping and left state and federal government stymied by how to control activity that occurs across borders at lightning speed. The music industry has responded with some success by implementing new pricing and distribution strategies, but as of yet, scalping is still a major problem and artists have little control over the secondary market.

Blockchain ticketing offers the best chance to achieve the dual goals of consumer protection and artist control. In the interim, Congress should act by requiring vendors to maintain a closed ticketing system with enforceable resale parameters as dictated by the artist. With these solutions, artists will finally be able to bend the secondary market to their will and recapture billions in lost revenue. ■

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ENDNOTES

1 The term, "broker," is usually used to refer to an individual or business that is authorized to buy and resell tickets for profit. *What is a Ticket Broker?,* wiseGEEK, https://www.wisegeek.com/what-is-a-ticket-broker.htm (last visited Dec. 31, 2019). The more pejorative, "scalper," refers to those that engage in resale for profit without official permission. *Scalper*, Cambridge Acad. Content Dictionary (2017), https://dictionary.cambridge.org/us/dictionary/english/scalper. This paper uses the terms "scalper" and "broker" interchangeably.

2 Reports trace the scalping in the United States back to the days of P.T. Barnum in 1850, though Ticketmaster co-founder Albert Leffler claims that scalping originated in ancient Rome. Kerry Segrave, Ticket Scalping: An American History, 1850-2005 3 (2006); *Scalping goes upscale: The secondary ticket market's online revolution,* W. P. Carey News, https://news.wpcarey.asu.edu/20070702-scalping-goes-upscale-secondary-ticket-markets-online-revolution (last visited Dec. 31, 2019) (quoting Leffler who claimed that spectators of Gladiator contests at the Roman Coliseum would resell or barter their tickets to those looking to gain a better view of the emperor).

3 Technavio projects the secondary ticket market will reach $15.19 billion in 2020. *Top 13 Ticket Resellers in the Global Secondary Ticket Market,* Technavio Blog (Dec. 10, 2017), https://blog.technavio.com/blog/top-13-companies-secondary-ticket-market (summarizing Technavio's report on the global secondary ticket market. This statistic includes secondary market revenue from all live events, including live sports).

4 Alan B. Kruger, Rockonomics 36-38 (2019) ("Of the top 48 musicians who toured in 2017, on average they earned 80 percent of their income from touring, 15 percent from recorded music, and 5 percent from publishing fees.").

5 Kruger, *supra* note 4, at 6. Live Nation CEO, Michael Rapino said, "The way to solve the secondary market is to price the house better." *Id.* at 142. *See generally* Aditya Bhave & Eric Budish, *Primary-Market Auctions for Event Tickets: Eliminating the Rents of "Bob the Broker"?,* (Nat'l Bureau of Econ. Research, Working Paper No. 23770, 2018), https://faculty.chicagobooth.edu/eric.budish/research/Ticket-Auctions.pdf.

6 Will Kenton, *Clearing Price,* Investopedia, https://www.investopedia.com/terms/c/clearingprice.asp (last updated Mar. 1, 2018) (defining the "market-clearing price" as the point at which supply meets demand).

7 Bhave, *supra* note 5, at 1.

8 U.S. Gov't Acct. Off., Event Ticket Sales: Market Characteristics and Consumer Protection Issues 8-9 (2018).

9 *Id.* at 8.

10 David Marcus, Head of Music at Ticketmaster North America, explained that, "Artists value the ability to say, 'We're sold out, and we sold out in a minute, or two minutes,' and that is historically a banner to waive that reflects your stardom. But, from an economic perspective, that's a disaster; if you sold out in a minute, you underpriced dramatically." *Why Is the Live-Event Ticket Market So Screwed Up?,* Freakonomics Radio (Dec. 6, 2017, 11:00 PM), http://freakonomics.com/podcast/live-event-ticket-market-screwed.

11 *Rent Seeking,* The Econ. Times, https://economictimes.indiatimes.com/definition/rent-seeking (last visited Dec. 31, 2019).

12 Kruger, *supra* note 4, at 19. *See also* Jason Koebler, *The Man Who Broke Ticketmaster,* Vice: Motherboard (Feb. 10, 2017, 5:00 AM), https://www.vice.com/en_us/article/mgxqb8/the-man-who-broke-ticketmaster (defining the term, "pullers").

13 Freakonomics Radio, *supra* note 10. In a study of U2's 2015 North American tour, the New York Attorney General reported that on December 8, 2014, a single bot purchased 1,012 tickets in one minute to the band's Madison Square Garden show. Off. N.Y. St. Att'y Gen. Eric T. Schneiderman, Obstructed View: What's Blocking New Yorkers from Getting Tickets 18 at fig. 6 (2016), https://ag.ny.gov/pdfs/Ticket_Sales_Report.pdf. On the same day, two bots purchased 15,087 tickets at over 20 North American venues for the same tour. *Id.*

14 *See generally* Phillip Leslie & Alan Sorensen, *Resale and Rent-Seeking: An Application to Ticket Markets,* 81 Rev. Econ. St., 266 (2014).

15 *Id.* at 267. The point at which these transactions cease to produce a marginal benefit relative to marginal costs is what economists call "allocative efficiency." *Id.*

16 Tracy C. Miller, *Scalping Isn't Scamming,* U.S. News & World Rep. (Oct. 4, 2016, 4:00 PM), https://www.usnews.com/opinion/articles/2016-10-04/why-congress-shouldnt-curb-ticket-scalping-after-hamilton-prices-soar. Reports estimate that 50 percent of tickets resold on the leading secondary market website sell for *less* than face value. U.S. Gov't Acct. Off, *supra* note 8, at 12.

17 Leslie, *supra* note 77, at 296-98.

18 *See* Jacklyn, *What Other Bands Can Learn from Ed Sheeran,* Stage Right Secrets (Jan. 10, 2015), http://www.stagerightsecrets.com/what-other-bands-can-learn-from-ed-sheeran (quoting Ed Sheeran as saying, "I didn't want people to pay $170 and get front row tickets and a meet and greet. I hate that shit. The moment you allow a kid with a rich father to have more things than a kid with a poor father, I think that's just shit.").

19 Erik Piepenburg, *Cheap Broadway Tickets Can Be a Matter of*

Luck, Timing and Apps, N.Y. Times (Oct. 29, 2015), https://www.nytimes.com/2015/10/30/theater/cheap-broadway-tickets-can-be-a-matter-of-luck-timing-and-apps.html. Following *Rent*, which during its heyday would hold pre-show lotteries for $20 front-row seats, *Hamilton* now holds pre-show lotteries, selling 21 front-row seats, each for a "Hamilton" (i.e. $10). *Id.*

20 *See generally* Squire Patton Boggs, Secondary Ticket Marketplace: Guide to US Ticket Resale Regulations (2018), https://www.squirepattonboggs.com/~/media/files/insights/publications/2018/10/2018-secondary-ticket-marketplace-guide-to-us-ticket-resale-regulations/2018us ticketresalelawguidebrochure.pdf (providing a comprehensive overview of current state and local resale laws).

21 U.S. Gov't Acct. Off, *supra* note 8, at 5.

22 *See e.g.* S.C. Code Ann. § 16-17-710(A) (2019) (allowing a resale price increase of $1 above face value for tickets resold in South Carolina).

23 *See e.g.* Ark. Code Ann. § 5-63-201(a)(1)(A) (West 2019).

24 *See e.g.* Ky. Rev. Stat. Ann. § 518.070 (West 2019).

25 U.S. Gov't Acct. Off, *supra* note 8, at 40-42.

26 *See* Squire Patton Boggs, *supra* note 20. Massachusetts is particularly stringent, making it unlawful to resell even a single ticket without a license—and giving away a ticket for *free* is considered a resale! Mass. Gen. Laws Ann. ch. 140, § 185(A), (D) (West 2019).

27 Such protections include requiring licensees to maintain a physical place of business, provide a toll-free number, and offer a standard refund policy. U.S. Gov't Acct. Off, *supra* note 8, at 6.

28 Schneiderman, *supra* note 13, at 8, 25.

29 *See e.g.* Ariz. Rev. Stat. Ann. § 13-3718 (2019) (prohibiting the resale of tickets in Arizona for a price in excess of face value within 200 feet of the venue's entrance or the entry to a contiguous parking area).

30 *See e.g.* Del. Code Ann. tit. 11, § 918 (West 2019) (prohibiting resale in excess of face value on the day of or the day preceding an event at specified Delaware venues).

31 Bhave, *supra* note 5, at 2. There are no precise statistics on the number of tickets resold via the Internet versus on the street, but speed, safety and ease-of-transaction make the Internet a clearly superior option. *See* Will Caiger-Smith, *How New Scalping Technology is Keeping You Out of Concerts,* Vice: Motherboard (Jun. 9, 2016, 3:20 PM), https://www.vice.com/en_us/article/ae8j4z/ticket-scalping-new-technology ("You can still spot dogged profit-chasers loitering outside music venues, but in the digital age, street scalping is old-school. Thanks to the growth of online marketplaces . . . scalpers can cash in without leaving their living rooms.").

32 Georgia, however, sets a statutory limit: each ticket broker, or affiliated group of brokers, shall not acquire and resell an amount of tickets in excess of 1 percent of the total tickets allocated for any event. Ga. Code Ann. § 43-4B-28(b)(2) (West 2019).

33 15 U.S.C. § 45(c) (2018).

34 Ticketmaster called the law, "a critical step in raising awareness and regulating the unauthorized use of Bots." Dan Rys, *President Obama Signs Anti-Scalping Bill into Law,* Billboard (Dec. 15, 2016), https://www.billboard.com/articles/business/7625257/president-obama-signs-bots-act-law. *Hamilton* creator Lin-Manuel Miranda joined New York Senator Chuck Schumer to promote the BOTS Act in the hopes it would curb rampant scalping of *Hamilton* tickets. Press Release, U.S. Senator Charles E. Schumer, Standing with Broadway's Lin-Manuel Miranda, Schumer Spotlights & Rallies for Critical Senate Bill that Finally Cracks Down on Hackers Who Use Bots to Steal Popular Broadway & Concert Tickets Before True Fans Have a Chance to Even Turn On Their Computer (Aug. 14, 2016), https://www.schumer.senate.gov/newsroom/press-releases/standing-with-broadways-lin-manuel-miranda-schumer-spotlights-and-rallies-for-critical-senate-bill-that-finally-cracks-down-on-hackers-who-use-bots-to-steal-popular-broadway_concert-tickets-before-true-fans-have-a-chance-to-even-turn-on-their-computer. Emphasizing the stakes at play, Miranda tweeted, "Chuck Schumer is John Connor. The bots are Skynet. I guess that makes me Sarah Connor, which is awesome." Lin-Manuel Miranda (@Lin_Manuel), Twitter (Aug. 15, 2016, 6:10 AM), https://twitter.com/lin_manuel/status/765173803504787456.

35 Chris Chmura et al., *Bots at the Box Office Pushing Event Ticket Prices Higher,* NBC Bay Area (May 1, 2019, 2:27 PM), https://www.nbcbayarea.com/news/local/Bots-at-the-Box-Office-Pushing-Event-Ticket-Prices-Higher-509338731.html.

36 In its *2019 Bad Bot Report*, online security firm, Distil Networks, reported that "bad" bots still comprise 39.3 percent of all online box office web traffic. *2019 Bad Bot Report,* Distil Networks 9, (2019). Bots are able to avoid detection and enforcement is difficult because most bot activity originates abroad. U.S. Gov't Acct. Off, *supra* note 8, at 48.

37 Chmura *supra* note 35.

38 Press Release, Pascrell, Pallone, Blumenthal Reintroduce BOSS Act (Jun. 13, 2019), https://pascrell.house.gov/news/documentsingle.aspx?DocumentID=3931.

39 *See generally* H.R. 3248.

40 *See infra* Part V.

41 47 U.S.C. § 230 (2018) ("No provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider.").

42 Hill v. StubHub, Inc., 219 N.C. App. 227, 249 (2012). The court held that StubHub could not be held liable for violating North Carolina's anti-scalping laws because StubHub is a "neutral tool"; because it is the ticket broker and not StubHub who sets the ticket prices, StubHub cannot be held liable for the violative third-party content. *Id.* at 244-45.

43 Ticket vendors are legally able to set these restrictive terms because courts dating back to 1886 have held that a ticket to an entertainment event is a freely revocable license rather than personal property. Purcell v. Daly, 19 Abb. N. Cas. 301, 304 (1886) (holding that "[a] theatre ticket is simply a license to the party presenting the same to witness a performance to be given at a certain time, and being a license personal in its character can be revoked.").

44 U.S. Gov't Acct. Off, *supra* note 8, at 38 n. 75.

45 Adam Vaccaro, *From Concert Goers to Big Business Concerns Inside the Fight Over Paperless Tickets*, Boston.com (Jan. 10, 2015), https://www.boston.com/news/technology/2015/01/10/from-concert-goers-to-big-business-concerns-inside-the-fight-over-paperless-tickets.

46 *See* U.S. Gov't Acct. Off, *supra* note 8, at 39 (noting that consumers may be reluctant to purchase an expensive ticket they may be stuck holding should their plans change).

47 *Id.* at 24.

48 *Ticketmaster #VerifiedFan FAQ,* Ticketmaster (Nov. 1, 2019), https://blog.ticketmaster.com/verifiedfan-faq/.

49 Kaitlyn Tiffany, *How Ticketmaster's Verified Fan program toys with the passions of fandom,* The Verge (Feb. 7, 2018, 9:00 AM), https://www.theverge.com/2018/2/7/16923616/ticketmaster-verified-fan-tumblr-reddit-taylor-swift-harry-styles.

50 *About Us,* Presalecodes.com, https://www.presalecodes.com/about-us/ (last visited Dec. 31, 2019).

51 As the time of this writing, there were well over 1,000 Verified Fan tickets available on Ticketmaster's own secondary market for a July 2020 Taylor Swift concert in Inglewood, CA, including a pair of front-row seats listed for an eye-popping $31,196.77 for the pair.

52 Depending on their deal with Ticketmaster, artists may be sharing in the resale ticket fees, but such confidential deal terms are not publicly available.

53 *See* Dave Brooks, *Taylor Swift Has Concert Industry Embracing "Slow Ticketing" Model,* Billboard (Dec. 14, 2017), https://www.billboard.com/articles/business/8070644/taylor-swift-concert-industry-slow-ticketing-model-sales (describing how Taylor Swift has used the Verified Fan program to implement a slow ticketing model).

54 *Id.*

55 *Id.; Pricing Secrets of Ticket Scalpers*, Harv. Bus. Rev., https://hbr.org/2011/07/pricing-secrets-of-ticket-scal (last visited Dec. 31, 2019).

56 There are estimates that Taylor Swift may have made an additional $1-to-$1.5 million in additional revenue per show by implementing these models in her *Reputation* tour. Brooks *supra* note 53.

57 Seglins et al., *"I'm getting ripped off": A look inside Ticketmaster's price-hiking bag of tricks,* Can. Broad. Corp. (Sept. 18, 2018, 4:00 AM), https://www.cbc.ca/news/business/ticketmaster-prices-scalpers-bruno-mars-1.4826914 (reporting on fans' negative reactions to dynamic pricing).

58 *See* Ameer Rosic, *What is Blockchain Technology? A Step-by-Step Guide for Beginners,* Blockgeeks, https://blockgeeks.com/guides/what-is-blockchain-technology/ (last updated Mar. 1, 2019) (providing a primer on blockchain technology).

59 Ticket fraud continues to be a significant nuisance; about 12 percent of respondents to a recent poll reported being the victims of ticket fraud. Megan Leonhardt, *About 12 percent of people buying concert tickets get scammed,* CNBC: Make It (Sept. 14, 2018, 8:45 AM), https://www.cnbc.com/2018/09/13/about-12-percent-of-people-buying-concert-ticketsget-scammed-.html.

60 Jonathan Keane, *Blockchain Startups Take on Ticket Touting, But Will They Gain Traction?,* Coindesk (Jul. 30, 2017 10:30 AM), https://www.coindesk.com/blockchain-startups-take-ticket-touting-will-gain-traction. One's identity could be uploaded and verified through a number of methods, including a credit card, facial or voice recognition, or through decentralized digital identity services. *Id*. *See also* Sarah Perez, *Ticketmaster puts an end to screenshots with new digital ticket technology,* TechCrunch (May 16, 2019, 11:56 AM), https://techcrunch.com/2019/05/16/ticketmaster-put-an-end-to-screenshots-with-new-digital-ticket-technology (describing Ticketmaster's development of facial recognition tools); Dan Gisolfi et al., *Decentralized Identity Introduction,* IBM Blockchain, https://www.ibm.com/downloads/cas/OPEQYEL7 (last visited Dec. 31, 2019) (explaining decentralized identity).

61 Keane, *supra* note 60.

62 *Blockchain Could Beat the Bots, Says Tao Chief,* Ticketing Business News (Jul. 11, 2016), https://www.theticketingbusiness.com/2016/07/11/blockchain-could-beat-the-bots-says-tao-chief/.

63 Bryce Weiner, founder of blockchain ticketing company, the Tao Network, says that on the blockchain, "Everybody is going to see that you're a ticket scalper and we're going to build all these mathematical metrics in order to determine who is and who is not a ticket scalper and then address the problem from where it stands." *Id.*

64 Keane, *supra* note 60.

65 *See* Josh Baron & Stephen Glicken, *Blockchain Ticketing Today: One Company's Quest to Overcome Current Hurdles,* Hypebot https://www.hypebot.com/hypebot/2019/01/blockchain-ticketing-today-one-companys-quest-to-overcome-current-hurdles-in-blockchain-ticketing.html (last visited Dec. 31, 2019) (describing smart contracts as "a set of rules created at the initial transaction that is forever associated with the asset" (e.g. a ticket)).

66 The terms an artist could impose are virtually limitless. For instance, artists could include strict resale price caps, conditions on when and where resale can occur, and even specific rules based on the type of ticket (e.g. balcony seats may be resold for 200 percent of face value, but tickets in the first 5 rows cannot be resold above face value).

67 Keane, *supra* note 60.

68 Murray Stassen, *The Chainsmokers Back Blockchain Ticketing Platform Yellowheart,* Music Bus. Worldwide (Oct. 21, 2019), https://www.musicbusinessworldwide.com/the-chainsmokers-back-blockchain-ticketing-platform-yellowheart.

69 Christopher Zara, *It's not "Bitcoin the Musical," but blockchain technology is coming to Broadway,* Fast Co. (Oct. 16, 2019), https://www.fastcompany.com/90418176/its-not-bitcoin-the-musical-but-blockchain-technology-is-coming-to-broadway.

70 *Ticketmaster Acquires Blockchain Ticketing Solution UPGRADED,* PR Newswire (Oct. 18, 2018, 10:00 AM), https://www.prnewswire.com/news-releases/ticketmaster-acquires-blockchain-ticketing-solution-upgraded-300732863.html.

71 The company stored some key data in its centralized database, stopping short of full blockchain ticketing. Nicky Morris, *Blockchain ticket protocol sells 50k tickets in 3.5 hours,* Ledger Insights https://www.ledgerinsights.com/blockchain-ticket-protocol-sells-50k-tickets/ (last visited Dec. 31, 2018).

72 Gertrude Chavez-Dreyfuss, *German airline Hahn Air issues first blockchain-based tickets,* Reuters (Nov. 18, 2019, 6:29 AM), https://uk.reuters.com/article/us-blockchain-airlines-hahn-air/german-airline-hahn-air-issues-first-blockchain-based-tickets-idUKKBN1XS1TC.

73 Orate, *Ticketmaster Traces 100 Million Transactions per Day with Jaeger,* Medium (May 6, 2019), https://medium.com/jaegertracing/ticketmaster-traces-100-million-transactions-per-day-with-jaeger-38ec6cf599f0.

74 David Schatsky, Aniket Dongre & Amanpreet Arora, *Blockchain and the five vectors of progress,* Deloitte Insights (Sept. 28, 2018), https://www2.deloitte.com/us/en/insights/focus/signals-for-strategists/value-of-blockchain-applications-interoperability.html.

75 Baron, *supra* note 65.

76 Ariz. Rev. Stat. Ann. § 44-7061 (2019); Nev. Rev. Stat. Ann. § 719.090 (West 2019). *See generally* Alex Lipton et al., *An Introduction to Smart Contracts and Their Potential and Inherent Limitations,* Harv. L. Sch. F. on Corp. & Governance Fin. Reg. (May 26, 2018), https://corpgov.law.harvard.edu/2018/05/26/an-introduction-to-smart-contracts-and-their-potential-and-inherent-limitations/#14b (providing a primer on smart contracts and associated legal and practical considerations).

77 Baron, *supra* note 65.

78 Federally regulating the ticket market should not run afoul of the Constitution's Commerce Clause. Even under the restrictive interpretation in *U.S. v. Lopez*, the multi-billion-dollar ticket industry clearly has a "substantial effect" on interstate commerce. *See generally* U.S. v. Lopez, 514 U.S. 549 (1995).

79 N.Y. Arts & Cult. Aff. § 25.25 (McKinney 2019) ("Every licensee shall at all times keep full and accurate sets of records showing the prices at which all tickets have been bought and sold by such licensee and the names and addresses of the person, firm or corporation from whom they were bought.").

80 In *Fair Housing Council v. Roommates.com, LLC*, the court held that an Internet service provider loses its section 230 immunity if it "materially contributes" to the publication of unlawful content. Fair Hous. Council v. Roommates.com, LLC, 521 F.3d 1157, 1168 (9th Cir. 2008) ("[A] website helps to develop unlawful content, and thus falls within the exception to section 230, if it contributes materially to the alleged illegality of the conduct."). In that case, the Ninth Circuit held that by posing discriminatory questions to its users, the Internet service provider materially contributed to users' unlawful discriminatory responses, thus removing the website's immunity. *Id.* at 1165.