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# TESLAW

## THE STATE BAR OF TEXAS ENTERTAINMENT & SPORTS LAW SECTION

January 15, 2014

### TESLAW E-Newsletter January 15, 2014 Issue No. 7

Dear Members,

Happy New Year! I wish everyone a prosperous 2014.

We have an exciting year of events planned, including the FIFTH annual TESLAW SXSW Mixer. The SXSW networking event will be held on Thursday, March 14, 2014 from 4:00 – 6:00 p.m. at the Iron Cactus (Sixth Street/Trinity). TESLAW members are welcome.

Additionally, Chair-Elect Craig Crafton is currently planning our presentation for the Texas State Bar Annual Meeting, so I hope you make plans to attend. This year it will be held in Austin on June 26 – 27. For more information and to register, [click here](#).

Thanks to the e-newsletter contributors and editors! Enjoy this edition of the e-newsletter, including a bonus case note.

Very truly yours,  
[Catherine Hough](#), Chair  
Entertainment and Sports Law Section

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### TESLAW Member Spotlight



Deena Kalai has offices in both Austin and Manhattan and represents clients engaged in entertainment, intellectual property and technology, including film, television, fashion, and mobile/interactive media. Deena has a particular interest in fair use, assisting many documentarians in assessing the applicability

of this important copyright doctrine to their projects. She is also an executive producer of the award winning film *Jumping Off Bridges*, as well as two additional feature films in development.

Always active in her community, she is affiliated with or donates time to many organizations including, SXSW Film Conference, Volunteer Legal Services, The College of the State Bar of Texas, and other professional associations in Texas and New York. Deena has been recognized by The Pro Bono College of the State Bar of Texas, and has been awarded the Travis County Women Lawyers Association Pro Bono Award, as well as the Judge Suzanne Covington Award in connection with her pro bono services. She has lectured at many CLE events, at the University of Texas, and at various film conferences.

Deena has an M.A in English from the University of Texas at Austin, and completed her B.A. at the University of Miami, where she graduated magna cum laude and Phi Beta Kappa. For more information on Deena, visit [www.deenakalai.com](http://www.deenakalai.com) or contact her by [email](#).

*To be considered for the TESLAW Member Spotlight please submit a short bio (no more than 200 words) and photograph to [Victoria Helling](#).*

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## **Will the Real “Rick Ross” Please Stand Up? Case Note by Lisa Normand Congleton**

Artists are sometimes reluctant to incorporate personas of real-world figures with larger-than-life public significance into their works, for fear of being sued, even when doing so legitimately facilitates comment on popular culture, issues, and values. Sometimes. For the most part, they do it anyway and hope for the best. Attorneys, in turn, because of the tension and uncertainty relating to protection of right of publicity – that is, one’s right to control the commercial exploitation of one’s own identity – and the right of free expression under the First Amendment, coupled with an awareness of the litigiousness of some celebrities, often counsel against this practice, even where a strong First Amendment defense exists. While that is probably good counsel in many cases, sometimes creative expression does prevail.

A recent right-of-publicity case pitted Ricky D. Ross – a notorious cocaine trafficker who ran a operation in the 1980s significant enough to garner widespread media coverage – against William Leonard Roberts II, the famous rapper better known by his stage name “Rick Ross.” *Ross v. Roberts et al.*, No. BC450511 (Cal. Ct. App. Dec. 23, 2013). The plaintiff alleged that Roberts violated the plaintiff’s right of publicity by misappropriating the plaintiff’s name and identity. Indeed, the plaintiff’s name is not the only element Roberts borrowed. Roberts’ lyrics featured fictionalized tales of operating large-scale cocaine trafficking operations. Despite Roberts’ denials, the California Second Appellate District Court assumed that Roberts did appropriate the plaintiff’s name and identity for purposes of disposing of the case based on Roberts’ First Amendment defense. Applying the California Supreme Court’s “transformative” test, *Comedy III Prods., Inc. v. Gary Saderup, Inc.*, 25 Cal.4th 387 (2001), the court found Roberts’ use of certain “basic elements” of the plaintiff’s name and identity were fully protected under the First Amendment, upholding the dismissal of the plaintiff’s claims on summary judgment.

Under the transformative test, adopted by several other state and federal jurisdictions, the First Amendment provides a defense against right-of-publicity claims for artistic works that supersede the object of the original creation or “add[] something new, with a further purpose or different character, altering the first with new expression, meaning, or message.” *Comedy III Prods.* at 404. On the other hand, a work lacks transformativeness when “it takes the form of a literal depiction or imitation of a celebrity for commercial gain . . . without adding significant expression.” Such was the case in a recent U.S. Third Circuit opinion, which, applying the same test, held that right of publicity trumped First Amendment freedom of expression where the likeness of college athlete, Ryan Hart, was merely

recreated in the medium of a video game. *Ryan Hart v. Elec. Arts Inc.*, 717 F.3d 141 (3d Cir. 2013). In this case, however, the court found that Roberts' addition of significant transformative elements in the form of "new expression" to certain "basic elements" or "raw materials" from the plaintiff's name and identity resulted in original works of authorship in the nature of both Roberts' music and his professional persona of a kingpin-turned-rapper.

*Lisa Normand Congleton an associate in the Dallas office of Haynes and Boone, LLP where she focuses her practice in the area of intellectual property with an emphasis on trademark and copyright law. Ms. Congleton fully appreciates that the title of this article may cause some hip-hop fans to cringe.*

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## ***Pandora vs the Performing Rights Organizations: Major Changes in the World of Performing Rights? Case Note by Steve Winogradsky***

There have been two recent court decisions that could have a dramatic impact on how performing rights organizations ("PROs") in the United States represent music publishers and creators of music. As background, the right of public performance is one of the exclusive rights of copyright owners granted pursuant to the Copyright Act of 1976 (USC §1700). In the United States, there are three PROs: American Society of Composers, Authors and Publishers (ASCAP), Broadcast Music, Inc. (BMI) and SESAC. ASCAP and BMI are governed by consent decrees with the Department of Justice and are subject to rate court hearings on the procedures and policies, while SESAC is not. Despite that difference, their goals are the same: to license the public performance rights of their respective repertoires on behalf of their writer and publisher affiliates and members to venues and broadcasters using music (including Internet sites like Pandora); collect royalties from their licensees; and to distribute the royalties based upon their individually unique methodologies and business models. Public performance income represents approximately 45% of the total income earned by publishers and writers.

Pandora is an Internet radio station that streams music, either for free to the user with advertisements or by paid subscription without ads. Pandora has been paying approximately 4.3% of its income to the PROs for public performance royalties. Recently, some of the major music publishers have sought to withdraw certain digital rights from the PROs in order to strike better deals for license fees with digital providers than have been negotiated by the PROs or ordered by the consent decrees. In doing so, those publishers would negotiate directly with the digital services for the licensing of their respective repertoires and for a (presumably higher) royalty to be paid. Sony/ATV Music had previously withdrawn some of their digital rights from ASCAP and negotiated a rate of 5% directly with Pandora, about a 20% increase from the 4.3% paid to ASCAP.

Pandora and ASCAP had previously entered into a blanket license agreement that extended until December 31, 2015 that covered all music in the ASCAP repertoire. In September of 2013, in a ruling in the US District Court in the Southern District of New York, the Court held that the publishers could not selectively withdraw certain rights from ASCAP while there was a current license in effect with Pandora and that the entire ASCAP repertoire continued to be covered under the blanket license until the license terminated in December of 2015 (*In Re Petition of Pandora Media, Inc., Related to United States of America v. American Society of Composers, Authors and Publishers*, 1:12-cv-08035). Consequently, direct deals negotiated with Pandora for rates that are well above the 4.3% rate that Pandora paid to music publishers for licensing their songs last year are no longer valid, which means that publishers will lose millions of dollars in revenues, if the rate court doesn't set rates as high as the direct deals.

Further complicating the issue, in December of 2013, a different judge in the same District Court held that, since Pandora only had an interim license (not a current negotiated license) with BMI, publishers

had the right to withdraw their catalogs from Pandora if they wished to do so (*Broadcast Music Inc. v. Pandora Media Inc.*, 1:13-cv-04037). **However**, this Court ruled that publishers who wished to withdraw certain rights from BMI had to withdraw ALL of their rights by December 31, 2013, including BMI's right to license for television and radio on their behalf. This leaves these publishers in the position of having to negotiate separate deals for themselves with all users of music that would fall under performing rights once any current BMI blanket licenses expire. The big question is what happens to the music publishing industry in general and BMI in particular if the three publishers with nearly 48% in market share -- Universal Music Publishing Group, Sony/ATV and its EMI Music Publishing administered catalog-- completely withdraw from BMI, as sources say they are now making preparations to do as a result of the ruling.

Any music user without a current license in effect as of January 1, 2014 is potentially infringing the songs of any of the BMI publishers who withdraw. But how are these users to know which songs are being withdrawn and which are still covered by BMI? And will Pandora be forced to take songs off their service because of potential copyright infringement liability?

Given that digital royalties are, at this time, a small percentage of the overall royalties collected by the PROs (paying ASCAP only \$25 million of the \$601 million collected domestically in 2012), it might not make sense for the publishers to withdraw from the PROs at this time and lose the negotiating strength that the PROs offer in other, more lucrative markets like television and radio. However, as the digital royalty pool grows in the future, it might be a situation that could be re-evaluated by the publishers and completely change the landscape of public performance royalties and the importance and negotiating clout of the PROs.

*Steve Winogradsky is a partner of Winogradsky/Sobel in Studio City, CA and has been a speaker at the Texas State Bar Entertainment Law Institute for 21 years. He is the author of "Music Publishing: the Complete Guide."*

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## Practice Document

Please find attached to our January E-Newsletter a [Studio Musician for Hire Agreement](#) provided by Decker Sachse of [Sachse Law Group](#) located in Dallas, Texas. When an artist goes into the studio and hires an outside musician to play on the record, the artist should get each studio musician to sign this form. Otherwise, the studio musicians could be deemed owners of the recording.

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Send questions, comments, and submissions for the TESLAW E-Newsletter to [Victoria Helling](#).

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