The Price of Celebrity: When a Child's Star-Studded Career Amounts to Nothing

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LEGISLATIVE UPDATES

THE PRICE OF CELEBRITY: WHEN A CHILD’S STAR-STUDDED CAREER AMOUNTS TO NOTHING

INTRODUCTION

A minor in the United States cannot lay claim to the money that he earns; instead, it belongs to his parents. Essentially, the parents can manage the money in whatever way they see fit -- even if that means spending and not saving the child’s earnings. Later, when the child reaches the age of majority he often finds nothing left of his money; an empty bank account is a common conclusion to a child’s star-studded career.

The Coogan Law, adopted to protect a portion of a child actor’s earnings, was enacted in 1939, a time when Hollywood’s actors were under contract with studios. Today, there is not a studio system. Hollywood is not the only place to make movies, and child actors are not the only child celebrities that need their earnings protected.

Unfortunately, the 1939 Coogan Law did not conform to the changing entertainment industry, nor to the additions to the definition of “child celebrity,” therefore, close to ninety-five percent of the money earned by child celebrities is not protected by

the 1939 Coogan Law.\textsuperscript{5} To bring the Coogan Law into the next millennium and to ensure children and not the industry are the protected parties under the law, California senators unanimously passed Senate Bill 1162\textsuperscript{6}, an amendment to the 1939 Coogan Law.\textsuperscript{7}

The 1999 Coogan Law “amends Sections 771, 6750, 6751 and 7500 of, and repeals Sections 6752 and 6753 of, the Family Code, relating to minors.”\textsuperscript{8} Some of the major changes in the 1999 law are that a child’s earnings are his own;\textsuperscript{9} the scope of protected children include, but is not limited to actors, musicians, singers, stunt-persons, and athletes;\textsuperscript{10} a minimum of fifteen percent of the minor’s gross earnings will be set aside in a court-monitored trust;\textsuperscript{11} the child is entitled to his own representation in court proceedings;\textsuperscript{12} and all child stars will be covered by the new amendment, since seeking court approval is mandatory.\textsuperscript{13}

\section*{BACKGROUND}

\subsection*{A. The Basics}

Under the basic theory of contracts, “a binding contractual obligation is created upon a finding of the following elements: (1) an agreement involving the mutual assent of two parties, (2) the parties are in possession of legal capacity, (3) the agreement

\textsuperscript{5}SAG Backs Coogan Law Revision, HOLLYWOOD REPORTER, April 12, 1999, at 5 [hereinafter SAG].
\textsuperscript{8} 1999 CA S.B. 1162 (enacted).
\textsuperscript{9} Id. at § 1.
\textsuperscript{10} Id. at § 2.
\textsuperscript{11} Id. at § 5.
\textsuperscript{12} Id. at § 3.
\textsuperscript{13} Id.
consists of an exchange of legal consideration, and (4) the terms of the agreement have been reduced to written form as required by law.”

Due to the naïveté and lack of sophistication of infants, minors were given the right to disaffirm contracts once they reached the age of majority. The ability to disaffirm contracts is contained in the Infancy Law Doctrine, which provides in part:

Children are so much more vulnerable to exploitation than adults that, in order to protect them from being exploited, the common law allowed all minors the right to disaffirm or void contracts at will. The public policy reason behind this common law principle was ‘to protect minors against their own improvidence.

According to the Restatement, a contract entered into with a minor is voidable upon the minor’s request once the minor reaches the age of majority. There are two exceptions to the Infancy Law Doctrine: (1) a minor may not disaffirm a contract for necessities (ie. food and shelter); and (2) a contract made with a minor performer may not be disaffirmed. “Although federal law provides an exception (to laws restricting minors from being employed in capacities that may endanger their well-being) for children employed as actors or performers, . . . the state[s] remain free to regulate for their children in the entertainment industry.”

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16 Marc R. Staenberg and Daniel K. Stuart, Children as Chattels: The Disturbing Plight of Child Performers, 32 BEVERLY HILLS B.A.J. 21, 24 (Summer/Fall, 1997) (citing Burnard v. Irigoyen, 30 Cal. 2d 861, 867 (1947)).


18 Id. at cmt. b.


20 Ericka D. Munro, Under Age, Under Contract, and Under Protected: An Overview of the Administration and Regulation of Contracts with Minors in the
In those states that chose not to protect their children, exploitation of child actors ran rampant. Without laws protecting child performers, studio contracts with child actors contained provisions in which the studio was able to extend its contract for multiple years beyond the age of majority. Without laws protecting child performers, parents or guardians were entrusted to make decisions regarding the child’s earnings. Without laws protecting child performers, children who worked as actors, models, athletes, or in any other type of performance driven industry wound up with nothing to show for their hard work and dedication.

To protect those who enter into entertainment contracts with minors, California amended Section 36 of the California Civil Code in 1927. The amendment removed a minor’s opportunity to disaffirm a contract when the contract was for services as an actor, actress, or other part in the entertainment industry and was approved by the superior court in the county in which the minor


22 Solk, supra note 19, at 85.

23 All too often stars like Shirley Temple, Jackie Coogan, Dana Plato, Gary Coleman, Macaulay Culkin, and Mary-Kate and Ashley Olsen found themselves penniless or in a financial battle with their parents after a star-studded career due to exploitation or poor money management by their parents, agents or managers. See Munro, supra note 20, at 553 (exploring the unfortunate status of Hollywood’s youngest stars due to the lack of laws protecting children and their earnings); See also Thom Hardin, The Regulation of Minors’ Entertainment Contracts: Effective California Law or Hollywood Grandeur?, 19 J. JUV. L. 376, 377 (1998) (arguing that “even though child entertainers achieve superstar status, their status may not guarantee that they receive the rewards that they have earned”).
The industry, and not the children, was the winner with the 1927 amendment, since the amendment "upheld the validity of the contract made between the minor and a member of the industry." Later, the legislature enacted Sections 36.1 and 36.2 of the California Civil Code to protect a minor's earnings from the entertainment industry. Both new sections gave the superior court the authority to set aside and manage a percentage of the minor's wages in a trust fund to be held until the minor reached the age of majority; together, these two sections form the Coogan Law.

B. The Old Coogan Law

The 1939 Coogan law was revolutionary, providing some certainty to both the child and the industry it was enacted to protect. The original Coogan Law stated that

The court shall have power . . . to require the setting aside . . . either in a trust fund or other savings plan, such portion of the net earnings of the minor, not exceeding one-half thereof . . . the net earnings . . . shall be the total sum received for . . . services . . . pursuant to such contract less the following: taxes; reasonable sums . . . for . . . support, care, maintenance, education and training . . . expenses . . . in connection with procuring such contract or maintaining the employment of the minor; and . . . fees of attorneys . . . in connection with the contract or other business of the minor.

25 Munro, supra note 20, at 555.
26 Hardin, supra note 23, at 379.
Enacted in 1939, the Coogan Law is named after the child actor, Jackie Coogan, best known for his roles in Charlie Chaplin films and as Uncle Fester on television’s *The Addams Family.* After a star-studded career in silent films, Coogan, like many child actors, reached the age of majority and realized that his parents had spent the majority of his earnings from his childhood career. Coogan took his parents to court and lost, since the money that a child earned belonged to his parents.

In its 1939 version, the Coogan Law protected the earnings of minor performers until they reached the age of majority, then twenty-one. Hollywood was different in the 1930s; it was the bygone era of the studio system, under which studios had a ready inventory of performers, including children, under contract. The [1939 Coogan legislation] allowed a court considering approval of a minor’s contract with a studio to require up to fifty percent of the minor’s net earnings be set aside in a trust for the minor.

Under the old studio system, producers often spent tremendous time and money molding a child actor into a star. Although seeking court approval was voluntary, it was actually effective under the studio system when actors worked under long-term studio contracts, since producers wanted to protect their investment.

28 Martis, *supra* note 24, at 27.
32 SAG, *supra* note 5 (the age of majority is now eighteen).
33 Sires, *supra* note 4, at 1.
34 Solk, *supra* note 19, at 89.
The California Coogan Law has not been updated since its enactment in the late 1930s, except to broaden the scope of contracts that may be approved by the superior court to include not only child actors, but also other child performers, artists, dancers, and athletes. After Jackie Coogan’s case, the court was given the power to establish trust funds or savings accounts before approving minor’s contracts and jurisdiction to manage these funds. Since seeking court approval of an entertainment contract with a minor was voluntary, “if neither the producer nor the parent [sought] approval of a contract . . . , the child performers [were] denied any of the slim protections afforded them by the Coogan Law.” Regardless of these new terms, the Coogan Law did not supersede the Federal Labor Standards Act preventing child performers from disaffirming contracts; instead, it protected the industry and not the children.

Today, the industry is different; ninety-five percent of producers do not seek approval of contracts with minors and therefore the Coogan Law cannot be applied to protect children’s earnings. Since there is no longer a studio system, a child performer’s money does not ordinarily come from long-term contracts. Children in “the business” have many more expenses and they are not the only children affected by the Coogan Law. Today, many child athletes earn monetary awards for their participation in sporting events; this money must also be protected.

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note 19, at 89 (in order to protect their investment into creating young actors, producers often sought court approval of contracts).
36 Hardin, supra note 23, at 382.
37 Martis, supra note 24, at 27.
38 Staenberg, supra note 16, at 27.
39 Staenberg, supra note 16, at 23.
40 Boehm, supra note 21, at 148.
41 Since the trend is away from long-term contracts, producers are not worried about disaffirmance. Boehm, supra note 21, at 148.
42 Harrah, supra note 2, at <http://www.sag.org/publications/Dec97callsheet.html>
43 Hardin, supra note 23, at 382.
The 1939 Coogan Law does not protect today's child performers as it was designed to do over half a century ago. Since it only protects those children with "long-term contracts, . . . [it] does nothing for the overwhelming majority of child television actors who work under short-term agreements to appear in commercials or single television or film projects." Additionally, a law is only as effective as its scope of enforcement. Since court approval of a minor's contract is voluntary, if neither the parents nor the producer seek court approval, there is no voice for the child to speak to the court; the child's contract goes unapproved and the child is unprotected.

Less than seventy-five percent of the states have protections for professional children; therefore, if a child leaves California (a state with an active, although ineffective, Coogan Law) to do work in another state without protection for professional children, one can only wonder about the environment in which he is working. Given the exemption of professional children from federal child labor laws, many states have left such children and their earnings unprotected. Worried about the status of their children, California senators are taking the law into their own hands. On October 12, 1999, Gov. Gray Davis signed into law Senate Bill

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44 Today's Coogan Law is no longer found in California Civil Code § 36, et seq. In 1994, Section 36 of the California Code was repealed and recodified as California Family Code Sections 6750-6753. Munro, supra note 20, at 561.

45 Staenberg, supra note 16, at 27.

46 Staenberg, supra note 16, at 27. See Sires, supra note 4, at 1 (arguing that although the 1939 Coogan Law was designed to protect the child, it forgot that minors do not have a voice in court without representation).

47 There are only a few states, including California, New York, Florida, Massachusetts, Tennessee, North Carolina, Missouri (and approximately seven more), that have Coogan-type laws. See generally Staenberg, supra note 16, at 30 (if it is not bad enough that only a few states have taken steps to protect children in the industry, some states still have ancient laws that ban employment for children as entertainers, "unless their work falls within some stringent and wholesome exceptions").


1162 -- a *new* Coogan Law meant to protect all child stars and their bank accounts, at least while in California.\(^{50}\)

II. LEGISLATION

The *new* Coogan Law, passed in California, is actually an amendment to the 1939 law to make the law work more effectively.\(^{51}\) The supporters of the new bill pled for certainty in the law and a way for all children to be protected no matter where they work.\(^{52}\) The areas of reform include a new system of approval, deciding who owns the child’s earnings, how to do business with children, and how to manage the child’s earnings.\(^{53}\)

The new law amends Sections 771 (regarding marital property), 6750 (regarding contracts in art, entertainment, and professional sports), 6751 (regarding contracts with minors in art, entertainment, and professional sports), and 7500 (regarding rights of parents in relation to their children); it also repeals Sections 6752 (regarding the court’s determination of the set-aside funds) and 6753 (regarding the court’s jurisdiction over the funds that are set-aside) of the California Family Code.\(^{54}\)

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51 Committee Analysis, S.B. 1162 (Aug. 25, 1999) [hereinafter Committee Analysis].

52 *See generally* Sires, *supra* note 4, at 1 (noting that today’s laws that protect children in the industry are inadequate, even in “entertainment states” like California); Committee Analysis, *supra* note 46, non-paginated (claiming that “Assembly Amendments made numerous technical/clarifying changes to the [law] relative to the scope and responsibilities of the trustees, type of contracts and additional safeguards relative to the types of allowable investments made on behalf of the minor”).


A. Proposals by Supporters

The major supporter of the 1999 amendments to the Coogan Law was “A Minor Consideration,” an organization comprised of actors (young and old) striving to protect those in the industry. Among the many concerns of the members of A Minor Consideration is the economic plight of child actors once they reach adulthood. In order to remedy the situation, the members of A Minor Consideration pledged themselves to reforming five key issues that affect the bottom line of child actors: (1) change the status of the thirty-seven states that do not have laws regulating children in the industry; (2) allow children to own the money that they earn while in the industry; (3) allow parents who must leave their jobs in order to accompany their children to sets, performances, and games to be compensated for their work (thereby discouraging squandering their child’s income); (4) create uniform work standards across the nation; and (5) create a National Coogan Law with a mandatory minimum of ten percent of the child’s earnings being set-aside in a tax-free secure trust.

Others in the industry have similar proposals for the new law: (1) a mandatory requirement of approval of all contracts with minors and the entertainment industry; (2) a prohibition from employing minors without a court approved contract; (3) a representative of the child, appointed by the superior court, to express and personally protect the interest of the child; (4) protection of minor’s net earnings; and (5) allowing minors to disaffirm contracts after reaching the age of majority.

Finally, the California Senate, with support from the Screen Actors’ Guild, the Motion Picture Association of America and the Beverly Hills Bar Association, considered the proposals of Senate

56 Id.
58 Hardin, supra note 23, at 387-388. See also Munro, supra note 20, at 569 (proposing that the new law should be more certain and provide less loopholes for the industry to choose not to protect the children).
President Pro Tem John Burton, the sponsor of the Bill. Senate Bill 1162 includes for four major reforms in contracting with minors in the industry and professional child athletes: (1) a required fifteen percent of gross earnings is to be set aside for the minor's benefit; (2) the parent or guardian must set up a trust fund or savings account into which the fifteen percent will be deposited; (3) the funds will be placed in low-risk investments not to be withdrawn until the minor reaches eighteen; and (4) the court has continued jurisdiction over all approved contracts and trusts until the account is terminated.

### B. Proposals Turn Law

When approving Senate Bill 1162, California Senators and Governor Gray Davis took into account all of the aforementioned proposals. Where the previous law provided an option for the court to set aside up to fifty percent of a minor’s net earnings, the finalized version of the Bill, approved in the first-half of October, mandates that at least fifteen percent of an minor’s gross earnings be placed in a trust monitored by the court to which the minor will have exclusive access upon reaching the age of majority. Additionally, the percentage set-aside will be invested in “low-risk financial vehicles.” The minor will also be the owner of his earnings according to the new law. The law expands the type of protected contracts to include “personal services contracts in the entertainment and sports industries,” and does not distinguish between approved and unapproved contracts -- both will be held to the requirement of depositing fifteen percent of the minor’s gross earnings.

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**59** Committee Analysis, *supra* note 51, non-paginated.
**60** 1999 CA S.B. 1162, *supra* note 8.
**62** 1999 CA S.B. 1162, *supra* note 8, at § 5 (compared with Ca. Family Code § 6752(a)).
**63** 1999 CA S.B. 1162, *supra* note 8, at § 7 (compared with Ca. Family Code § 6753).
**64** 1999 CA S.B. 1162, *supra* note 8, at § 1 (compared with Ca. Family Code § 771).
earnings and providing the same investment protections. 65 A minor will also have a voice in court proceedings according to the new law; if a parent or legal guardian is unavailable, a court appointed guardian will represent the child's interest. 66 Finally, a parent is no longer entitled to his child's earnings from a performance contract specified in Section 6750. 67

In comparison, the new law covers all minors' contracts, not the five percent covered by the existing Coogan Law of 1939. 68 Unlike the old law which allowed parents or guardians access to spend the minor's earnings, the new law makes the child's earnings separate property, barring access to guardians who are not protecting the minor's well-being. 69 Finally, taking into account the increased expenses that minors in the industry have today, the lower set-aside percentage of the minor's gross earnings will more than provide payment for industry expenses and enough for the minor to have money to show for his star-studded career. 70

III. CONCLUSION

While California, a state in which entertainment is a major industry, took a bold step in passing Senate Bill 1162, it was necessary to not only protect the financial future of child performers, but also to preserve the livelihood of the minors who enter into performance or service contracts to entertain, model, or play sports. 71 Unfortunately, the lack of a federal law for such contracts prevents the California law from being as effective as it

65 1999 CA S.B. 1162, supra note 8, at § 2 (compared with Ca. Family Code § 6750 et seq).
66 1999 CA S.B. 1162, supra note 8, at § 3 (compared with Ca. Family Code § 6751).
67 1999 CA S.B. 1162, supra note 8, at § 8 (compared with Ca. Family Code § 7500).
69 Id.
70 Id.
71 Id.
could be, since the new law only protects those who are residents or employed in California.\textsuperscript{72}

Only a few states including Florida, New York, North Carolina, Missouri, Maryland, and Tennessee have tried to update the exemption from federal child labor laws, and their efforts have been inefficient.\textsuperscript{73} Take for example, New York’s Art and Cultural Affairs Law.\textsuperscript{74} Enacted in 1983, New York’s answer to the Coogan Law is a general provision relating to contracts with minors offering a set-aside provision (if judicial approval is sought) and the inability for a minor to disaffirm the contract.\textsuperscript{75} Massachusetts has left a pigeon-hole in its Coogan Law; if a child actor is paid on a weekly basis, court approval of the contract is unnecessary and parents are left unmonitored to manage their child’s money.\textsuperscript{76} Similarly, the Tennessee statute lacks a provision to protect a minor’s earnings in a trust or other savings account.\textsuperscript{77}

There is hope, however, in North Carolina and Florida, for protection of the youngest stars. A new North Carolina bill,
enacted in August, 1999, provides for a study to assess the need for court oversight of contracts with minors in the entertainment industry and professional athletics, and the need for the appointment of a guardian for these minors. If the study determines that such measures are necessary to protect children in entertainment and professional sports, then North Carolina will provide the same caliber of protection as California. Florida’s Child Performer and Athlete Protection Act, enacted in July, 1995, is a “response to the expanding entertainment and sports industries in Florida.” Among it new provisions, Florida’s law not only provides for a minor’s earnings to belong to the minor, it provides a set-aside provision, and continued monitoring of the minor’s well-being.

Although some states have made an effort to protect the future of our entertainment industry and pool of professional athletes, none have gone far enough. In states other than California, it is still optional to seek court approval for contracts with minors in the entertainment industry or professional sports. By making approval voluntary, the provisions in the state laws that protect children in entertainment or professional sports, are moot. Since the entertainment industry is constantly changing and scouting for new locations, and athletes are getting younger by the season, a nation-wide law is needed to protect the bottom-line of our brightest young stars, not just those who are fortunate enough to sign contracts and work in California.

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78 1999 NC H.B. 163 (enacted).
79 Johnson, supra note 73, at G1.
80 Carlisle, supra note 73, at 94.
81 Carlisle, supra note 73, at 94.
82 E.g., Gaglini, supra note 73, at November, 1997 (discussing Florida’s law protecting child entertainers and athletes).
83 The laws cannot be enforced unless the court approves the contract.