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Film Production Compensation Clauses In Light of State Tax Credit Requirements

By Thomas D. Selz

Entertainment industry contracts often cover a variety of issues: services to be performed, rights granted, representations and warranties, travel and expense arrangements and compensation (both fixed and contingent), among other matters. In many cases, the compensation provisions are in one or two subparagraphs. To simplify drafting and to use "plain English," the compensation provisions often contain introductory, governing language along the lines of: "In full and complete consideration for entering into and performing all of the terms hereof." However, is such a "plain English" approach always a "best practice"?

Not necessarily. Drafters of contracts for a film project must consider the agreements in the larger context of other considerations relevant to the project. If state production tax incentives are part of the financing plan, an attorney for the producers needs to review the current requirements of the applicable tax incentive program before drafting agreements with creative contributors: What types of production expenditures qualify for the credit? Are there caps on particular expenses? Does the company applying for the credit need to be organized in the jurisdiction offering the credit or is authority to do business sufficient? What are the requirements of the state with respect to the selection of an auditor who will submit a cost report to obtain the credit, and does the state supply a list of pre-approved auditors for cost report submissions? Will using a pre-approved auditor expedite receiving the credit? (This consideration is important if the finance plan involves banking the expected credit with a due date for repayment of the loan.)

The *Memphis* Example

A 2016 New York appeals court decision demonstrated the value of taking a contextual approach. In the case, a producer applied for the New York production

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Decision of Note

Second Circuit Rules on e-Book Sample in Digital Locker

By Stan Soocher

The U.S. Court of Appeals for the Second Circuit decided that an agreement between a book author and a publisher allowed a customer of distributor Barnes & Noble to retain a sample of the book in the "digital locker" the distributor provided to the customer. *Smith v. BarnesandNoble.com LLC*, 15-3508.

Louis K. Smith, author of a book titled *The Hardscrabble Zone*, entered into an agreement for Smashwords to publish an e-version of the book. Smith sued BarnesandNoble.com after he terminated his agreement with Smashwords. The copyright infringement suit complained about a licensed sample from Smith's book on one BarnesandNoble.com customer's digital locker. The U.S. District Court for the Southern District of New York decided that BarnesandNoble.com wasn't liable for either direct or contributory copyright infringement.

Declining to address the infringement issue "given the sparse facts of the case," the Second Circuit instead noted: "The plaintiff had a distribution agreement that explicitly permitted the distribution of samples as promotional material." The appeals court added: "[T]he agreement

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tax credit for costs incurred in filming the Broadway play *Memphis*. The New York State credit is available for "qualified" production costs, which mean costs "attributable to the use of tangible personal property or to the performance of services within the State." The credit is not available for payments for rights or for certain above-the-line costs such as screenplays, directors, principal cast and producers.

When the producer submitted his cost report to the NY Governor's Office of Film and Television Development, the office awarded less than the amount of credit that the producer had claimed. The producer appealed the decision and an administrative law judge, after reviewing contracts submitted by the producer, affirmed the decision by the film and television office in a recommended order dated Dec. 31, 2013. The producer then appealed to the N.Y. Appellate Division, First Department.

The appellate court upheld the administrative determination that the producer was not entitled to a New York State production tax incentive credit for amounts paid to a number of people in filming a live stage production of *Memphis*. *In re Broadway Worldwide Inc. v. New York State Department of Economic Development*, 139 A.D.3d 508 (N.Y. App. Div. 2016).

To find out what went wrong, we obtained copies of the relevant contracts (financial terms redacted) under a Freedom of Information Act request.

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The problem for the producer applying for the credit was that the language in the contracts did not clearly distinguish between payments for services and payments for rights. In some of the contracts (such as with the unions), payments were characterized as a "royalty," thus suggesting rights, as opposed to a supplemental payment for services performed that would have required some incremental services for the filming, not just incremental payments for the services for the live stage production, in order to qualify for the film incentive payment from the state. In certain contracts, there was a paragraph providing for just such incremental services in connection with the film production, but the paragraph providing for compensation stated that the total compensation was "for the rights granted," and the producer failed to submit support that the incremental film production services had actually been performed.

The administrative law judge, therefore, held that *none* of the payments qualified for the New York State credit for services because the contracts did not distinguish between the payments for rights and payments for services — and further did not distinguish between payments for services in putting on the live stage play and supplemental work required for the filming.

The New York office administering the film incentive credits has indicated that this distinction is not a problem in the standard film services agreements, which may contain a paragraph granting rights to name, image and likeness, or a work-for-hire paragraph stating the copyright in the product of services is owned by the producer. Those rights provisions are, in effect, incidental to the services *to be performed* for the film. In an agreement where the producer intends to apply for the New York credit, the language governing compensation should state that it is for services to be rendered, rather than the more general governing language such as "in consideration for entering into

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Ninth Circuit Examines Copyright Liability in Merch Photos Case

By Robert J. Bernstein and Robert W. Clarida

When, as is often the case, actual copyright damages are difficult to prove, statutory damages may provide the best option for recovery. Recently, in *Friedman v. Live Nation Merchandise Inc.*, 119 U.S.P.Q.2D (BNA) 1852 (9th Cir. 2016), the U.S. Court of Appeals for the Ninth Circuit considered, among other things, two issues greatly affecting the amount of statutory copyright damages: 1) willfulness; and 2) the number of separate awards available for downstream infringements.

Section 504(c)(1) of the Copyright Act, 17 U.S.C. §504, states:

> (1) Except as provided by clause (2) of this subsection, the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than $750 or more than $30,000 as the court considers just.

Section 504(c)(2) provides that, in a case where the plaintiff establishes willful infringement, "the court in its discretion may increase the award of statutory damages to a sum of not more than $150,000." This subsection also provides that, in a case of innocent infringement, the court may reduce the award to not less than $200. (Pursuant to §412 of the Copyright Act, statutory damages are not available for any infringement of an unpublished work that began prior to the effective date of the registration of copyright in a work, or, if a published work, for any infringement occurring after publication and before the effective date of its registration, unless registration was made within three months of publication. Thus, timely registration is crucial to the availability of statutory damages.)

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Friedman Background

In *Friedman*, plaintiff Glen E. Friedman sued Live Nation Merchandise for infringement of photographs he took of the rap group Run-DMC, alleging that Live Nation willfully infringed the photographs by distributing T-shirts and a calendar bearing images copied from the photographs. Live Nation stipulated to infringement of the copyrights in the photographs, but contested the allegation of willfulness. The U.S. District Court for the Central District of California granted summary judgment to Live Nation. On appeal, the Ninth Circuit reversed and held that there was a triable issue of fact as to whether the infringement was willful. (The Ninth Circuit also reversed the District Court's grant of summary judgment on Friedman's claim under the Digital Millennium Copyright Act, 17 U.S.C. §1201 *et seq.* for unlawful removal of copyright management information.)

Friedman is a well-known photographer whose works, including photographs of punk rock musicians, hip hop artists, skateboarders and others, have been published in galleries, on record covers, in a book collecting his works and on the Sony Music website. Friedman took a series of photographs of Run-DMC that appeared in his book and that he also licensed to Sony Music for use on its website. Friedman's license of the photographs to Sony Music included the requirement for Sony to include a notice of Friedman's copyright in the photographs.

Live Nation is a music merchandising company engaged in the design, manufacture and sale of clothing and other items featuring images and logos of popular music groups. In conformity with its standard procedures, Live Nation entered into a merchandising agreement with Run-DMC that allowed for the group's approval of the design and sale of merchandise bearing its image and logo, as reflected in a "Product Approval Form" signed by the group. Live Nation also produced Style Guides containing images that had been approved by the music groups for use on merchandise. The Run-DMC Style Guide, which included photographs taken by Friedman, was approved by the group for use on a wall calendar and T-shirts.

The record before the appeals court contained no evidence of how Live Nation obtained the photographs of Run-DMC used on the calendar and T-shirts. In view of Live Nation's stipulation of non-willful infringement, evidence of their provenance was not necessary to establish innocent infringement. On the issue of willfulness, Live Nation presented no direct evidence of how it obtained the photographs, relying instead on its standard clearance procedures and what it characterized as an industry practice to rely upon the artists or their representatives to clear the rights in photographs. Live Nation contended that by approving the design of the products, the artists implicitly represented that the right to use the photographs had been cleared.

The Ninth Circuit considered whether willfulness (or its equivalent, reckless disregard or willful blindness) could be inferred from the court's findings regarding inadequacies in Live Nation's internal clearance procedures. Because a determination of willful infringement is a predicate for enhanced statutory damages up to $150,000 per infringement, this is often the most heavily contested issue in the remedy stage of an infringement action. Moreover, in view of potential challenges to the adequacy of clearance procedures of other companies, the Ninth Circuit's determination could have widespread impact.

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The Ninth Circuit first set forth the alternative tests to establish willful infringement: proof that: 1) "the defendant was actually aware of the infringing activity"; or 2) "the defendant's actions were the result of 'reckless disregard' for, or 'willful blindness to,' the copyright holder's rights." There was no proof that Live Nation had actual knowledge that the right to use the photographs had not been cleared. Therefore, on appeal, the court focused on whether summary judgment on willfulness was proper under either the "reckless disregard" or "willful blindness" standard.

Live Nation's Product Approval Form requested information on the manufacturer of the proposed product, the artist represented and the suggested retail price, and also provided a space for comments. No explicit reference to clearance of the copyrights in the photographs appeared in any of the approval forms signed by the artists. The Ninth Circuit rejected Live Nation's reliance on a purported industry practice that the artists' personal manager was responsible for obtaining the rights, and the argument that by signing the Product Approval Form, the artists implicitly represented that the photographs had been cleared.

The appeals court concluded: "Given an approval process that never explicitly asks about copyrights at all, a jury could reasonably conclude that Live Nation's reliance on the artists who were the subjects of the photographs at issue to clear photographic rights, rather than on the photographers who took them — based only on a purported industry practice never reflected in any document — amounted to recklessness or willful disregard, and thus willfulness."

The Ninth Circuit therefore held that the evidence gave rise to a triable issue of fact on willfulness.

The appeals court also considered whether, as a distributor of infringing items, Live Nation could be jointly liable for downstream infringements by non-party retailers. In relevant part, §504(c)(1) provides that the copyright owner may elect to recover "an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally … ."

Joint and Several Liability

Live Nation sold infringing merchandise to 104 separate retailers, none of whom were jointly and severally liable with each other. But each retailer was jointly and severally liable with Live Nation. The district court ruled that Friedman could recover statutory damages for 104 separate infringements. The Ninth Circuit reversed, however, holding that in order for a plaintiff to recover for downstream infringements on the basis of joint and several liability with the originating infringer, each of the downstream infringers must be joined as a defendant in the action.

The appeals court first considered whether it should apply the precedent established in a prior Ninth Circuit case, *Columbia Pictures Television v. Krypton Broadcasting of Birmingham*, 106 F.3d 284 (9th Cir. 1997), rev'd on other grounds *sub nom*. *Feltner v. Columbia Pictures Television*, 523 U.S. 340 (1998). There, the plaintiff sought three separate statutory damage awards based on infringement of one work by three separate television stations owned by Columbia Pictures Television. The court in that case explained that "where separate infringements for which two or more defendants are not jointly liable are joined in the same action, separate awards of statutory damages would be appropriate."

In contrast, *Columbia Pictures* noted that "when statutory damages are assessed against one defendant or a group of defendants held to be jointly and severally liable, each work infringed may form the basis of only one award, regardless of the number of separate infringements of that work." Because each television station was jointly and severally liable with Columbia but not with the other stations, Columbia Pictures held that the plaintiff was entitled to three separate statutory damage awards. Under that reasoning, in his case against Live Nation, Friedman sought 104 separate statutory damage awards of $30,000 each for a total of $3.12 million. (Though Friedman initially sought statutory damages for willful infringement, after the Central District of California held on summary judgment that Live Nation's infringement was not willful, Friedman amended his damages claim to the maximum of $30,000 per infringement for non-willful infringement.)

The Central District of California had declined to follow *Columbia Pictures*, instead adopting the reasoning of several federal district courts, including the Southern District of New York, that rejected separate statutory damage awards for downstream infringers in the context of mass marketing in order to avoid "astronomical" and "untenable" results (citing, among others, *Arista Records v. Lime Group LLC*, 784 F.Supp.2d 313 (S.D.N.Y. 2011), which held that "[p]laintiffs are entitled to a single statutory damage award from Defendants per work infringed, regardless of how many individual users directly infringed that particular work"). The California federal district court therefore concluded that Friedman was entitled to only one statutory damage award. It distinguished *Columbia Pictures*, albeit a binding Ninth Circuit precedent, on the basis that it involved only three downstream infringers.

On appeal in *Friedman*, the Ninth Circuit stated: "*Columbia Pictures* is the law of this circuit, and nothing in the opinion — or in the text of the statute itself — admits of a 'mass marketing' exception." However, the Ninth Circuit avoided "an absurd result" for Live Nation by limiting the number of statutory damage awards to those individuals or entities Friedman had actually joined as defendants, thereby eliminating infringements by the 104 non-party downstream retailers.

The appeals court explained that its interpretation was consistent with *Columbia Pictures* because there all three downstream infringers had

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Seizure Issues To Consider in Federal Trade Secrets Act

By Christopher Cox and Bambo Obaro

Both before and after the passage of the Defend Trade Secrets Act (DTSA; http://1.usa.gov/1s9Gkfo) in May 2016, which created a federal civil cause of action for trade secrets misappropriation, much ink was spilled over the controversial "seizure" provision, which allows a plaintiff to initiate an *ex parte* proceeding to seize any property "necessary to prevent the propagation or dissemination of the trade secret that is subject to the action."

Because *ex parte* seizures by definition are one-sided, cries of alarm arose over the potential for companies abusing the process to effectively shut down or chill legitimate competition. Changes to the final draft of the DTSA built in protections to guard against abuse and clarify that the *ex parte* procedure process was to be used sparingly and only in extraordinary circumstances.

Like other applicants, entertainment companies that want to obtain a seizure order bear a significant burden and must show that:

- A preliminary injunction, temporary restraining order or other form of equitable relief would be inadequate because the party to which the order would be issued would evade, avoid or otherwise not comply with such an order;
- Immediate and irreparable injury will occur if such a seizure is not ordered;
- The applicant is likely to succeed on the merits;
- The party against whom seizure would be ordered has actual possession of the trade secret and property to be seized;
- The party against whom seizure would be ordered, or parties acting in concert with that party, would destroy, move, hide or otherwise make such matter inaccessible to the court, if the applicant were to proceed with notice to the party; and
- The applicant has not publicized the requested seizure.

An *ex parte* order applicant also needs to describe with reasonable particularity the matter to be seized and, to the extent reasonable under the circumstances, the location where the matter is to be seized.

Given the high burden, the overwhelming approach of choice for DTSA plaintiffs continues to be the standard procedures of seeking a temporary restraining order and preliminary injunction to prevent further misappropriation. Although there are few reported decisions attempting to implement the DTSA seizure provision, a recent opinion from the U.S. District Court for the Eastern District of Michigan underscored the very real difficulties a plaintiff faces when seeking this extraordinary remedy and should alleviate some of the concerns regarding potential for abuse of the seizure provision. As intended, practitioners should expect seizures to be granted in only rare and unusual circumstances.

In *Dazzle Software II LLC v. Kinney*, 16-cv-12191 (E.D.Mich. 2016) — the first case interpreting the seizure provision of the DTSA — the plaintiffs alleged, in a verified complaint and declaration from a forensic expert, that the defendants copied files which contained trade secrets owned by the plaintiffs.

The *Dazzle Software* plaintiffs contended that a forensic examination confirmed that defendants in fact copied all the files and data from a specific computer to certain external hard drives, which their expert was able to specifically identify. The plaintiffs alleged that, after requesting return of their trade secrets, the defendants initially lied about their actions and failed to comply. The defendants ultimately turned over two external hard drives, which the plaintiffs' experts concluded were not the same hard drives used for the initial misappropriation.

Accordingly, upon filing their verified complaint, the plaintiffs also filed an *ex parte* application requesting seizure of the external storage devices as well as "any computers or computer storage devices that may have been used by [d]efendants to store, copy, review, disseminate or otherwise access any of the data copied by [d]efendants."

The *Dazzle Software* plaintiffs argued that defendants had showed their willingness to engage in deceptive and subterfuge by: 1) vastly exceeding their permitted access of the computer housing the relevant trade secrets; 2) falsely representing that their copying was limited to licensed conduct and not the entire contents of the computer; and 3) falsely representing that two external storage devices delivered to the plaintiffs' counsel were the same devices connected to the computer when, in fact, they were two entirely different devices.

In addition, the plaintiffs argued that given the defendants' demonstrated willingness to misappropriate valuable intellectual property, their demonstrated willingness to lie and engage in deceptive activity to cover up their wrongdoing, and their continued disregard for the plaintiffs' intellectual property rights, there was significant risk that the defendants would evade, avoid or otherwise not comply with a preliminary injunction or temporary restraining order or an order granting other equitable relief. The plaintiffs argued there was significant risk the defendants would destroy, further conceal or further disseminate the trade secrets at issue and/or the devices on which those trade secrets were stored if notice were provided to the defendants.

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In support of their claim of irreparable harm, the *Dazzle Software* plaintiffs also argued that they would be deprived of evidence essential to their trade secret and other claims against the defendants, and their ability to determine whether their trade secrets may have been disseminated if notice were provided and the defendants were to destroy or further conceal the devices. The plaintiffs also argued that further use or dissemination of the subject trade secrets could jeopardize their status as trade secrets, resulting in the destruction of the economic value of the trade secrets.

Without much commentary, the district court declined the plaintiffs' request for ex parte relief, instead ordering them to serve the defendants with the complaint and the ex parte application. At the subsequent hearing, the district court underscored that it would not step onto the slippery slope of ordering seizure of the defendants' property when the *Dazzle Software* plaintiffs did not know exactly what needed to be seized and how it would solve their problem.

Among other things, the *Dazzle Software* plaintiffs' request for seizure of "any computers or computer storage devices that may have been used by defendants to store, copy, review, disseminate or otherwise access any of the data copied by defendants" ultimately doomed their application. At the hearing, the district court noted that the plaintiffs admitted many unanswered questions remained about where the proprietary information may be located. The court noted that even if the court ordered seizure of every single computer of the defendants, it would not give the plaintiffs the assurances that the seizure would prevent continued misappropriation.

Rather than ordering the seizure, the court ordered the parties to negotiate the terms of a stipulated preservation and ordered expedited discovery to allow the parties to determine what happened to the taken data. Essentially, the case found its way back onto the well-travelled path of a typical misappropriation case.

Conclusion

Although the *Dazzle Software* case is not necessarily indicative of how courts will rule on seizure provisions moving forward, it does reinforce that plaintiffs need to know exactly what specific items need to be seized and be ready to explain why it would matter before asking the court to grant this extraordinary relief —or it might not be worth the effort and expense as opposed to seeking a temporary restraining order and getting expedited discovery.

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Compensation Clauses

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and performing obligations hereunder." Alternatively, there should be separate compensation for services and other compensation for the balance of obligations. (Although such separate compensation terms may result in a smaller credit, it is better than receiving no credit for any of the amounts payable under the agreement.)

Furthermore, when a contract provides for filming a live stage production involving payments to people who worked on the live stage production and who will be performing additional or incremental services due to the filming of the live stage production, both the contract and the final cost report should spell out payments for these additional services separately. And if there are royalty payments, such as to the unions governing the employees working on the stage production, those costs should not be included when a producer is putting together the finance plan for filming. Otherwise, as far as the state is concerned, the payments for filming may appear to be payments for the rights and/or services performed for the live stage production, rather than for film-related services.

Conclusion

The lesson for producers and their lawyers, therefore, is to watch your language: If a contract covers rights (*e.g.*, an option on a literary property or writing or directing services, none of which qualify for the New York tax credit) and services (*e.g.*, director of photography or editing services), there may be a variety of reasons to provide for separate compensation for each. Among the possible contextual considerations are: 1) withholding tax questions, where, for example, withholding tax rates for rights royalties may vary from withholding tax rates applicable to services, particularly if the services are being performed outside the United States; 2) union pension, health and welfare payments that may have a cap on the amount of such compensation subject to pension, health and welfare contributions; and 3) eligibility for the New York State production tax credit incentive.

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Decision

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provides for the distribution of samples with a license 'for free, noncommercial use, duplication and sharing,' without provision to terminate the license for samples already distributed in the event the distribution agreement itself is terminated. Significantly, the distribution agreement authorizes paper samples as well as digital samples, and treats them alike. Since a customer who has a paper sample may obviously keep it, reread it, and make additional paper copies of it for noncommercial use at will, it follows that the agreement does not provide or imply that a person who obtained a digital sample would lose the license for free access upon termination of the distribution agreement."

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Photo Agency's Suit Against *Oh No They Didn't!* At Ninth Circuit

By Amanda Bronstad

A photo agency that sued the owner of online tabloid *Oh No They Didn't!* for copyright infringement is hoping to reverse a ruling that threw out its case, prompting Pinterest and others to weigh in and argue that reviving the case could erode legal protections afforded to Internet service providers. *Mavrix Photographs Inc. v. LiveJournal Inc.*, 14-56596.

A lawyer for Mavrix, which supplies celebrity photos — including candid shots of Katy Perry, Beyoncé and Kim Kardashian — to publications like *People* and *Us Weekly*, told the U.S. Court of Appeals for the Ninth Circuit last month that a Central District of California summary judgment ruling in 2014 should be reversed because LiveJournal Inc., the owner of ohnotheydidnt.livejournal.com took an active role in posting more than 40 of Mavrix's copyrighted photos.

In taking an active role in posting the photos, the photo agency argued, LiveJournal was not protected under the federal Digital Millennium Copyright Act (DMCA; http://1.usa.gov/1W4wece), which shields Internet service providers from copyright infringement claims.

LiveJournal has a noteworthy list of amicus supporters: Pinterest, Etsy and the Electronic Frontier Foundation. But Mavrix has the support of BWP Media USA Inc., a paparazzi shop that does business as Pacific Coast News and, like Mavrix, has prolifically sued in recent years over "rampant piracy of its copyrighted photographs," according to an amicus brief it filed in the case.

Mavrix filed its suit against LiveJournal in 2013. The next year, U.S. District Judge Cormac Carney found no infringement on the part of LiveJournal, which "merely provides an online platform." In defending that ruling, LiveJournal says it provides storage for the community-based site, which relies on volunteer "maintainers," and users who create their own rules and decide what gets uploaded.

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Amanda Bronstad is a Staff Reporter for *The National Law Journal*, an ALM sibling of *Entertainment Law & Finance*.

Former BET General Counsel Plays Role in Actress's Lawsuit

By Stephanie Forshee

The longtime general counsel of Black Entertainment Television (BET) has a starring role in actress Gabrielle Union's contract case against the network. In a 17-page complaint filed in Los Angeles Superior Court, Union alleges she was duped into working on more episodes of her BET Networks show *Being Mary Jane* — without a break between seasons four and five to allow her time to continue to pursue her film career between the TV production schedule. "It is outrageous that BET would treat one of its biggest stars in this manner after all she has done to support the network and contribute to its success," the lawsuit states. *Union v. Black Entertainment Television LLC*, SC126543 (http://bit.ly/2eQwJF6).

Union's contract with BET, a division of Viacom Inc., includes a provision stating that it can produce a maximum of 26 episodes of *Being Mary Jane* per season. According to Union's complaint, Darrell Walker, BET's former top lawyer, told her that this clause could not be modified, but assured her she would do just 13 episodes per season because BET couldn't afford to do more than that and has never done so in its history.

The lawsuit goes on to allege how BET later decided to shoot back-to-back seasons with 10 episodes each, making for a filming schedule for 20 episodes in a row. Or, as the lawsuit puts it, to "cram all of the episodes into a single season in order to fraudulently extend the term of Ms. Union's contract, with no additional consideration."

Despite insisting that the provision about episodes per season could not be modified, Walker agreed to other modifications of Union's contract, the lawsuit alleges. For instance, BET agreed to an unusual requirement that "a BET executive be physically present on the set during taping of episodes of the series," the complaint states.

BET responded to Union's lawsuit in a statement that said: "While we hold Gabrielle Union in the highest esteem, we feel strongly that we are contractually well within our rights and are committed to reaching a swift and positive resolution in this matter."

Union's complaint also reveals that Walker has not been a full-time employee since June. Since then, Walker has been coming only to act as the "executive on set" to fulfill that portion of the contractual obligations for Union, she alleges. The purpose of this arrangement was to ensure that an executive with "intimate knowledge of the issues that have occurred" could dialogue with Union on behalf of BET, Union states.

The lawsuit goes on to claim that Walker conceded that what BET is trying to do is wrong but "that he no longer has any authority to act on behalf of BET to resolve the situation."

Requests for comment to Walker and to other BET company representatives, including Viacom GC Michael Fricklas, went unreturned. But BET confirmed in an email that Walker is no longer with the company. There was no announcement of a new hire to fill his spot.

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BIT PARTS

By Stan Soocher

No Sanctions Against Plaintiffs' Counsel for Frivolous Copyright Claim. The U.S. District Court for the Southern District of New York refused to grant sanctions against litigation counsel for a record production company and its owner that filed suit over an alleged improper use in the VH-1 series *Love & Hip-Hop: New York* of music by one of the plaintiffs' artist. *Scrilla Hill Entertainment v. Dupree*, 16-CV-490. Scrilla Hill filed suit claiming that the VH-1/Viacom program improperly aired music written by Scrilla Hill artist Young B. But, according to the court, the defendants later learned that an assertion by Scrilla Hill case counsel Israel Adam Burns that his clients were the owners of the rights to a Young B "Chicken Noodle Soup" music video, which appeared without sound in *Love & Hip-Hop*, "was false." (In an interesting footnote, Southern District Judge Jesse M. Furman noted: "Burns represents (albeit improperly, in his unsworn memorandum of law) that he had claimed his clients owned the rights to the 'Chicken Noodle Soup' music video by relying in part on a 2006 royalty statement and invoice that showed UMG [the actual copyright owner of the music video] had paid Scrilla Hill artist royalties. [TV show producer and co-defendant] Eastern's only response is that the significance of the royalty statement is 'unclear.'") Burns did file a voluntary dismissal notice, but the defendants decided to move for attorney fees sanctions against him on the ground that the plaintiffs' copyright infringement claim was frivolous. Burns responded by sending an insulting email to defense counsel. District Judge Furman determined that "the Court is reluctantly compelled to deny Defendants' application for attorney's fees. Judge Furman noted in part: "[S]ignificantly, Burns was put on notice that the claim was meritless only *after* Plaintiffs had filed the First Amended Complaint and, thereafter, Plaintiffs made no more filings other than the notice of voluntary dismissal." The district judge continued: "And while Burns's dealings with opposing counsel *outside* the courtroom may have fallen particularly short of professional standards, awarding attorneys' fees requires more than that. It requires *clear* bad faith, which generally means *persistent* misconduct that rises above mere incompetence or petulance or even an unfortunate mix of the two. As a result, sanctions are not warranted based on Burns' present failings, however unfortunate they may be."

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Merch Photos

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been joined as defendants; and that §504(c)(1) only provides for "an award of statutory damages for all infringements involved in the action."

Rather than adopting a "mass marketing" exception to *Columbia Pictures*, the Live Nation panel sought to avoid "absurd" results in mass marketing cases by requiring joinder of each downstream infringer from whom the plaintiff sought a separate statutory damage award: "Section 504(c)(1)'s provision of separate statutory damage awards for the infringement of each work 'for which any two or more infringers are liable jointly and severally' applies only to parties who have been determined jointly and severally liable in the course of the liability determinations in the case for the infringements adjudicated in the action. A plaintiff seeking separate damages awards on the basis of downstream infringement must join the alleged downstream infringers in the action and prove their liability for infringement."

This leaves open the possibility of obtaining multiple statutory damage awards from unrelated downstream infringers in mass marketing or mass piracy cases to the extent the plaintiff has the resources and inclination to join and prosecute claims against numerous parties.

Conclusion

The approaches of the Ninth Circuit and the Southern District of New York, as well as other district courts, diverge on the number of available statutory damage awards when there are numerous downstream infringers who are not jointly and severally liable with each other, but are jointly liable with the defendant-distributor of the infringing items. The Second Circuit has not yet decided this issue. Unless and until a uniform approach is established by the Supreme Court (which has no pending case or petition on the issue), these differences must be taken into account in forum selection.

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UPCOMING EVENT

Nashville Bar Association Annual Entertainment, Sports & Media Law Seminar. Nashville, TN, Dec. 2, 2016. For further information: 615-242-9272; http://bit.ly/2etLcZg.