DePaul Journal of Art, Technology & Intellectual Property Law

Volume 6
Issue 1 *Fall 1995*

Article 20

Epilogue

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EPILOGUE

Copyright Protection Extended To Theater Productions

Unlike film directors, stage directors traditionally have not been given copyright protection for their contributions to live theater productions. However, due in part to a 1992 ruling by the U.S. Copyright Office, stage directors are now claiming the right to their own intellectual property contributions. The 1992 ruling involved a stage director who had an express grant of copyright from the producer, as well as a videotape of the production. These two factors were persuasive in the ruling because the videotape reduced the production to a fixed and tangible medium of expression — a requirement for copyright protection. The Copyright Office held that the stage production was eligible for copyright protection, thus recognizing the artistic talent of stage directors — recognition that was long-overdue.

While traditionally stage directors and choreographers received credit for their input, they did not receive protection under "work for hire" contracts. In contrast, directors in the film industry have long been able to obtain copyrights for their artistic input. For example, they have obtained protection for where actors should stand, how loud they should speak and where the spotlight should focus. Because stage directors must supply the same creative input in their productions, it made little sense to award protection to one group and not the other.

Today's contracts and collective bargaining agreements reflect the 1992 Copyright Office ruling that stage directors are able to retain copyright ownership of their input. Furthermore, in 1995, director Gerald Gutierrez successfully settled a lawsuit involving a 1994 Chicago version of his 1992 Broadway show "The Most Happy Fella." Gutierrez argued that his artistic innovations in the Broadway revival of the production had been appropriated without consent, royalties or credit. Despite this trend, few stage directors have actually sought copyright protection. As one lawyer put it, "[a] huge tree fell in the copyright world, but no one was around to hear it." Richard C. Reuben, *New Clout for Stage Directors: Copyright Protection Available For Creative Work*, 81 Oct. A.B.A. J. 32 (1995).

Kathryn Michaelis

The Muppet v. Spam Controversy

Hormel Foods Corporation, the manufacturer of the "world's leading loaf of compressed pork shoulder and ham," has filed suit against Jim Henson Productions. The Hormel product, Spam, is a gelatin-coated pork product that has been on the market since 1937. Spam's popularity grew during World War II when used by the Armed Forces. Today, Hormel sells approximately 100 million cans of Spam worldwide each year.

The suit, filed in the summer of 1995, alleged that a character in the upcoming muppet movie, *Muppet Treasure Island*, infringed on Hormel's trademark. The muppet, whose name is "Spa'am," is the leader of a tribe of wild boars that take Miss Piggy and other muppets captive. Hormel described the muppet as a "grotesque and noxious-appearing wild boar" that would prompt unfavorable associations with their food product.

In addition to dilution of trademark arguments, Hormel also argued that Henson Productions was developing a multinational merchandising program in competition with their Spam items. Henson Productions plans to market Spa'am on McDonald's Happy Meal boxes, Cheerio's cereal boxes, and in television commercials. However, Hormel produces Spam T-shirts, golf balls, and other items, and even has its own mascot by the name of "Spam-Man." Henson Productions defended on the grounds that the muppet was a humorous take-off on the actual product.

On September 22, 1995, the U.S. District Court for Southern District of New York ruled in favor of Henson Productions, stating that Henson has a right to parody. The court stated that "Hormel cannot use federal trademark laws to enjoin what is obviously a joke at its expense." The court further noted that there was no likelihood of confusion between the character and the lunch meat. Hormel is appealing on the grounds of confusion and unfair competition. The Muppet movie is to be released in February of 1996. Mark Caro, *Spam vs. Spa'am*, CHI. TRIB., Oct. 3, 1995, § 5, at 1; Frederick M. Winship, *Judge Rules In Favor of Muppet Boar*, UNITED PRESS INTERNATIONAL, Sept. 25, 1995.

Kathryn Michaelis

IRS TIGHTENS GRIP ON HOLLYWOOD DEDUCTIONS

In a July 26, 1995 statement, the IRS spoke out strongly against many tax deductions favored by entertainers. While the statement, embodied in the IRS "Market Segment Specialization Program Examination Technique Guide," is not codified law, it does represent IRS policy. The implication is that failure to follow the guidelines may not constitute an outright violation, but it may prompt an unwanted audit. Unfavored deductions are contained in the following categories:
(1)*Expenses For Maintaining The Image*. Among the deductions that may lose their validity are physical fitness expense deductions. The IRS would allow them only to the extent that they are linked to the specific requirements of a taxpayer's work. Thus, an actor who obtains a role in a Kung Fu movie and must learn karate may deduct the expenses for karate lessons. However, expenses for personal trainers to help a performer keep in shape allegedly for better job appeal would not be deductible.
(2)*Personal Appearance v. Business Necessity*. Currently, medical expenses are deductible only to the extent they exceed 7.5% of adjusted gross income. However, medical deductions for cosmetic surgery, toupees, false teeth and hearing aids are generally not allowed. Most of these expenses are seen as merely "im-

proving the patient's appearance" and not as business-related. Yet, one exception to this general rule has been noted where a stripper was allowed to deduct the expense of breast implants because she proved that her compensation increased dramatically as a result of the implants. Also note that wardrobe costumes are not deductible if they are suitable for general wear or use away from work.
(3)*Miscellaneous Deductions*. Other formerly accepted deductions that now will be curtailed include expenses for bodyguards and security systems, tickets to movies and theaters and cable TV subscriptions. Except in cases where there is a direct correlation to the entertainer's business, such as tickets to *Romeo and Juliet* to prepare for an upcoming role, the IRS views most miscellaneous deductions as personal and non-deductible.
(4)*Loanout Corporations*. The IRS has also renewed its attack on deductions taken by professional athletes and entertainers for the use of loanout corporations. Loanout corporations provide tax benefits such as the ability to take deductions without limitations applicable to normal employee business expenses, the ability to obtain certain pension benefits that would otherwise be unavailable to employees, and advantageous medical reimbursement plans and insurance benefits. (*See Leavell v. Commissioner*, 104 T.C. 140 (1995)). The IRS guide suggests a number of ways to attack these loanout corporations. While none of the suggestions are new, they do indicate an intention on the part of the IRS to continue to pursue this area. Robert M. Jason, *IRS Issues Examination Guide Attacking Industry Deductions; Tightening the Belt*, 10 ENT. L. & FIN. No. 6, at 1 (1995).

Kathryn Michaelis

STATES' ATTEMPTS TO RESTRICT COPYRIGHT ROYALTY COLLECTION ARE HALTED

On April 27, 1995, Governor Whitman of New Jersey vetoed New Jersey Assembly Bill 1610. That bill aimed to prevent copyright owners and their agents from engaging in arbitrary and capricious enforcement practices in their attempts to collect copyright royalties from various institutions. Among these institutions are restaurants, sport facilities and other business locations that publicly perform copyrighted material. The bill is similar to the Fairness in Musical Licensing Act of 1995 introduced into the House on February 1, 1995.

The major performing rights societies, primarily BMI and ASCAP, applauded the veto. Spokespersons for both organizations viewed the bill as threatening the livelihood of music writers and publishers, as well as imposing burdensome reporting requirements. Governor Whitman allegedly vetoed the bill because it unconstitutionally interfered with the rights of copyright owners. The veto may also have been a response to pressure from both ASCAP and BMI.

The New Jersey veto is indicative of legislation in other states, including pending bills in California, Florida, Illinois Maryland and Missouri. Fifteen other states have defeated or stalled similar bills. *N.J. Governor Vetoes Bill Restricting Copyright Royalty Collection Practices*, 7 J. PROPRIETARY RTS., No. 6, at 30 (1995).

Kathryn Michaelis

PATENT AND TRADEMARK OFFICE MAY BE CONVERTED INTO A GOVERNMENT CORPORATION

On May 17, 1995, the Patent and Trademark Office Corporation Act of 1995 (H.R. 1659) was introduced into the House. H.R. 1659 would convert the Patent and Trademark Office (PTO) from a regular government bureau in the Department of Commerce to a "free-standing government corporation." Advantages of the bill include expanded powers given to the Commissioner and the establishment of two new boards. The PTO Corporation would also be granted more authority over the granting of contracts, management over its property, and the power to use and invest its own revenues. Proponents assert that incorporation would enable the PTO to respond more efficiently to its customers as it would have more flexibility in budgetary and other management areas. Specifically, the PTO could use its revenues without apportionment by the Office of Management and Budget. Currently, several million dollars of user fees paid into the patent surcharge fund are withheld every year.

The Office of the Commissioner of Patents and Trademarks outlined its own proposed alternative to H.R. 1659. The PTO administrative bill is similar to H.R. 1659, yet Commissioner Bruce Lehman notes that the PTO's proposal has some noted differences. One difference is that the administrative bill gives oversight authority to the Secretary of Commerce, with policy advisory authority to the Undersecretary of Commerce for Intellectual Property. This is contrasted with H.R. 1659, which would have the PTO unassociated with any governmental department.

Despite Lehman's support, three intellectual property groups attacked the PTO administrative proposal when testifying before the House on September 14, 1995. One critique asserted that the PTO proposal to put policy matters in the hands of an Undersecretary of Commerce for Intellectual Property "degrades" the proposed position of CEO/commissioner — similar to the subservient role the PTO played in the 1970's. Other critiques attacked the continued relationship between the PTO and the Commerce Department, the lack of an advisory board, the fee-setting authority of the Secretary of Commerce and appointment procedures of the CEO. The three major intellectual property groups all favored the approach taken in H.R. 1659. *PTO Government Corporation Bill Introduced*, 7 J. PROPRIETARY RTS. No. 6, at 31 (1995); *Administration Proposal on PTO Corp. Draws Fire*, 50 PAT., TRADEMARK & COPYRIGHT J. (BNA) No. 1245, at 587 (Sept. 21, 1995).

Kathryn Michaelis

NO PIECEMEAL DIVISIONS FOR CONCURRENT USE REGISTRATION OF TRADEMARKS

On July 26, 1995, a U.S. court of appeals denied trademark registration of the "Walking Fingers" logos for yellow pages directories. The court held that such an applicant cannot divide up the country into regions where the mark is and is not generic. Therefore, concurrent use registration of a logo for a claimed territory is not permitted when the logo is generic in a non-claimed territory. *Highlights*, 50 PAT., TRADEMARK & COPYRIGHT J. (BNA) No. 1239, at 339 (1995).

Kathryn Michaelis

RE-RELEASE OF DISNEY'S *FANTASIA* STIRS CONTROVERSY

Are rights that are acquired years and decades before the creation of the home video industry broad enough to authorize the re-release of old movies on video? The Southern District Court of New York recently addressed this in one of the most litigated cases on this issue in *Muller v. Walt Disney Co. Productions*, 876 F. Supp. 502 (S.D.N.Y. 1994).

In *Muller*, three lawsuits were brought against Disney for its 1991 release on video and laser discs of the original (and not as popular) 1940 movie release. The plaintiffs included the publisher of Igor Stravinsky's *The Rite of Spring*, the Philadelphia Orchestra who performed the film's soundtrack music, and the estate of Leopold Stokowski, the conductor of the Orchestra when *Fantasia* was produced. Stravinsky's publisher claimed that the license, whereby Disney acquired the right to use the composition of *The Rite of Spring* in the movie's soundtrack, did not extend to its use on videocassette. The Orchestra's suit was based on its entitlement to a share in the video profits as a matter of copyright, contract, trademark and publicity law. The last suit was brought by the estate of the conductor of the Orchestra, Stokowski, who entered into the original contract with Disney in 1939.

Disney responded with its own suit against the Stokowski estate for indemnification against liability in the orchestra's case, and claims for a right to setoff for any payments required to be paid to the Orchestra or publisher. A federal district court in New York City ruled against Disney on the indemnity claim. It also ruled against Disney on the setoff claim, despite the fact that the suits sought a total of more than one-hundred percent of *Fantasia's* home video profits. *Court Dismisses Disney's Claims for Implied Indemnity and Setoff Against Stokowski Estate in Action Involving "Fantasia" Home-Videos*, 17 ENT. L. REP., No. 3 (1995) (citing Muller v. Walt Disney Co. Productions, 876 F. Supp. 502 (S.D.N.Y. 1994)).

Kathryn Michaelis

MAJOR LEAGUE BASEBALL OWNERS COMMITTED UNFAIR LABOR PRACTICES

During the baseball strike of 1994-95, a federal district court in New York

City found that major league baseball club owners were committing unfair labor practices. In March of 1995, the Players Association and National Labor Relations Board (NLRB) asserted that the owners had violated section 8(a) of the National Labor Relations Act. Under section 8(a), employers are required to bargain collectively and in good faith with their employees concerning "mandatory" subjects. However, bargaining is not required for subjects that are considered "permissive." The violations of section 8(a) took place because the club owners unilaterally eliminated (a) salary arbitration for reserved players; (b) competitive bidding for free agents; and (c) the anti-collusion provision of the expired collective bargaining agreement before an impasse had been reached in collective bargaining.

The club owners defended by alleging that these topics were permissive and therefore, did not require collective bargaining. The court disagreed and ordered the owners to restore the terms of the expired collective bargaining agreement. This injunction prompted a suspension of the strike and a return to the field. *Court Ruled That NLRB Had Probable Cause To Believe That Major League Baseball Owners Committed Unfair Labor Practices During Player Strike and Temporary Injunction Was Issued*, 17 ENT. L. REP., No. 3, August, 1995 (citing Silverman v. Major League Baseball Player Relations Committee, 880 F. Supp. 246 (S.D.N.Y. 1995)).

Kathryn Michaelis

ROSS PEROT OPPONENT NOT ALLOTTED EQUAL TIME

The Second Circuit upheld the FCC's ruling that Ross Perot's interview on ABC was exempt from the "equal time" requirements of the Communications Act of 1934. In June of 1992, Perot appeared on ABC when he was a then-undeclared candidate for President. Lenora B. Fulani, another independent candidate, sought to appear on ABC as well, but the network denied her request. Subsequently, Fulani complained to the FCC because she was not given an equal opportunity to appear on ABC.

Under section 315(a) of the Act, when a broadcaster permits any "legally qualified candidate for any public office" to use its station, the broadcaster also must provide all other legally qualified candidates with an equal opportunity to use its facilities. The statute exempts from this requirement four categories of news events, including "bona fide news interviews." The court upheld the FCC's ruling because it fit under this bonafide news interview exemption. *Court Upholds FCC's Finding that Ross Perot Interview on ABC Was Exempt From "Equal Time" Requirements*, 17 ENT. L. REP., No. 3, Aug., 1995 (citing Fulani v. FCC, 49 F.3d 904 (2d Cir. 1995)).

Kathryn Michaelis

QUARTERBACK IS GIVEN PENALTY IN RIGHT OF PUBLICITY CASE

In 1989 and 1990, when Joe Montana was leading the San Francisco 49ers to the Super Bowl, the *San Jose Mercury News* capitalized on his fame. The *News* featured a portrait of Montana on its cover and sold posters bearing the quarterback's name and likeness. Montana sued for misappropriation. The *News* defended on the grounds of First Amendment freedom of speech. The California state appellate court agreed with the newspaper, stating, among other things, that the success of the 49ers was the subject of public interest protected by the First Amendment. It further found that the posters were entitled to First Amendment protection because "Montana's name and likeness appeared in the posters for precisely the same reason they appeared on the original newspaper front pages; because Montana was a major player in contemporaneous newsworthy sports events."

In reaching its decision, the appellate court looked to a similar case decided in 1975. This case was brought by professional quarterback Joe Namath against *Sports Illustrated* when the magazine republished a photo of Namath that was featured in other magazines as an advertisement for itself. As with Montana, Namath also lost his case. The California Supreme Court has denied Montana's petition for rehearing. *Joe Montana Loses Right of Publicity Lawsuit Against San Jose Mercury News Seeking Compensation For Newspaper's Sale Of Poster Reproductions In Its Pages Bearing His Name and Likeness*, 17 ENT. L. REP., No. 3, Aug., 1995 (citing Montana v. San Jose Mercury News, Inc., 34 Cal. App. 4th 790, *modified*, 35 Cal. App. 4th 813 (1995)).

Kathryn Michaelis

WWF UNDER FIRE FROM FORMER WRESTLER/COMMENTATOR

Titan Sports, Inc., which operates The World Wrestling Federation (WWF), was sued by former wrestler Jesse "The Body" Ventura, in December of 1991, for recovery of royalties. Titan had entered into various licensing agreements for the production of toys, t-shirts, trading cards, calendars, a computer game, videos and other items that portrayed its WWF wrestlers. Ventura was the subject of some of those videos.

Titan originally hired Ventura as a wrestler, but after injuries, Ventura became a commentator for WWF from 1985 until 1990 under several different contracts. No mention was made of Ventura's right to royalties from the videotapes of the fights until 1987. In that year, Ventura signed a written contract that waived any right to royalties.

On March 16, 1995, the U.S. Court of Appeals for the Eighth Circuit held that Titan exploited Ventura's commentating performances and violated Ventura's right to publicity in the time period before the 1987 contract. For the period involving the 1987 contract, the court held that Ventura was entitled to avoid the fraudulently induced contract and to recover the reasonable value of the royalties. The fraud claim was based upon the fact that Ventura and his agent had been falsely informed that Ventura was not entitled to royalties because he was not a "featured performer" on the videotape. In fact, Titan had paid such royalties to other "non-featured" performers. Relying on such misrepresentations, Ventura was fraudulently induced into signing the 1987 contract, thereby foregoing his right to royalties. Ventura v. Titan Sports, Inc., 1995 U.S. App. LEXIS 25332 (8th Cir. Sept. 11, 1995).

Kathryn Michaelis

TRADEMARK PROTECTION FOR VASELINE IMITATORS

The U.S. Supreme Court denied certiorari of a petition for review of a Federal Circuit ruling which held that private-label *imitation* products may mimic the packaging of well known national brands without violating trademark law. This case involved Vaseline Intensive Care Lotion (owned by Conopco) and a similar hand lotion manufactured by a private label company who distributed its product to Venture Stores. The private label company created a hand lotion to directly compete with Vaseline's product. The private company developed a container and label that mimicked the Vaseline packaging in shape and color, yet distinguished itself by having the black and white Venture logo displayed on the label. The packaging of the product was intended to make it clear to the consumer that the product is similar to the national brand and is intended for the same purposes. The imitator's lotion even contained a red banner on its label inviting consumers to "Compare to Vaseline Intensive Care."

The Federal Circuit held in favor of Venture Stores, finding that their private label hand lotion did not infringe on Vaseline Intensive Care's trademark. The court determined that this type of competition has become common and well known in the marketplace. The court was strongly influenced by the fact that the Venture logo was prominently situated on the front of the product and that customers easily recognized the unique black and white Venture logo. The court also noted that consumers were invited to compare the Venture brand to Vaseline, thereby no actual or likelihood of confusion would arise between the two products. Conopco, Inc. v. May Dep't. Stores Co., 46 F.3d 1556 (Fed. Cir. 1994), *cert. denied*, 115 S. Ct. 1724 (1995).

Stacy Pappas

COPIES OF CIA REPORTS ARE THE GOVERNMENT'S PROPERTY

A former Central Intelligence Agency (CIA) employee brought an action against his former employer, alleging prior restraint. Every CIA document necessitates CIA approval if it may contain, or be based upon, classified information before it is released. The CIA refused to review the report, so the former employee sued.

The CIA employee drafted a report on the Bay of Pigs Operation and after terminating his employment kept a copy of the report for his own personal possession. The employee wanted to publish the report, so he asked the CIA to review it and clear it for publication, which the government refused to do.

The employee argued that the Copyright Act of 1976 denies the Government copyright protection. Since the Government has no copyright protection, it has no exclusive right to reproduce its works, and therefore, the plaintiff argued that the copy of the report in his possession was his. The D.C. Circuit agreed that the Government generally cannot prevent the reproduction of its works (apart from classified information), but "by no stretch of the interpretive imagination" does the lack of copyright protection indicate that a copy of a government work cannot be the Government's property. The former employee was ordered to return the report because the court found it was the CIA's physical property, and accordingly, the CIA is entitled the right to possess its own property.

The court also rejected the former employee's argument that the CIA's refusal to review the report was an unconstitutional prior restraint under the First Amendment. The court held that since the employee had no right to the report, the report was not his, and the First Amendment gives no general right of access to government information. Pfeiffer v. CIA, 60 F.3d 861 (D.C. Cir. 1995).

Stacy Pappas

Trade Dress Protection For Dictionaries

In a case of trade dress infringement, the Second Circuit found that Random House's *Webster's College Dictionary* did not infringe on the trade dress of its competitor, *Webster's Ninth New Collegiate Dictionary*, published by Merriam-Webster. The court found no likelihood of confusion between the dictionaries even in light of the fact that both have red dust jackets and both display the word "Webster" on the spine of their jackets. The court held that red is a standard color for dictionaries and therefore, not subject to protection. Additionally, the court affirmed that the word "Webster" is generic in conjunction with dictionaries. The Second Circuit threw out the lower court's award of $2.2 million in favor of Random House, and the U.S. Supreme court denied certiorari. Merriam-Webster, Inc. v. Random House, Inc., 35 F.3d 65 (2d Cir. 1994), *cert. denied,* 115 S. Ct. 1252 (1995).

Stacy Pappas

Gatorade To Pay $26.5 Million

The Seventh Circuit Court of Appeals declined to reconsider a decision awarding a record $26.5 million damage award against Quaker Oats, the maker of Gatorade. Quaker Oats was sued, in 1984, by Sands, Taylor and Wood, a firm that owned the federal registration for the trademark "Thirst-Aid" to be used in conjunction with its goods — soda fountain syrups. After Quaker Oats launched its nationally-televised commercial advertising campaign for "Gatorade is Thirst Aid," Sands, Taylor and Wood sued. The damage award was reduced from the original grant of $31.3 million and was based on a royalty rate (1% of the profits for the first year of infringement, .5% for each successive year). The Seventh Circuit took the royalty rate and doubled the figure, then added amounts for prejudgment interest and attorney fees to ultimately arrive at the $26.5 million total. Although the $26.5 million award was large, the court held that the award was merely a deterrence and not a penalty in light of the fact that Quaker Oats reaped $247.3 million dollars profit on Gatorade sales during the "Thirst-Aid" campaign. Sands, Taylor & Wood v. Quaker Oats Co., 44 F.3d 579 (7th Cir. 1995).

Stacy Pappas

YOUR MEMORY CAN VIOLATE THE TRADE SECRETS ACT

Former employees of Stampede Tool Warehouse, Inc. were enjoined from conducting business with any Stampede customer due to their violation of the Trade Secrets Act. The former employees left Stampede to form their own business and recreated a copy of Stampede's customer list from memory. The Illinois Appellate Court affirmed the lower court's holding that using memory alone to recreate information was sufficient to find a violation of confidential information.

In its analysis, the court held that the customer list was indeed a trade secret. The list had been developed through a substantial amount of time, effort and expense by Stampede, and was not readily available from any one public source, as it was a compilation of several different sources. Also, Stampede protected its customer lists using reasonable efforts to maintain secrecy and confidentiality, such as allowing only a few employees computer access to the lists, keeping hard copies of the lists in a locked office and daily checks of all garbage. Additionally, every job application stated that all information received on the job is Stampede's property.

Since the court determined that the list was a trade secret, it looked next at whether the former employees' act of reconstructing the customer lists by looking at a map and remembering the former customers zone by zone, was misappropriation of the trade secrets. The list of customers was not physically removed from Stampede, but the court decided that theft or conversion of the physical document was not required to constitute misappropriation. It was enough that the former employees intentionally memorized the lists. The court thus held that using memorization to rebuild a trade secret does not transform that trade secret from confidential into non-confidential information.

Finally, the former employees were enjoined from conducting business with any Stampede customer for four years. The court limited its permanent injunction to a term of four years because the average customer only remains in the industry for three to five years and purchases goods from more than one warehouse. Stampede Tool Warehouse, Inc. v. May, 651 N.E.2d 209 (Ill. App. Ct. 1995).

Stacy Pappas

PATENT VS. TRADEMARK: PATENT WINS

In a case of first impression, the Tenth Circuit confronted the intersection of the United States Patent Act and the Lanham Trademark Act. Vornado Air, Inc.

had a patent for the spiral structure in a household fan grill. Typically, after the patent's expiration, Vornado's invention would pass into the public domain, but here, after the patent expired, Vornado attempted to assert trade dress protection of the grill. Although the grill would be eligible for trade dress protection because it was non-functional (meaning that enough alternative grill designs exist so that other fan manufacturers could effectively compete without this design), the court determined that not every non-functional configuration is eligible for trade dress protection. The court created a test to determine if the invention should enter into the public domain. The court held that where the product configuration is the significant inventive component of an invention, so that without the inventive component the invention cannot fairly be said to be the same invention, patent policy dictates that the invention enter into the public domain when the patent expires. The court said that consumer confusion caused by copying patented configurations was, at best, a peripheral concern of section 43(a) of the Lanham Act. Accordingly, the invention was not given trade dress protection. Vornado Air Circulation Systems, Inc. v. Duracraft Co., 58 F.3d 1498 (10th Cir. 1995), *petition for cert. filed*, 64 USLW 3271 (U.S. Sept. 29, 1995) (No. 95-524).

Stacy Pappas

INCONTESTABILITY IS NOT ENOUGH FOR LIKELIHOOD OF CONFUSION

In *Lone Star Steakhouse & Saloon, Inc. v. Alpha of Virginia*, the Fourth Circuit held that the incontestability of a trademark alone is not sufficient for a finding of likelihood of confusion. Lone Star operated over thirty restaurants in the United States and was the holder of the trademarks "Lone Star Cafe" and "Lone Star Steakhouse & Saloon," in conjunction with restaurants and clothing items. Alpha began operation of its "Lone Star Grill" in regions where Lone Star's restaurants already existed. By the time Alpha began its operation, the Lone Star marks had become incontestable because they were in continuous and unchallenged use for five years. The Fourth Circuit held that even though the marks were incontestable, that alone was not enough to enjoin Alpha from its infringing use of the terms "Lone Star."

The Fourth Circuit affirmed the district court's holding that Alpha had infringed, but the Fourth Circuit applied its newly created two-pronged test for trademark infringement and unfair competition: first, the mark must be protectible, and second, the defendant's use of the mark must be likely to cause confusion. The two-prong test replaced the analysis of the district court which found infringement simply because the mark was incontestable.

The Fourth Circuit found that, under the new test, a likelihood of confusion existed. It also affirmed the injunction granted by the district court, enjoining Alpha from using the mark "Lone Star Grill" or any other mark containing the words "Lone Star" in association with restaurant services. Lone Star Steakhouse & Saloon v. Alpha of Virginia, 43 F.3d 922 (4th Cir. 1995).

Stacy Pappas

SERIAL KILLER WAS NOT DEFAMED

The U.S. Court of Appeals for the Seventh Circuit affirmed the district court's grant of summary judgment to the author and publisher of an "encyclopedia of serial killers" in a defamation suit raised by one of the encyclopedia's entries. This defamation suit was brought by a convicted murderer, serving two concurrent life sentences, who objected to his inclusion in the author's book. The murderer resented being labeled as a serial killer who was linked to the murders of at least twenty women. The district court determined that the dictionary entry was true. The plaintiff was convicted of two murders, and it was widely reported that he was under investigation for additional murders based on police evidence found in his mother's home - jewelry, women's clothing, human teeth, and manuscripts which detailed ritualistic murders. As truth is a complete defense in defamation cases, the grant of summary judgment was affirmed and the case dismissed. Schaefer v. Newton, 57 F.3d 1073, *reported in full*, 23 Media L. Rep. BNA (2051) (7th Cir. 1995).

Stacy Pappas

KKK FAILS IN THEIR PLANS TO ADOPT

The U.S. Court of Appeals for the Fifth Circuit affirmed the district court's decision that the KKK's First Amendment rights were not violated by Texas' rejection of its application to participate in an adopt-a-highway program. The KKK filed an application to adopt two miles of highway that runs directly in front of and provides the primary entrance to a federally subsidized public housing project that has been under a continuing order of desegregation. The efforts to desegregate the housing project have encountered strong opposition from the KKK, including threats to the mayor that she'll hang in "black effigy," harassing phone calls to tenants and numerous other acts of intimidation. As a member of the highway adoption program, the Klan's duties would be to collect litter on its portion of the highway. The State would then post signs naming the KKK at both ends of the adopted highway miles as the "adopter."

In its decision, the court reasoned that Texas did not violate the KKK's free speech rights because the program is a non-public forum, (assuming that participation in the program would constitute speech or expressive conduct). Therefore, the state may exclude the speech if it finds a reasonable argument to do so. The court then held that Texas may reasonably argue that participation by the Klan in the program would substantially impede that state's ability to comply with the federal injunction requiring desegregation. Finally, the court held that Texas' rejection of the Klan's application was not motivated by a desire to suppress the Klan's viewpoint or opinion, but rather resulted from the foreseeable impact the Klan would have on the peace and privacy of the project residents and use of state highways. Texas v. Knights of the Ku Klux Klan, 58 F.3d 1075, *rehearing en banc denied*, 1995 U.S. App. LEXIS 27497 (5th Cir. Aug. 24, 1995).

Stacy Pappas

CONGRESS CONSIDERING EXTENDING COPYRIGHT PROTECTION

The House of Representatives and Senate are considering legislation to extend the term of copyright protection, which is currently author's life plus fifty years. House Bill 989 and Senate Bill 483 seek to extend the term to author's life plus seventy years. This increase would make American copyright protection uniform with the new European Union standard. The European Union (EU) issued a ruling that by July 1, 1995, each EU Member State is to provide copyright protection for a term of life plus seventy years; however, "the rule of shorter term," prohibiting protection of works from non-member EU states for this period, may still apply unless that country also provides for a term of life plus seventy years. According to Bruce A. Lehman, Assistant Secretary of Commerce and Commissioner of Patents and Trademarks, passage of the extension bills may serve to reaffirm the position of the United States as a world leader in copyright protection. Lehman also feels that extension of the copyright term will benefit the U.S. trade balance and economy. In 1994, the United States copyright industry contributed approximately $40 billion in foreign sales to the United States' economy. A twenty year extension of copyright protections would further the United States' trade balance. The proposed bills also seek to apply the term protection retrospectively, adding twenty years to the renewal terms of copyrights in their first term as of January 1, 1978. *Copyright — Term Of Protection Harmonized With European Union*, LEXIS, Hot Topics Library, Intellectual Property Law File, Aug. 4, 1995.

Ann Pantoga

LICENSING RIGHTS TO PICASSO'S WORKS SETTLED

Disputes over the trademark and licensing rights to Picasso's works have been settled in a federal court in Manhattan. Picasso died intestate in 1983 at the age of 93. The controversy stems from a granddaughter's 1979 sale of reproduction and licensing rights of 109 of his works. Under the settlement agreement, Picasso's estate owns the copyright and trademarks, while the six defendants have the exclusive right to market a portion of Picasso posters and prints. Pursuant to the settlement, after July 1, 1998, the estate will join with the defendants and market its own share of the posters and prints. Another defendant agreed to be the only licensee of the Marina Picasso Collection, 234 Picasso images. Other lawsuits in Florida and California are still pending. Margaret A. Jacobs, *Picasso Estate Settles Suits*, WALL ST. J., Aug. 31, 1995, at B5; Frances A. McMorris, *Picasso's Heirs Fight To Control Use Of His Name*, WALL ST. J., Dec. 29, 1994, at B1.

Ann Pantoga

DO COPYCAT GOLF COURSES VIOLATE TRADEMARK LAWS?

Pinehurst Resort and Country Club of North Carolina, Harbour Town of South Carolina and Pebble Beach Golf Links of California are suing a Houston company, Tour 18, for trademark infringement in U.S. District Court in Houston. Tour 18's three year old golf course in Humble, Texas, north of Houston, is at the heart of the lawsuit. Tour 18, which manages several golf courses, advertises that each of its courses recreates famous holes from golf courses on the Professional Golf Association (PGA) tour. The plaintiffs contend that Tour 18 should not profit from the respected holes' reputation. The suit claims that Tour 18 is unfairly trading on the names of the famous courses, "with the intent to trade on or derive benefit from the commercial value reputation and goodwill associated therewith." In addition, the suit claims that Tour 18 is guilty of false advertising. The plaintiffs seek to prevent Tour 18 from utilizing course designs that replicate the original holes created by the various plaintiffs. In addition, the plaintiffs want to prohibit Tour 18 from claiming that its holes are copies of their holes, and they want Tour 18 to pay treble the amount of profits they have received from the use of plaintiffs' names. Tour 18 has filed a countersuit for more than $20 million, claiming the plaintiffs' lawsuit has delayed expansion of its own courses.

Tour 18's duplication of courses include the third hole at Pinehurst No. 2, the eighth at Shinnecock Hills in Southhampton, N.Y. and the famous three-hole "Amen Corner" at Augusta National in Augusta, Georgia. Tour 18 has duplicated the holes even to the point of the placing of dogwoods and azaleas. Each hole provides the history of its famous original. In addition, each hole provides a disclaimer stating that the PGA courses are not affiliated with the Humble course, and that the PGA did not authorize any such imitation of its courses.

The issue presented in this case is whether it is illegal for Tour 18 to reproduce the exact design and layout of some of the world's most famous golf courses. Under federal law, words, names and product designs or shapes are eligible for trademark protection. These laws are intended to decrease consumer confusion. However, in this case, user confusion may be difficult for the plaintiffs to prove. Tour 18 contends that its disclaimers at each hole alleviate any misconception that these are the original holes. Tour 18 also claims that it lawfully purchased the topography maps of the plaintiffs' famous courses and that the designs were not copyrighted until three years after the purchase, after the maps were already being used. Furthermore, Tour 18 claims that many of the golfers at its courses cannot afford to play the famous courses although professional golfers familiar with the famous courses can see the differences between the holes.

Owners of other replicated golf course holes are awaiting the determination of this suit. *Golf*, THE WASHINGTON POST, Oct. 3, 1995, at E2; Deborah Tedford, *Golf Trademark Infringement Case Goes On Trial Here Tuesday*, HOUSTON CHRON., Oct. 30, 1995, at A13; Deborah Tedford, *Poll Shows Some Confuse Golf Courses, Lawyers Say; Tour 18 Recreates Some Famous Holes*, HOUSTON CHRON., Nov. 1, 1995, at A20.

Ann Pantoga

THE SUPREME COURT GRAPPLES WITH SOFTWARE TECHNOLOGY

The United States Supreme Court granted certiorari to IBM's Lotus Development Corporation in its copyright infringement suit against Borland, International. The Unites States Court of Appeals for the First Circuit reversed a lower court's ruling that Borland's spreadsheets, Quattro and Quattro Pro, infringed the copyright of Lotus' spreadsheet, Lotus 1-2-3. The court of appeals held that a computer program's menu command hierarchy, which provides means for users to control and operate the program, is a "method of operation" excluded from copyright protection by the provisions of 17 U.S.C. § 102(b) because that statute states basic commands for running a program are considered a "procedure, process, system [or] method of operation" and cannot be copyrighted. The menus list text commands to make the software move material around, create a spreadsheet, print or handle other functions. Lotus argued that its command menus are a form of creative expression by its designers, and therefore fall under copyright protection.

For the first time, the Supreme Court will examine how federal copyright law applies to computer software programs. Katharine Stalter, *Lotus Wins Chance to Appeal Copyright Ruling*, DAILY VARIETY, Sept. 28, 1995, at 17.

Ann Pantoga

FCC REPEALS PRIME TIME RULE

The Federal Communications Commission (FCC) has repealed the twenty-five year old Prime Time Access Rule, established in 1970 to increase competition and reduce domination in the television business. According to this rule, networks that offered fifteen hours of prime time programming per week were limited to only three hours of broadcasting per day during those prime hours.

In repealing the Rule, the FCC stated it felt that since today's network competition is quite healthy, there is no longer any fear that the three major networks will control the broadcast business. The introduction of cable television and the increase in independent stations has provided for a wide choice in programming, negating the need for this type of regulation. *FCC Repeals Prime Time Access Rule, So That ABC, CBS and NBC Affiliates Will Be Able To Broadcast Network Programming During Prime Time Viewing Hours*, ENT. L. REP., Oct., 1995, Vol. 17, No. 5.

Ann Pantoga