Protecting Truthful Speech: Narrowing the Tort of Public Disclosure of Private Facts

Erwin Chemerinsky[*]

INTRODUCTION

"The press is overstepping in every direction the obvious bounds of propriety and of decency. Gossip is no longer the resource of the idle and of the vicious, but has become a trade, which is pursued with industry as well as effrontery."[1] Although most would say that this statement describes the press today, it was written almost one hundred and twenty years ago by Samuel Warren and Louis Brandeis. They did not live during a time in which the news racks of every grocery store were stocked with countless magazines, each filled with the latest details and rumors of celebrities' lives. But they were still concerned with the effects of the press on privacy.

Their tremendously influential article led to the development of tort liability for invasion of privacy.[2] One aspect of this tort is the cause of action for public disclosure of private facts. There is no doubt that this tort is motivated by the best intentions. We all have information that we want to shield from the world. But, from a First Amendment perspective, holding the media liable for public disclosure of private facts is deeply troubling. Most simply put, it allows liability for truthful speech. Rarely does the First Amendment allow criminal or civil liability for truthful expression.

I make three points in this article. First, liability for the tort of public disclosure of private facts is objectionable under the First Amendment. Second, the Supreme Court's decisions in this area fail to adequately safeguard freedom of speech. Third, liability for public disclosure of private facts should be allowed only where there is a substantial threat to safety. In other words, loss of privacy, by itself, should not be actionable. There must also be a likelihood that release of the information risks harm to someone's safety.

---

* Alston & Bird Professor of Law and Political Science, Duke University. I want to thank Jonathan Tam for his excellent research assistance.

1 Samuel D. Warren & Louis D. Brandeis, *The Right to Privacy*, 4 HARV. L. REV. 193, 196 (1890).

2 Don Corbett, *Virtual Espionage: Spyware and the Common Law Privacy Torts*, 36 U. BALT. L. REV. 1, 13 (2006).

I. PUBLIC DISCLOSURE OF PRIVATE FACTS AND THE FIRST AMENDMENT

The Restatement (Second) of Torts describes the requirements for a cause of action for public disclosure of private facts. It provides:

> One who gives publicity to a matter concerning the private life of another is subject to liability to the other for invasion of his privacy, if the matter publicized is of a kind that
>
> (a) would be highly offensive to a reasonable person, and
>
> (b) is not of legitimate concern to the public.[3]

The common law cases involve a variety of situations in which the press reveals personal information about an individual. A few examples give a sense of how this tort is used. In *Diaz v. Oakland Tribune, Inc.*, a newspaper was held liable for revealing that a student leader was a transsexual and had a sex change operation.[4] In *Melvin v. Reid*, another early case about public disclosure of private facts, the plaintiff successfully sued when the press revealed that she previously had been a prostitute who had been prosecuted, but acquitted for murder.[5]

From a First Amendment perspective, liability for public disclosure of private facts is very troubling. First, unlike defamation, which creates liability for false speech, the tort of public disclosure of private facts inherently creates liability for truthful speech. Rarely does the First Amendment allow the law to make the value choice that ignorance is better than knowledge.

To be sure, there are a few instances when the Supreme Court has allowed liability for truthful speech. For example, truthful speech that seriously risks national security might be stopped and punished. In *Near v. Minnesota*, the Court recognized that a prior restraint on publication might be appropriate in a situation where publication of information might seriously endanger national security.[6] Additionally, in *New York Times v. United States*, the Court found that there was an insufficient basis for an injunction to halt the publication of the Pentagon Papers, but a majority of the Justices recognized that there can be criminal liability for publishing information harmful to national security.[7]

The Supreme Court has also allowed liability for truthful speech in the context of the right of publicity. In *Zacchini v. Scripps-Howard Broadcasting Co.*, the Court held that a television station could be held liable for broadcasting the entirety of a circus act by a "human cannonball."[8] The

---

3 RESTATEMENT (SECOND) OF TORTS § 652D (1977).

4 188 Cal. Rptr. 762 (Ct. App. 1983).

5 297 P 91 (Cal. Ct. App. 1931).

6 283 U.S. 697 (1933). The Court opined that during war time prior restraint would be appropriate to prevent "publication of the sailing dates of transports or the number and location of troops." *Id.* at 716.

7 403 U.S. 713 (1971).

8 433 U.S. 562 (1977).

Court concluded that the actions of the press deprived Zacchini of his livelihood by giving the public for free that which they otherwise would have had to pay to see.

The Court has also indicated that there can be liability for truthful speech in the case of advertising for illegal activity.[9] Although there have not been Supreme Court cases about this, in *Braun v. Soldier of Fortune Magazine, Inc.*, the United States Court of Appeals for the Eleventh Circuit allowed liability for an advertisement for a contract killer.[10]

But the reality is that there are very few cases in American history where the Supreme Court in any context has allowed liability for truthful speech. The First Amendment is based on the strong premise that knowledge is better than ignorance, and liability for truthful speech is inconsistent with that axiom.

Second, the need to define what is of legitimate public interest raises troubling First Amendment issues. As explained above, liability under the tort of public disclosure of private facts requires a showing that the matter "is not of legitimate concern to the public."[11] But how is a court to decide this?[12] There are two possible approaches, neither of which is satisfying. A court could decide "legitimate concern" to the public by focusing on what people are actually interested in learning about. But defining "legitimate public interest" in terms of the public's *actual* interest eviscerates the tort of public disclosure of private facts. By definition, the media will report only that which is of interest to its readers and viewers. The media can always show that there is some segment of the public that is interested in whatever it is that they are communicating. In fact, the more personal the information, especially about celebrities, the more likely it is that there is interest in knowing about it.

The alternative is for the judge to decide what the public interest *should* be. In other words, a matter is of legitimate public interest, only if the court—in its enlightened knowledge of what is best—decides what the public should want to know. It appears that the Supreme Court used this approach in *Bartnicki v. Vopper*, in rejecting liability for a radio station and a talk show host for broadcasting the tape of an illegally intercepted and

9 *See* Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm'n, 447 U.S. 557, 563–64 (1980) (describing the First Amendment standard for when commercial speech can be regulated, including that there is no First Amendment protection for advertising of illegal activity).

10 968 F.2d 1110 (11th Cir. 1992); *see also* Rice v. Paladin Enters., Inc., 128 F.3d 233 (4th Cir. 1997) (allowing liability against the publisher of the book, *Hit Man: A Technical Manual for Independent Contractors*), *cert. denied*, 523 U.S. 1074 (1998).

11 RESTATEMENT (SECOND) OF TORTS § 652D (1977).

12 There is also uncertainty as to how a court is to decide what would be offensive to the reasonable person. From a First Amendment perspective, this is troubling, because the First Amendment often protects "offensive" speech. *See, e.g.*, R.A.V. v. City of St. Paul, 505 U.S. 377 (1992) (upholding the protection of hate speech); Cohen v. California, 403 U.S. 15 (1971) (noting that speech cannot be punished because of its offensiveness).

recorded conversation between two teachers' union officials.[13] The Court stressed that there was a public interest in hearing the conversation because it concerned labor management negotiations involving the schools.

But what the public should be interested in learning about is highly subjective. The First Amendment usually presumes that it is for the marketplace of ideas to decide this, not a government official or a judge. What is the basis for allowing a judge to decide whether the public has a legitimate interest in the details of a celebrity's private life or a conversation between teachers' union officials?

To be sure, the tort of public disclosure of private facts is not the only area where the Court has invoked the concept of "legitimate public interest."[14] But asking a court to make this determination is inherently at odds with the freedom of speech protected by the First Amendment. There is no way for a court to decide this without either totally deferring to the media (and effectively eliminating the tort) or substituting its own judgment (and putting itself in a role that is inimical to freedom of speech).

II. THE SUPREME COURT'S DECISIONS FAIL TO SOLVE THE FIRST AMENDMENT PROBLEM WITH LIABILITY FOR PUBLIC DISCLOSURE OF PRIVATE FACTS

Thus far, there have been two sets of Supreme Court cases dealing with possible media liability for public disclosure of private facts. One set of cases involved state laws prohibiting disclosing a rape victim's identity without her consent.

In *Cox Broadcasting Corp. v. Cohn*, the issue before the Supreme Court was whether, consistent with the First and Fourteenth Amendments, a state could create "a cause of action for damages for invasion of privacy caused by the publication of the name of a deceased rape victim which was publicly revealed in connection with the prosecution of the crime."[15] The Court held that a state could not.[16]

Mr. Cohn was the father of a deceased seventeen-year-old rape victim.[17] A reporter covering the trial learned the name of the victim from an examination of the indictments which were made available for the reporter's inspection in the courtroom.[18] The reporter subsequently disclosed the victim's name to the public.[19] It was not in dispute that the indictment was

13 532 U.S. 514 (2001).

14 The Court has done so in the context of defamation as well, when the speech involves a private figure. *See* Dun & Bradstreet, Inc. v. Greenmoss Builders, Inc., 472 U.S. 749 (1985) (holding that the media can be held liable for presumed or punitive damages without proof of actual malice when the plaintiff is a private figure and the speech does not involve a matter of public concern).

15 420 U.S. 469, 471 (1975).

16 *Id.* at 496–97.

17 *Id.* at 471.

18 *Id.* at 472.

19 *Id.* at 473–74.

a public record available for inspection.[20] The father sued the broadcasting company and the reporter for violating a Georgia law making it a misdemeanor to broadcast a rape victim's name.[21]

The Court ruled in favor of the media defendants, holding that a state could not, consistently with the First Amendment, impose sanctions on the accurate publication of a rape victim's name obtained from judicial records that are maintained in connection with a public prosecution and that themselves are open to public inspection.[22] In support of its conclusion, the Court made two points. First, the Court acknowledged the media's "[g]reat responsibility . . . to report fully and accurately the proceedings of government," and further noted that "official records and documents open to the public are the basic data of governmental operations."[23] Given the public's limited time and resources, it necessarily relies on the media for this information—information that it has a legitimate interest in receiving.[24] Further, "[w]ith respect to judicial proceedings in particular, the function of the press serves to guarantee the fairness of trials and to bring to bear the beneficial effects of public scrutiny upon the administration of justice."[25]

Second, the Court explained that prevailing privacy law recognizes that privacy interests "fade when the information involved already appears in public records."[26] Indeed, the fact that the state placed the information in the public domain on official court records leads to the presumption that the state concluded that the public interest was thereby being served. The Court was not willing to articulate a rule under which the media was prohibited from publishing information from public records, even if the information was reasonably offensive to the sensibilities. As the Court explained:

> Such a rule would make it very difficult for the media to inform citizens about the public business and yet stay within the law. The rule would invite timidity and self-censorship and very likely lead to the suppression of many items that would otherwise be published and that should be made available to the public. At the very least, the First and Fourteenth Amendments will not allow exposing the press to liability for truthfully publishing information released to the public in official court records.[27]

The Court thus limited the ability to hold the media liable for publishing true information lawfully obtained from government records. The Court stated: "Once true information is disclosed in public court documents open to public inspection, the press cannot be sanctioned for publishing it. In this instance as in others reliance must rest upon the judgment of those

---

20 *Id.* at 473.
21 *Id.* at 474; *see also* GA. CODE ANN. § 16-6-23 (2007).
22 *Cox Broad.*, 420 U.S. at 496–97.
23 *Id.* at 491–92.
24 *Id.* at 491.
25 *Id.* at 492.
26 *Id.* at 494–95.
27 *Id.* at 496.

who decide what to publish or broadcast."[28] The Court accordingly held that the Georgia statute was unconstitutional and that the media defendants were, thus, not subject to liability for their conduct under the state statute.[29]

The other Supreme Court case in this area is *Florida Star v. B.J.F*[30] Florida had a law that made it unlawful to "print, publish, or broadcast. . .in any instrument of mass communication the name of the victim of any sexual offense . . ."[31] B.J.F., a rape victim, sued The Florida Star newspaper for violating this law when it published her name in its "Police Report" section, which described local criminal incidents under police investigation. The newspaper obtained the victim's identity from a report produced by the police department and made available to the public.[32]

Citing *Cox Broadcasting*, among other cases, the newspaper urged that the award of damages against it under the Florida statute violated the First Amendment.[33] Notably, despite strong factual resemblance to *Cox Broadcasting*, the Court did not rely on that decision as precedent, particularly because that case involved information disseminated in *court* records made available to the public.[34] Here, in contrast, the information came from a "police report prepared and disseminated at a time at which not only had no adversarial criminal proceedings begun, but no suspect had been identified."[35]

Despite this distinction, the Court still held in favor of the newspaper. "[I]f a newspaper lawfully obtains truthful information about a matter of public significance then state officials may not constitutionally punish publication of the information, absent a need to further a state interest of the highest order."[36] The Court found no such state interest. The Florida Star lawfully obtained the information, which was a matter of public significance, and its disclosure was truthful and accurate. Though the Court recognized that the interests in protecting the privacy and safety of sexual assault victims and in encouraging them to report offenses without fear of exposure are highly significant, it nevertheless held that "imposing liability for publication under the circumstances of this case is too precipitous a means of advancing those interests . ."[37] It was the police department, not the newspaper, that failed to comply with the Florida statute. The imposition of damages, therefore, could "hardly be said to be a narrowly tailored means of safeguarding anonymity."[38] The Court noted that its hold-

28 *Id.*

29 *Id.* at 496–97.

30 491 U.S. 524 (1989).

31 FLA. STAT. ANN. § 794.03 (West 2007).

32 *Florida Star*, 491 U.S. at 527.

33 *Id.* at 530–32.

34 *Id.* at 532.

35 *Id* at 532.

36 *Id.* at 533 (quoting Smith v. Daily Mail Publ'g Co., 443 U.S. 97, 103 (1979)) (brackets in original).

37 *Id.* at 537.

38 *Id.* at 538.

ing was limited:

> We do not hold that truthful publication is automatically constitutionally protected, or that there is no zone of personal privacy within which the State may protect the individual from intrusion by the press, or even that a State may never punish publication of the name of a victim of a sexual offense. We hold only that where a newspaper publishes truthful information which it has lawfully obtained, punishment may lawfully be imposed, if at all, only when narrowly tailored to a state interest of the highest order, and that no such interest is satisfactorily served by imposing liability under [Florida Statute] § 794.03 to appellant under the facts of this case.[39]

Cox Broadcasting and *Florida Star* thus establish the proposition that the media cannot be held liable for the truthful reporting of information lawfully obtained from government records. The cases rest on the importance of the press being able to report without any fear of liability on what is in government records. A central function of the press is to check the government,[40] and this requires that the press be able to communicate anything it finds in government documents that is lawfully available without hesitation. This is consistent with other Supreme Court decisions holding that the media cannot be punished for revealing information that is learned in court proceedings.[41]

The other Supreme Court case concerning media liability for invasion of privacy is *Bartnicki v. Vopper*.[42] It is a crucial extension of *Cox Broadcasting* and *Florida Star* because it involved information that was not part of government records and that was not lawfully obtained.

The Pennsylvania State Education Association was a union that represented the teachers at the Wyoming Valley West High School in contentious collective-bargaining negotiations.[43] Gloria Bartnicki was the chief negotiator for the union and Anthony Kane was president. A phone call between Bartnicki and Kane was illegally intercepted and recorded. During the conversation, the two union officials discussed the timing of a proposed strike, difficulties created by public comment on the negotiations and the need for a dramatic response to the school board's intransigence.[44] Bartnicki and Kane believed that they were having a private conversation. At one point, Kane said, "[i]f they're not gonna move for three percent, we're gonna have to go to their, their homes. . . . To blow off their front porches, we'll have to do some work on some of those guys."[45]

---

39 *Id.* at 541.

40 *See, e.g.*, Vincent Blasi, *The Checking Value in First Amendment Theory*, 1977 AM. B. FOUND. RES. J. 521.

41 *See, e.g.*, Okla. Publ'g Co. v. Dist. Court, 430 U.S. 308 (1977) (per curiam) (holding that the media could not be held liable for identifying a juvenile suspect after the judge had admitted the press and the public to a juvenile hearing).

42 532 U.S. 514 (2001).

43 *Id.* at 518.

44 *Id.* at 518–19.

45 *Id.* at 519 (omission in original).

Frederick Vopper was a radio commentator who had been critical of the union in the past. Vopper played the tape of the intercepted phone conversation on his public affairs talk show. Bartnicki and Kane sued Vopper and others for violations of federal and state wiretapping laws.[46]

The Supreme Court balanced two competing interests, weighing the petitioners' right to privacy against the public's right to information concerning important public affairs.[47] Justice Stevens, writing for the majority, explained that holding respondents liable for invasion of privacy when the information was obtained from a private source would violate the First Amendment.[48] Vopper was not liable because he did not participate in the illegal interception and recording, and because the tape concerned a matter of public importance.[49]

In a concurring opinion, Justice Breyer cited a concern for public safety, referencing Kane's threat of physical harm. "Where publication of private information constitutes a wrongful act, the law recognizes a privilege allowing the reporting of threats to public safety."[50] Justice Breyer stressed that there was a threat of violence during the conversation: the threat to blow up the porches.[51]

Although I agree with the results in these three cases, they are very troubling. What is the public interest in knowing a rape victim's identity? Publicizing the names of rape victims might create a disincentive for victims to report a crime that is all too often unreported. It is hard to imagine any public interest in knowing the victim's name. If the focus is on the public's legitimate interest in knowledge, as the tort requires, there seems to be none. Likewise, what was the public's interest in hearing the private conversation of the two teachers' union officials in *Bartnicki*? Justice Breyer's focus on the hyperbole about blowing up a porch seems silly. There was no threat of violence in that tape; it was a figure of speech.

At the very least, these cases do not provide a useful way of answering the central First Amendment problem posed by the tort of public disclosure of private facts: how is it to be determined when the public has a legitimate interest in information?

46 *Id.*

47 *Id.* at 518.

48 *Id.* at 535.

49 *Id* at 525.

50 *Id.* at 539 (Breyer, J., concurring) (citing RESTATEMENT (SECOND) OF TORTS § 595, cmt. g (1977) (general privilege to report that "another intends to kill or rob or commit some other serious crime against a third person")).

51 *Id.*

III. A NEW APPROACH TO THE TORT OF PUBLIC DISCLOSURE OF PRIVATE FACTS

I propose that there be no liability for public disclosure of private facts, except where publication poses a substantial threat to safety. If revealing private information would put someone in physical danger, then there can be liability.

There have been cases where this has been exactly the reason why liability has been allowed. In *Times-Mirror v. Superior Court*, the Los Angeles Times published Jane Doe's name after she discovered her roommate's body and confronted the suspected murderer.[52] Jane's roommate had been raped, beaten, and strangled. Amy Chance of the Times investigated the story and learned of Jane's identity from the coroner's office. Chance told the Times that she knew the murder victim, having lived next door to her shortly before the murder. The Times assigned Chance to cover the story.[53] The investigating detective did not reveal Jane's identity but did tell Chance that the victim's roommate had provided a description of the murder suspect. The detective told Chance that he did not want the information to appear in the newspaper. The Times published a story the next morning identifying Jane, and revealing her true name, as the discoverer of the victim's body.[54] Jane Doe sued the Times and Chance for invasion of privacy, intentional infliction of emotional distress, and negligent infliction of emotional distress.[55]

The issue before the California Court of Appeal was "whether the news media is privileged to print the name of a witness to a crime when doing so could subject that witness to an increased risk of harm."[56]

The court rejected the Times' arguments that its First Amendment right to disseminate information took precedence over Jane's right to privacy. The court concluded that, "where an individual observes and can identify a suspected murderer who is still at large, the First Amendment provides no absolute protection from liability from printing the witness's name."[57] Balancing the interest of the individual's safety and the state's interest in conducting a criminal investigation—especially when the criminal is still at large—against the public's right to know the name of the individual witness, the court held that the former interests could trump the latter interest. The court recognized that, even where the elements for a cause of action for invasion of privacy are met, publication of the information may be exempt from liability if it is "truthful and newsworthy."[58]

52 244 Cal. Rptr. 556, 558 (Ct. App. 1988).
53 *Id.*
54 *Id.*
55 *Id.*
56 *Id.* at 559.
57 *Id.* at 560.
58 *Id.* at 561.

The court stated that although an account of the murder was newsworthy, the publication of Doe's name might not be and that this was an issue to be determined by a jury.[59] The court accordingly upheld the denial of summary judgment in favor of the plaintiff.[60]

Similarly, in *Hyde v. City of Columbia*,[61] the court allowed liability because of the threat to safety. Plaintiff Hyde sued the City of Columbia for the negligent disclosure of her name and address by the city police to news reporters, and the newspapers for the subsequent negligent publication of the information.[62] Hyde had been abducted and kidnapped by an unknown assailant, but escaped from his car. With the assailant still at large, Hyde reported the incident to police, who later, without Hyde's knowledge or consent, released her name and address to the media for publication. Subsequent to these publications, Hyde had several encounters with the assailant. For example, the plaintiff reported that the assailant drove up to her duplex to read her house number. The assailant later returned with a shotgun, the same shotgun he had used while abducting Hyde, but drove away.[63] Hyde also received phone calls purportedly from the assailant, in which he said, "I'm glad you're not dead yet, I have plans for you before you die[,]" and "I wanted to refresh your memory of who I am before I kill you tonight."[64] After this second phone call, which was received at Hyde's place of employment, the assailant appeared outside of Hyde's place of employment, pointed a shotgun at her, and conveyed to her the threat to kill her that night.[65]

Defendants argued that they were not negligent because they had no duty to Hyde, that their conduct was protected by the First Amendment, and that the publication of Hyde's name and address were permissible under the Sunshine Law, which directs that public records shall be open to the public for inspection and duplication.[66]

The court explained that, because the media enjoyed no constitutional right to police records, the defendant-media's right to have Hyde's name and address depended on whether the information was a public record under the Sunshine Law.[67] The court disagreed with defendants and found that Hyde's name and address were not public record and, therefore, were not required to be disclosed under the Sunshine Law.[68] As the court explained:

---

59 *Id.* at

60 *Id.* at 565.

61 637 S.W.2d 251 (Mo. Ct. App. 1982), *cert. denied*, 459 U.S. 1226 (1983).

62 *Id.* at 253.

63 *Id.* at 254 n.2.

64 *Id.*

65 *Id.*

66 *Id.* at 258.

67 *Id.*

68 *Id.*

> To construe the Sunshine Law to open *all* criminal investigation information to *anyone* with a request subserves [sic] neither the public safety policy of our state nor the personal security of a victim—but rather, courts constitutional violations of the right of privacy of a witness or other citizen unwittingly drawn into the criminal investigation process as well as the right of an accused to a fair trial. Such a construction leads to the absurdity (adroitly drawn by the defendants) that an assailant unknown as such to the authorities, from whom the victim has escaped, need simply walk into the police station, demand name and address or other personal information—without possibility of lawful refusal, so as to intimidate the victim as a witness or commit other injury.[69]

For the purposes of Restatement (Second) of Torts Section 652, subsection D, the court found that Hyde's name and address were of "trivial" public interest.[70] The disclosure, as the court characterized it, "served no essential criminal investigation role of the police, but rather was a foreseeable impediment to that function by the encouragement of an obstruction of justice by the assailant[,]" and "was also a threat to the very *personal safety* of the victim."[71] The court found that the facts alleged gave rise to a duty by the police to foresee risk of injury to Hyde by the assailant. The court said:

> [T]he name and address of an abduction witness who can identify an assailant still at large before arrest is a matter of such trivial public concern compared with the high probability of risk to the victim by their publication, that a news medium owes a duty in such circumstances to use reasonable care not to give likely occasion for a third party [assailant still at large] to do injury to the plaintiff by the publication.[72]

The court accordingly held that Hyde had stated a cause of action for which relief could be granted against the media defendants.[73]

There are significant advantages to limiting liability for public disclosure of private facts to situations in which there is a risk to safety from the publication of information. Most importantly, this avoids the need for courts to define what is a matter of legitimate interest to the public. It also minimizes the circumstances in which there will be liability for the reporting of truthful information. Liability would be restricted to the compelling circumstance in which safety was placed in danger by publication.

There is, admittedly, a cost to this approach: the public will receive less legal protection for privacy. Highly private information—about sexual activities, about medical conditions, about embarrassing moments—will be subject to publication without the possibility of liability. I do not underestimate this cost or the importance of privacy. Nor do I think that a standard can be formulated to allow for liability that is consistent with the First

---

69 *Id.* at 263 (emphasis in original).

70 *Id.* at 269.

71 *Id.* at 263 (emphasis added).

72 *Id* at 269.

73 *Id.* at 273.

Amendment. Liability for publishing truthful information should be limited to where there is a truly compelling government interest.

CONCLUSION

I am always stunned by the number of magazines that focus entirely on gossip about celebrities. Because I have little interest in the latest details of the lives of Brad Pitt and Angelina Jolie, Britney Spears, or Paris Hilton, it is tempting to say that no one should care. But under the First Amendment, it is not for me—or any government official or judge—to decide what people should be interested in knowing.

My father always repeated the expression, "The problem with teaching children to think for themselves is that they do." The problem with protecting freedom of press is that it may want to report things that we would rather keep private. But that is the inevitable cost of a free press. Liability for public disclosure of private facts should thus be limited to situations in which publication will endanger public safety.

Is Nominal Use an Answer to the Free Speech and Right of Publicity Quandary?: Lessons from America's National Pastime

Raymond Shih Ray Ku[*]

INTRODUCTION

From its inception, the right of publicity has existed in an uneasy state of tension with the First Amendment. By prohibiting the use of an individual's name or likeness, the right of publicity—like other categories of intellectual property law, including copyright and trademark—creates a property right in information that may be asserted by its owner to restrict the expression of others.[1] By definition, laws that limit expression implicate the First Amendment's prohibition against the abridgment of speech, even if this does not mean that all such limitations are unconstitutional. As the Supreme Court has noted, some restrictions upon speech imposed by intellectual property law promote freedom of expression.[2] Not surprisingly, this tension between free speech and intellectual property laws in general, and the right of publicity in particular, has been a source of continuing consternation for courts[3] and commentators alike.[4]

* Professor of Law, Co-Director Center for Law, Technology & the Arts, Case Western Reserve University School of Law. I would like to thank the editors of the Chapman Law Review for inviting me to the symposium, for the hospitality they showed during the symposium, and for their excellent work preparing this article for publication.

1 *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 46 (1995) ("One who appropriates the commercial value of a person's identity by using without consent the person's name, likeness, or other indicia of identity for purposes of trade is subject to liability . . . .").

2 *See* Harper & Row, Publishers, Inc. v. Nation Enters., 471 U.S. 539, 558 (1985) ("In our haste to disseminate news, it should not be forgotten that the Framers intended copyright itself to be the engine of free expression.").

3 *See, e.g.*, Zacchini v. Scripps-Howard Broad. Co., 433 U.S. 562 (1977); ETW Corp. v. Jireh Publ'g, Inc., 332 F.3d 915 (6th Cir. 2003); Cardtoons, L.C., v. Major League Baseball Players Ass'n, 95 F.3d 959 (10th Cir. 1996); Comedy III Prods., Inc. v. Gary Saderup, Inc., 21 P.3d 797 (Cal. 2001); Pavesich v. New England Life Ins. Co., 50 S.E. 68 (Ga. 1905); Doe v. TCI Cablevision, 110 S.W.3d. 363 (Mo. 2003) (en banc).

4 *See, e.g.*, Pamela Samuelson, *Reviving* Zacchini*: Analyzing First Amendment Defenses in Right of Publicity and Copyright Cases*, 57 TUL. L. REV. 836 (1983); Roberta Rosenthal Kwall, *Fame*, 73 IND. L.J. 1 (1997); Diane Leenheer Zimmerman, *Fitting Publicity Rights into Intellectual Property and Free Speech Theory: Sam, You Made the Pants Too Long!*, 10 DEPAUL-LCA J. ART & ENT. L. 283 (2000); Eugene Volokh, *Freedom of Speech and the Right of Publicity*, 40 HOUS. L. REV. 903 (2004); F. Jay Dougherty, *All the World's Not a Stooge: The "Transformativeness" Test for Analyzing a First Amendment Defense to a Right of Publicity Claim Against Distribution of a Work of Art*, 27 COLUM. J.L. & ARTS 1 (2003); Shubha Gosh, *On Bobbling Heads, Paparazzi, and Justice Hugo Black*, 45 SANTA CLARA L. REV. 617 (2005); David S. Welkowitz & Tyler T. Ochoa, *The Terminator as Eraser: How Arnold Schwarzenegger Used the Right of Publicity to Terminate Non-Defamatory Political*

One factor that complicates this tension is that, as it has evolved, the right of publicity does not respond to a single interest, but instead responds to a cluster of related though distinct interests, each raising different First Amendment questions. The least controversial of these interests is when the courts prevent unauthorized use of an individual's name or likeness in a manner that falsely signals endorsement or sponsorship.[5] False speech is generally not constitutionally protected speech.[6] A little more controversial is protecting individuals from being unwillingly thrust into the public eye for commercial purposes.[7] In these types of cases, an individual's interest in liberty and dignity may be said to outweigh the speech interests at stake,[8] though the Supreme Court has generally been skeptical of restrictions upon the dissemination of truthful information.[9] Lastly, the right of publicity protects the economic interests of an individual from having her name or likeness exploited even when there is no confusion regarding the individual's relationship with the use.[10]

This essay explores three approaches developed by courts to alleviate the tension between free speech and the right of publicity. It focuses upon the last set of interests—non-misleading, for-profit uses of a celebrity's name or likeness. Perhaps by coincidence—or, perhaps because it is this nation's pastime—professional baseball is fertile ground for these controversies. Not only does the modern right of publicity begin with a dispute over baseball cards, its future should be defined by fantasy baseball. In *C.B.C. Distribution and Marketing, Inc. v. Major League Baseball Advanced Media, L.P.*, the Eighth Circuit held that the use of players' names and statistics for online fantasy baseball did not violate the right of publicity.[11] The court used an approach that not only reconciled the speech interests at stake in that case, but also adopted an essential First Amendment safeguard present in trademark law—nominal use—that has yet to be explicitly recognized in the right of publicity context.

I. PLAY BALL! OR NOT

From the beginning, courts have recognized the inherent tension between one person's right not to be spoken about and another's constitutional guarantee of freedom of expression. After tracing the origins of the right of publicity, this part discusses how courts have attempted to balance these

---

Speech, 45 SANTA CLARA L. REV. 651 (2005).

5 *See, e.g.*, *Pavesich*, 50 S.E. 68.

6 *See, e.g.*, New York Times Co. v. Sullivan, 376 U.S. 254 (1964).

7 *See, e.g.*, *Pavesich*, 50 S.E. 68.

8 *Id.*; *see also* Samuel D. Warren & Louis D. Brandeis, *The Right to Privacy*, 4 HARV. L. REV. 193 (1890).

9 *See, e.g.*, Bartnicki v. Vopper, 532 U.S. 514 (2001).

10 *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 47 (1995) ("The name, likeness, and other indicia of a person's identity are used 'for purposes of trade' . . . if they are used in advertising the user's goods or services, or placed on merchandise marketed by the user, or are used in connection with services rendered by the user.")

11 505 F.3d 818 (8th Cir. 2007).

competing interests. Through the lens of the three cases involving the right of publicity and baseball, it demonstrates the limits and promise of these efforts.

The right of publicity originates from Samuel Warren and Louis Brandeis' seminal article, *The Right to Privacy*.[12] Responding to what they perceived to be the abuses of "modern" media, the authors argued that the common law recognized a "right to be let alone."[13] Drawing from common copyright, which recognized a property right in one's unpublished papers, including letters and manuscripts, *The Right to Privacy* argued that the law protects the "[t]houghts, emotions, and sensations" that make up one's personality.[14] As such, the law should provide "to each individual the right of determining, ordinarily, to what extent his thoughts, sentiments, and emotions shall be communicated to others[,]" regardless of how these aspects of one's personality are expressed.[15]

To do this, *The Right to Privacy* de-linked the protected attributes of personality from the physical pieces of property protected by the common law that provided evidence of that personality.[16] According to the authors:

> The circumstance that a thought or emotion has been recorded in a permanent form renders its identification easier, and hence may be important from the point of view of evidence, but it has no significance as a matter of substantive right. If, then, the decisions indicate a general right to privacy for thoughts, emotions, and sensations, these should receive the same protection, whether expressed in writing, or in conduct, in conversation, in attitudes, or in facial expression.[17]

However, even Warren and Brandeis recognized that the right of privacy is not absolute and would not prohibit, among other things, "any publication of matter which is of public or general interest[,]"[18] or apply to facts published by the individual or with her consent.[19] The authors, therefore, emphasized that "[i]t is the unwarranted invasion of individual privacy which is reprehended, and to be, so far as possible, prevented."[20]

Warren and Brandeis's original conception of the right of privacy is illustrated by *Pavesich v. New England Life Insurance Co.*,[21] one of the earliest decisions recognizing the right. In *Pavesich*, the plaintiff complained that the unauthorized use of his photograph in conjunction with an advertisement for life insurance violated his right to privacy.[22] The advertise-

---

12 Warren & Brandeis, *supra* note 8.

13 *Id.*

14 *Id.* at 195, 206–07.

15 *Id.* at 198.

16 *See* Robert C. Post, *Rereading Warren and Brandeis: Privacy, Property, and Appropriation*, 41 CASE W. RES. L. REV. 647 (1991).

17 Warren & Brandeis, *supra* note 8, at 206.

18 *Id.* at 214.

19 *Id.* at 218.

20 *Id.* at 215.

21 50 S.E. 68 (Ga. 1905).

22 *Id.* at 68–69.

ment used the plaintiff's image alongside a picture of an ill-looking individual in conjunction with statements supposedly from those pictured about the value of buying insurance while in good health.[23] In rejecting the defendant's free speech claim, the Supreme Court of Georgia concluded that, "[t]here is in the publication of one's picture for advertising purposes not the slightest semblance of an expression of an idea, a thought, or an opinion, within the meaning of the constitutional provision which guaranties to a person the right to publish his sentiments on any subject."[24] Instead, it was a serious assault on individual liberty. According to the court, the unauthorized use of one's image in advertising is the equivalent of slavery:

> The knowledge that one's features and form are being used for such a purpose, and displayed in such places as such advertisements are often liable to be found, brings . even the individual of ordinary sensibility, to a realization that his liberty has been taken away from him; . . that he is for the time being under the control of another, that he is no longer free, and that he is in reality a slave . . . [25]

As such, the court established a rule that "the publication of one's picture without his consent by another as an advertisement, for the mere purpose of increasing the profits and gains of the advertiser, is an invasion of [the right of privacy] . . "[26] Because the plaintiff never consented to the public use of his image, *Pavesich* is a rather straightforward application of Warren and Brandeis's right of privacy.

Given the scope of the right of privacy, how did it develop into the right of publicity, or what William Prosser described as "[a]ppropriation, for the defendant's advantage, of the plaintiff's name or likeness"?[27] In other words, how did a right to prevent the disclosure of one's personal thoughts and emotions become a right to control the use of one's public image? As we will see, the ceiling established by the right of privacy becomes the floor for the right of publicity. What develops out of the conclusion that the right of privacy is constrained by expression involving matters of public concern—subsequently described as newsworthy—is the corollary that when the expression is not newsworthy it is not privileged. As Diane Zimmerman notes:

> If a use of a celebrity's identity occurs in a "newsworthy" setting, the use does not, all concede, violate any property right. But matters quickly go awry because the flip-side assumption seems to be that if a use is not newsworthy, it must perforce be commercial. And if it is commercial, then it does not have a First Amendment dimension and is fair game for regulation.[28]

To illustrate this point, consider the following decisions involving the

---

23 *Id.*

24 *Id.* at 80.

25 *Id*

26 *Id.* at 81.

27 William L. Prosser, *Privacy*, 48 CAL. L. REV. 383, 389 (1960) (identifying four different categories of privacy-related torts, including misappropriation).

28 Zimmerman, *supra* note 4, at 295 (citations omitted).

right of publicity claims of baseball players.

The first case, *Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc.*, established the modern right of publicity.[29] *Haelan* involved the consensual use of photographs of baseball players by competing chewing gum manufacturers in connection with the sale of gum.[30] The plaintiff, Haelan, alleged that, not only had the ball players consented to the use of their photographs for such purposes; they also agreed not to grant similar rights to any other gum manufacturer.[31] In response, the defendant, Topps, argued that the right of privacy was a personal right and could not be assigned to plaintiff and, as such, the players' agreements represented nothing more than a release of liability under New York's statutory right of privacy and did not create a separately enforceable interest.[32] Because Topps also obtained the players' consent, the players had no grounds for complaint.[33] In deciding for the plaintiff, Judge Jerome Frank concluded that, "in addition to and independent of that right of privacy . . . a man has a right in the publicity value of his photograph, i.e., the right to grant the exclusive privilege of publishing his picture . . . ."[34] According to Judge Frank:

> This right might be called a "right of publicity." For it is common knowledge that many prominent persons (especially actors and ball-players), far from having their feelings bruised through public exposure of their likenesses, would feel sorely deprived if they no longer received money for authorizing advertisements, popularizing their countenances, displayed in newspapers, magazines, busses, trains and subways. This right of publicity would usually yield them no money unless it could be made the subject of an exclusive grant which barred any other advertiser from using their pictures.[35]

Chief Judge Swan concurred on the basis that the case should be remanded on the claim that Topps intentionally induced the players to breach their contracts with Haelan.[36]

While *Haelan* is important for its recognition and defense of the right of publicity, for this discussion the decision is more important for what it does not address. Consider the fact that the majority's discussion regarding the right of publicity is arguably dicta. As Chief Judge Swan concluded, the case could have been resolved under basic contract principles, and did not require the establishment of an independent property right.[37] Furthermore, Judge Frank's concern that, without the right of publicity, ball players would make no money from advertising,[38] is not only unsupported by

29 202 F.2d 866 (2d Cir. 1953).

30 *Id.* at 867.

31 *Id.*

32 *Id.*

33 There was some suggestion that Topps may not have obtained the consent of one player, although this fact did not impact the court's analysis. *Id.* at 868.

34 *Id.*

35 *Id.*

36 *Id.* at 869 (Swan, J., concurring).

37 *See id.*

38 *Id.* at 868 (majority opinion).

the facts of the case, it is far from inevitable. Topps did not argue that the right of privacy did not entitle the players to control the use of their photographs, either because: (1) they were public personalities; or (2) because they already consented to the publication of similar photographs by Haelan. As such, there was no threat to the players' ability to obtain compensation for the use of their photographs in advertising. The right of privacy guaranteed them that opportunity (at least to the extent that Topps valued the players' cooperation in posing for their photographs). Instead, the problem was that the players, presumably in exchange for additional compensation, consented to competing uses of their photographs, despite an earlier promise to Haelan.[39]

Moreover, while the baseball cards were distributed in connection with the sale of chewing gum, the players' photographs were not used specifically to advertise gum. Yet, there is no discussion whether the differences between baseball cards and advertising require a separate First Amendment analysis (perhaps because the defendant was a competing chewing gum manufacturer rather than a member of the press). Even if one agrees with *Pavesich* that unauthorized uses of one's likeness in advertising is akin to slavery,[40] that does not mean that the use of the players' photographs on baseball cards is the same. Lastly, while one might ultimately conclude that, for First Amendment purposes, promotional uses that encourage the sale of an unrelated product are equivalent to advertising, the question does not even arise in *Haelan*. Instead, in response to competing commercial uses, the court almost reflexively recognizes a property interest in the player's image disconnected from the dignitary harms associated with the right of publicity and in opposition to the players' own actions.[41] The court does this without any consideration of the First Amendment interests at stake.[42] In *Haelan*, freedom of speech, literally, is not an issue.

The next decision in the baseball trilogy, *Cardtoons, L.C. v. Major League Baseball Players' Ass'n*,[43] illustrates how courts have responded to First Amendment concerns after *Haelan*. Under this approach, defendants must justify their use of celebrity images and demonstrate that the use is sufficiently important to society to outweigh the right of publicity.[44] In *Cardtoons*, the defendant produced humorous trading cards that featured caricatures of major league baseball players, including Barry Bonds, who was called "Treasury Bonds."[45] The cards ridiculed the players for, among

---

39 *See id.* at 867.

40 Pavesich v. New England Life Ins. Co., 50 S.E. 68, 80 (Ga. 1905).

41 *See Haelan*, 202 F.2d at 868.

42 *See id.*

43 95 F.3d 959 (10th Cir. 1996).

44 *Id.* at 972. This approach follows the Supreme Court's treatment of the subject in *Zacchini v Scripps-Howard Broad. Co.*, in which the Court held that the First Amendment did not preclude a right of publicity when the news media broadcasted the plaintiffs' entire performance. 433 U.S. 562 (1977).

45 *Cardtoons*, 95 F.3d at 962.

other things, their compensation, egos, and physical characteristics.[46] The Major League Baseball Players Association (MLBPA), the exclusive collective bargaining agent for all active major league baseball players, claimed that the cards violated the players' rights against false representation under the Lanham Act and the right of publicity.[47] Because the cards did not fall within the statutory exception for news, Cardtoons' use of the players' likenesses would be prohibited by Oklahoma's right of publicity statute, unless it could successfully assert a First Amendment defense.[48]

If a newsworthy use of celebrity images is one talismanic category of protected speech, *Cardtoons* establishes parody as another. According to the court, the trading cards implicate "some of the core concerns of the First Amendment."[49] In explaining the value of parody, the court noted:

> A parodist can, with deft and wit, readily expose the foolish and absurd in society. Parody is also a valuable form of self-expression that allows artists to shed light on earlier works and, at the same time, create new ones. Thus, parody, both as social criticism and a means of self-expression, is a vital commodity in the marketplace of ideas.[50]

Because of their significance in society, celebrities are both appropriate targets and vehicles for such social criticism.[51] And, in the absence of First Amendment protection, celebrities are not likely to license or consent to such uses, thus depriving the public of important, if not core, First Amendment expression.[52]

Correspondingly, the court concluded that recognizing a First Amendment privilege for celebrity parodies did little to harm the interests protected by the right of publicity.[53] The court reasoned:

> The right is thought to further economic goals such as stimulating athletic and artistic achievement, promoting the efficient allocation of resources, and protecting consumers. In addition, the right of publicity is said to protect various noneconomic interests, such as safeguarding natural rights, securing the fruits of celebrity labors, preventing unjust enrichment, and averting emotional harm.[54]

The court concluded that, given the importance of parody as social commentary and criticism, none of these interests were of sufficient weight to justify restricting the parody baseball cards.[55]

With regard to the economic justifications, the court concluded that the parodies are unlikely to change the incentives for people to become

46 *Id.* at 963.
47 *Id.* at 966.
48 *Id.* at 968.
49 *Id.* at 972.
50 *Id.*
51 *See id.*
52 *Id.* ("Indeed, the director of licensing for MLBPA testified that MLBPA would never license a parody which poked fun at the players.").
53 *Id.* at 976.
54 *Id.* at 973.
55 *Id.* at 976.

baseball players.[56] In the words of the court, "it is unlikely that little leaguers will stop dreaming of the big leagues or major leaguers will start 'dogging it' to first base if MLBPA is denied the right to control the use of its members' identities in parody."[57] Likewise, non-advertising uses of celebrity images were not likely to reduce the value of that likeness, and arguably, may increase that value.[58] As such, the right of publicity would not be used to maximize value, but, instead, to suppress criticism and "permanently remove a valuable source of information about their identity from the marketplace."[59] Lastly, the baseball cards were not likely to confuse or deceive consumers.[60]

With regard to the non-economic justifications, the court rejected the natural rights argument out of hand as nothing more than a "blind appeal[ ] to first principles . . . ."[61] In response to the claim that celebrities are entitled to the fruits of their labor, it noted that celebrities "are often not fully responsible for their fame."[62] Moreover, with regard to parody, this was an untenable argument that celebrities should "enjoy the fruits of socially undesirable behavior."[63] Lastly, the court rejected the argument that the right of publicity may be used to prevent emotional injuries because, unlike the right of privacy, publicity rights focus upon the loss of financial gain.[64] According to the court, "fame is a double-edged sword—the law cannot allow those who enjoy the public limelight to so easily avoid the ridicule and criticism that sometimes accompany public prominence."[65] One may disagree with the court's balancing or conclude that the court's analysis was driven by its perception of the importance of parody as a form of social criticism. Nonetheless, *Cardtoons* is illustrative of efforts to resolve First Amendment concerns in right of publicity cases by determining whether the unauthorized use as speech is valuable speech or, as Warren and Brandeis put it, "in the public interest."[66]

The final dispute in the baseball trilogy arose out of the operation of fantasy baseball leagues. The defendant, C.B.C. Distribution and Marketing ("CBC") sold fantasy baseball products through the Internet that included the names, performance, and biographical data of actual major league baseball players.[67] These products allowed individuals to become

---

56 *Id.* at 973–74.

57 *Id.* at 974.

58 *Id.* at 975.

59 *Id.*

60 *Id.*

61 *Id.*

62 *Id*

63 *Id.* at 975–76.

64 *Id* at 976.

65 *Id.*

66 *See* Warren & Brandeis, *supra* note 8, at 214 and accompanying text. The California Supreme Court subsequently relied upon *Cardtoons* and followed this balancing analysis when it concluded that "transformative" expression outweighs a celebrity's interest in the control of her name or likeness. *See* Comedy III Prods. v. Gary Saderup, Inc., 21 P.3d 797, 809 (Cal. 2001).

67 C.B.C. Distribution & Mktg., Inc. v. Major League Baseball Advanced Media, L.P., 505 F.3d

fantasy "owners" of a baseball franchise by creating their own teams and competing against the teams of other "owners" based upon the actual performance statistics of the ball players.[68] The participants in these leagues paid fees to play and additional fees to trade players.[69] Initially, C.B.C. licensed the use of the players' names and information.[70] However, when that licensing agreement expired, MLBPA licensed the exclusive right to use that information to Major League Baseball, which began offering its own fantasy baseball products and services through its website, *MLB.com*.[71] In response, C.B.C. filed a declaratory judgment action to determine the legality of continuing to operate its fantasy games.[72]

While both the district court and the court of appeals ultimately followed the balancing approach illustrated by *Cardtoons*, concluding that there is a substantial public interest in discussing our Nation's pastime,[73] the case raises the tantalizing possibility of avoiding balancing altogether. Fundamental to the district court's analysis, and central to the court of appeals' analysis, is the point that C.B.C. used the identities of the baseball players as facts and facts are not subject to intellectual property rights.[74] For example, the district court concludes that C.B.C. used the players' names as facts rather than "as symbol[s] of their identit[ies]," as required by Missouri law.[75] And, as facts, the players' names and performance statistics were part of information already in the public domain.[76] Similarly, the court of appeals concluded that, "the 'recitation and discussion of factual data concerning the athletic performance of [players] command a substantial public interest, and, therefore, is a form of expression due substantial constitutional protection.'"[77] Moreover, "the facts in this case barely, if at all, implicate the interests that states typically intend to vindicate by providing rights of publicity to individuals."[78]

C.B.C. is intriguing for several reasons. First, it hints at an alternative approach for resolving the tension between free speech and the right of publicity by distinguishing between factual uses of names versus publicity uses, for lack of a better term. Unfortunately, the opinions do not readily explain how so-called factual uses of names differ from other uses typically controlled by the right of publicity.[79] The court of appeals appeared con-

818, 820 (8th Cir. 2007).

68 *Id.* at 820–21.

69 *Id.* at 821.

70 *Id.*

71 *Id.*

72 *Id.*

73 *Id.* at 823; 443 F. Supp. 2d 1077, 1096 (E.D. Mo. 2006).

74 505 F.3d at 823; 443 F. Supp. 2d at 1101.

75 *C.B.C.*, 443 F. Supp. 2d at 1089.

76 *Id.* at 1095.

77 *C.B.C.*, 505 F.3d at 823–24 (quoting Gionfriddo v. Major League Baseball, 114 Cal. Rptr. 2d 307, 315 (Ct. App. 2001) (brackets in original)). Ironically, *Gionfriddo* concluded that Major League Baseball's promotional use of ball-players' names and likenesses did not violate their publicity rights.

78 *Id.* at 824.

79 *See infra* Part II.

fused on this very point when it criticized the district court, stating:

> We think that by reasoning that "identity," rather than "mere use of a name," "is a critical element of the right of publicity," the district court did not understand that when a name alone is sufficient to establish identity, the defendant's use of that name satisfies the plaintiff's burden to show that a name was used as a symbol of identity.[80]

Apparently, the court of appeals missed the point. As discussed in Part II, this distinction makes sense because the district court did not claim that a name cannot be used to identify an individual, but that C.B.C. was using the names and statistics descriptively.[81] In other words, C.B.C. identified the players, but did not exploit their legally protected identities.

Second, the appellate court's reference to the public's interest in baseball does little to address the fact that C.B.C. was not using celebrity images to report the news or as social commentary. Under a *Cardtoons* balancing approach, the focus would be on how the information was used in expression (i.e., news, parody, or social criticism) rather than the topic of that expression (i.e., politics, sports, or entertainment). In *C.B.C.*, the players' names and information were used to make C.B.C.'s game more appealing to customers.[82] C.B.C. could have provided a game using fictional names and statistics, but it preferred to use actual names and statistics.[83] As such, MLBPA's argument that C.B.C. used the players' names and performances to enhance the value of C.B.C.'s fantasy baseball products and services, and that it would be unfair to allow C.B.C. to profit from that value without compensating the players, is not so easily dismissed by labeling C.B.C.'s use as factual. However, for the reasons discussed in Part II, the approach taken in *C.B.C.* is analogous to the nominal use defense in trademark law and represents a valuable development for the right of publicity.

II. NOMINAL USE FOR THE RIGHT OF PUBLICITY

The tension between freedom of speech and intellectual property is not unique to the right of publicity. The conflict between laws that regulate expression, and a constitutional guarantee of freedom of expression, exists in trademark and copyright law as well.[84] And, while both trademark and copyright law recognize fair use as a defense, they also protect freedom of expression through "definitional balancing."[85] In other words, these laws

---

80 *C.B.C.*, 505 F.3d at 822.

81 *See infra* Part II.

82 *See C.B.C.*, 505 F.3d at 822–23.

83 *See id.* at 822.

84 *See* Raymond Shih Ray Ku, *F(r)ee Expression?: Reconciling Copyright and the First Amendment*, 58 CASE W. RES. L. REV. (forthcoming 2008) (discussing copyright's internal mechanism for balancing copyright and free speech); Rebecca Tushnet, *Trademark Law as Commercial Speech Regulation*, 58 S.C. L. REV. 737 (2007) (discussing the ways in which trademark law and the First Amendment differ in approach); *see generally* Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687 (1999).

85 *See* Ku, *supra* note 84 (discussing the origins and limits of definitional balancing); *see also* Melville B. Nimmer, *Does Copyright Abridge the First Amendment Guarantees of Free Speech and*

seek to reduce the tension between free speech and intellectual property rights, not only by making an exception for unauthorized expression that is valuable, but by concluding that certain expression is not part of the property right to begin with. In copyright law, this can be found in the idea/expression dichotomy, which limits copyright protection to how an author expresses ideas and not the ideas themselves.[86] In trademark law, definitional balancing is found in the requirement of trademark use, which limits liability to circumstances in which a defendant uses the trademark as a trademark. As the following argues, *C.B.C.* represents an effort to bring definitional balancing to the right of publicity and is analogous to the nominative use of trademarks as established by the Ninth Circuit's decision in *New Kids on the Block v. News America Publishing, Inc.*[87]

New Kids involved a right of publicity claim brought by the musical act, New Kids on the Block, against two newspapers that conducted reader polls.[88] These polls asked readers to call 900-numbers to answer: "Which one of the New Kids is the most popular?"[89] and "Now which kid is the sexiest?"[90] Readers who called in were charged "50 cents" and "95 cents per minute," respectively.[91] The New Kids sold "posters, T-shirts, badges, coffee mugs and the like" and also offered 900-numbers for fans to call and listen to the New Kids themselves and other fans as a means of generating income in addition to their musical act.[92] They claimed that the newspapers' use of the New Kids violated their trademark rights protected under the Lanham Act, or, essentially, that the papers were "free-riding" on the New Kids' mark.[93] As the court noted, this "free-riding" is considered unfair because it represents something akin to fraud, and also because, "by using a rival's mark, the infringer capitalizes on the investment of time, money and resources of his competitor . . . ."[94] The newspapers claimed that the First Amendment protected their use as a form of newsgathering.[95]

Instead of reaching the First Amendment issue, the court chose instead to resolve the matter on non-constitutional, trademark law grounds.[96] Initially, the court emphasized both the importance of trademark law in preventing unfair competition and, at the same time, the concern that trade-

---

Press?, 17 UCLA L. REV. 1180, 1189–93 (1970) (discussing the importance of definitional balancing); Robert C. Denicola, *Copyright and Free Speech: Constitutional Limitations on the Protection of Expression*, 67 CAL. L. REV. 283, 293–99 (1979) (discussing the importance of fair use in definitional balancing).

86 *See* Nimmer, *supra* note 85, at 1189–93 (discussing the importance of definitional balancing through the idea/expression dichotomy).

87 971 F.2d 302 (9th Cir. 1992).

88 *Id.* at 304.

89 *Id.*

90 *Id.*

91 *Id.*

92 *See id.*

93 *Id.* at 304–05.

94 *Id.* at 305.

95 *Id.*

96 *Id.*

mark law not unduly deplete the English language of words, phrases, or symbols.[97] According to the court, trademark law expressly addresses the latter concern in two ways. First, trademark law denies protection to marks that are, or become, generic. As the court describes, "[w]hen a trademark comes to describe a class of goods rather than an individual product, the courts will hold as a matter of law that use of that mark does not imply sponsorship or endorsement ...."[98] Second, "when a trademark also describes a person, a place or an attribute of a product[,]" the law denies protection where the "mark is used only 'to describe the goods or . . services . . . .'"[99] The newspapers' use of New Kids, however, did not squarely fit either category. The New Kids were not generic, nor did the papers use their trademark to describe the papers' own product.[100]

Nonetheless, the court concluded that it should recognize a related defense for nominative uses of a mark.[101] According to the court:

> [S]ometimes there is no descriptive substitute [for a mark], and a problem closely related to genericity and descriptiveness is presented when many goods and services are effectively identifiable only by their trademarks. For example, one might refer to "the two-time world champions" or "the professional basketball team from Chicago," but it's far simpler (and more likely to be understood) to refer to the Chicago Bulls.[102]

Use of a trademark under these circumstances is "best understood as involving a non-trademark use of a mark—a use to which the infringement laws simply do not apply ...."[103] To accommodate these nominative uses, the court established a three-part test. Under this test, a commercial user would be entitled to use another's trademark without authorization if: (1) "[T]he product or service in question . [is] one not readily identifiable without use of the trademark;"[104] (2) "only so much of the mark or marks is used as is reasonably necessary to identify the product or service;"[105] and (3) "the user does nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder."[106]

In *New Kids*, the newspapers' use of the band's trademark satisfied all three elements.[107] The court reached this conclusion despite the fact that the newspapers were also making money separately from their newsgathering function, arguably in direct competition with 900-numbers offered by the band.[108] According to the court, because the newspapers did not use the

97 *Id.* at 305–06.
98 *Id.* at 306.
99 *Id.* (quoting 15 U.S.C. § 1115(b)(4)).
100 *Id.* at 308.
101 *Id.* at 309.
102 *Id.* at 306.
103 *Id.* at 307.
104 *Id.* at 308.
105 *Id.*
106 *Id*
107 *Id.*
108 *Id.* at 309.

band's trademark in a manner that implied sponsorship or endorsement, "trademark laws do not give the New Kids the right to channel their fans' enthusiasm (and dollars) only into items licensed or authorized by them."[109] As recently suggested by Stacey Dogan and Mark Lemley, the right of publicity could learn a great deal from trademark law.[110]

Initially, the parallels between the right of publicity and trademark law should be readily apparent. Both grant individuals control over certain uses of words, images, and symbols, and both are justified, at least in part, on the basis of preventing consumer confusion and unjust enrichment.[111] Similarly, the parallels between *C.B.C.* and *New Kids* should also be apparent. In both cases, the unauthorized users were profiting from using the protected mark and names at issue, and yet both were found to be non-infringing.[112] In *C.B.C.*, the court focused upon the factual nature of the use of ball player names, while *New Kids* recognized an exception for nominative uses of trademarks. As discussed earlier, it was not immediately apparent why the factual nature of the use should matter. *New Kids*, however, sheds some light on *C.B.C.* if one considers it an attempt at definitional balancing akin to nominative use in trademark law.

As discussed in Part II, the district court originally concluded that MLBPA could not raise a right of publicity claim because C.B.C. used the players' names as facts rather than "as symbols of their identities."[113] Under those circumstances, C.B.C.'s use of ball player names and statistics can be equated with the nominative use at issue in *New Kids*. C.B.C. used the ball player names to describe the individuals who took part in Major League Baseball and how they performed. They were not being put to "publicity use" (i.e., "lending" their hard earned credibility and reputation to the promotion of C.B.C.'s fantasy baseball products and services). In other words, the factual nature of ball players' names is not decisive. Ball player names (and trademarks) are facts and would remain facts even if used as part of false advertising, but few would suggest that the factual nature of such names and symbols should preclude liability when used in the context of false endorsement. Rather, C.B.C.'s *use* was decisive, even if some of the value of their products and services could be attributed to the use of real rather than fictional names and statistics. C.B.C., like the newspapers in *New Kids*, put the names to nominative use. As in *New Kids*, it can be said that, under these circumstances, the right of publicity does not give celebrities the right to channel their fans' enthusiasm (and dollars) into only licensed or authorized products and services.

---

109 *Id.*

110 Stacey L. Dogan & Mark A. Lemley, *What the Right of Publicity Can Learn from Trademark Law*, 58 STAN. L. REV. 1161 (2006).

111 *Id.* at 1164–65 (drawing the parallels between the right of publicity and trademark law and suggesting, among other things, that the right of publicity adopt a form of trademark use).

112 *Compare* C.B.C. Distribution & Mktg., Inc. v. Major League Baseball Advanced Media, L.P., 505 F.3d 818 (8th Cir. 2007) *with New Kids*, 971 F.2d 302.

113 443 F. Supp. 2d 1077, 1089 (E.D. Mo. 2006).

Additionally, the three-part test of *New Kids* described above would be useful in right of publicity cases as well. Courts would permit the use of a celebrity's name without authorization if: (1) the celebrity in question is not readily identifiable without use of the person's name or likeness; (2) only so much of the celebrity's name or likeness is used as is reasonably necessary to identify the celebrity; and (3) the user does nothing that would, in conjunction with the celebrity's name or likeness, suggest sponsorship or endorsement by the celebrity.

Consider how it would apply to the facts of *C.B.C.*. First, C.B.C. used the ball players' names to describe the actual players themselves; and, while there could be alternative ways to describe them, the players are not readily identifiable without resorting to their actual names. Second, C.B.C. used only the names and statistics of the players, which was, arguably, no more than was reasonably necessary to identify them. Third, C.B.C. did not use the players' names in any manner that suggested sponsorship or endorsement. As such, the *New Kids* test could become a valuable tool for evaluating unauthorized uses of celebrity names and likenesses. Moreover, as a movement towards definitional balancing in right of publicity cases, recognizing the privileged status of nominative uses of celebrity names and likenesses represents an important effort to alleviate the tension between free speech and the right of publicity.

CONCLUSION

As the baseball cases illustrate, courts have developed three approaches to the free speech and right of publicity conundrum. Traditionally, freedom of speech was literally not an issue and, subsequently, only an issue when the speech in question is sufficiently valuable to outweigh a celebrity's right to control the use of her name or likeness. The first position is clearly untenable; the second, undesirable. Freedom of speech is clearly at stake when the law limits a speaker's ability to engage in expression and having First Amendment protection hang on whether judges believe that the speech is "valuable," while an improvement, is itself, problematic. However, as this essay suggests, there is another way. Applying definitional balancing to the right of publicity and privileging nominative uses of celebrity names and likenesses is not only a step towards harmonizing publicity rights with both copyright and trademark law; it reduces the tension between free speech and the right of publicity. When one considers that the Supreme Court recently upheld copyright's restrictions upon speech, in large part because copyright protects free speech through definitional balancing *and* fair use (or interest balancing),[114] this approach for the right of publicity may not only be prudent, but constitutionally required.

114 Eldred v. Ashcroft, 537 U.S. 186, 218–19 (2003) (rejecting the need to subject copyright to heightened scrutiny because copyright has "its own speech-protective purposes and safeguards.").

U-La-La, What's Happened to Our California Right of Publicity?

*Eric Farber**

INTRODUCTION

In 1971, the California Legislature first enacted California Civil Code section 3344 to protect the economic interest of celebrities by banning the use of the name, likeness, voice and image of celebrities without authorization.[1] While the statute originally gave broad protection to the rights of celebrities (as well as non-celebrities) to protect the economic interest their fame generates, the courts have had to balance the broad rights of the statute against the interests of the First Amendment.[2]

As the rights granted under section 3344 cross the powerful protections of the First Amendment, California's courts have limited the power of celebrities to control their own image and likeness as sometimes violative of the First Amendment's protections of free speech.[3]

Because so many celebrities call California home, it has always been a leading proponent of the right of publicity.[4] California codified the right of publicity through California Civil Code section 3344, as well as the postmortem right of publicity in California Civil Code section 3344.1[5]. Although California's statutes are not the most liberal in their protections of celebrity rights, they are considered strong protectors of celebrity rights.[6]

---

* Eric Farber is a principal and head of Sports and Entertainment of the Pinnacle Law Group, LLP, San Francisco, CA. In addition to a practice involving trademark, copyright and general litigation, Mr. Farber has, for the past ten years, protected the rights of publicity of the deceased hip hop artist Tupac Shakur. Mr. Shakur, one of the most famous and recognizable persons in pop culture, is number eight for earnings on the 2007 Forbes Deceased Celebrity Earnings List. *2007 Top-Earning Dead Celebrities*, FORBES.COM, Oct. 29, 2007, http://www.forbes.com/2007/10/29/dead-celebrity-earning-biz-media-deadcelebs07_cz_lg_1029celeb_land.html. Mr. Farber also represents various athletes in their day-to-day legal affairs. The author would like to recognize his friend and colleague, James Ball for his contribution to this article, as well as a further thank you to Kulwinder Ahluwalia and Heather Brown of the Chapman Law Review staff for their invaluable assistance.

1 CAL. CIV. CODE § 3344 (West 1997).

2 *See, e.g.*, Comedy III Prods., Inc. v. Gary Saderup, Inc., 21 P.3d 797, 799 (Cal. 2001); Kirby v. Sega of Am., Inc., 50 Cal. Rptr. 3d 607, 608 (Ct. App. 2006).

3 *See, e.g.*, *Comedy III*, 21 P.3d at 804.

4 *See id.* at 799–800 (discussing the protections regarding the right of publicity granted by the California Legislature and common law).

5 CAL. CIV. CODE § 3344.1 (West 1997).

6 California is one of only a handful of states that recognize the right of publicity through statute (at last count, sixteen states have right of publicity statutes). All states recognize the common law right of publicity. George P. Smith II, *The Extent of Protection of the Individual's Personality Against*

Cases interpreting the statute have consistently struggled to define the limits of protection.[7] Even with the strong protections granted by the statute, celebrities have had a difficult time overcoming the boundaries of the First Amendment in controlling and protecting their persona.[8]

This article discusses the development of the history of the California right of publicity statutes through the analysis of three recent California cases. These cases—*Comedy III*,[9] *Winter*,[10] and *Kirby*[11]—begin to define California courts' willingness to expand First Amendment protection against California's statutory right of publicity. This article also discusses the theory of transformative elements and the role of the courts as the "trier of fact" when deciding what is "art" in these three landmark decisions.[12]

I. A BRIEF HISTORY OF THE STATUTE

Section 3344 stems from the common law right of privacy, which protects a plaintiff against appropriation of his or her name or likeness for the defendant's advantage.[13] Often the protection is considered to extend to one's "persona."[14] This not only protects a person's name and likeness, but also the public character or "persona" they create.[15] California continues to recognize the common law right of publicity, which section 3344 codifies and complements.[16] The early language of the statute prescribed "recovery of damages by any living person whose name, photograph, or likeness has been used *for commercial purposes* without his or her consent."[17]

It was not until 1979, in *Lugosi v. Universal Pictures*, that the Califor-

---

Commercial Use: Toward A New Property Right, 54 S.C. L. REV. 1, 29 (2002). Although California has an inherent interest because of the numbers of celebrities that reside there, other states, such as Indiana and Tennessee, have stronger statutes to protect the rights of celebrities. Alain J. Lapter, *How the Other Half Lives (Revisited): Twenty Years Since* Midler v. Ford—*A Global Perspective on the Right of Publicity*, 15 TEX. INTELL PROP. L.J. 239, 264–66 (2007). Indiana's interest springs from the presence of CMG Worldwide, which represents the rights to the Estates of Marilyn Monroe, James Dean, Babe Ruth and Princess Diana, while Tennessee is home to the Estate of Elvis Presley. CMG Worldwide, Clients, http://www.cmgww.com/clients.html.

7 *See, e.g.*, *Comedy III*, 21 P.3d at 807 ("It is admittedly not a simple matter to develop a test that will unerringly distinguish between forms of artistic expression protected by the First Amendment and those that must give way to the right of publicity.").

8 *See, e.g.*, Kirby v. Sega of Am., Inc., 50 Cal. Rptr. 3d 607 (Ct. App. 2006).

9 *Comedy III*, 21 P.3d 797.

10 Winter v. DC Comics, 69 P.3d 473 (Cal. 2003).

11 *Kirby*, 50 Cal. Rptr. 3d 607.

12 The title of this article is in reference to the *Kirby* case, the most recent of the above-mentioned cases. As I will explain below, Kieran Kirby, the former lead singer of the band Deee-Lite, used the phrase, "ooh-la-la" over and over in their most famous song, "Groove is in the Heart." *Id.* at 609. The main character of Sega's game, *Space Channel 5*, was named, "Ulala." *Id.* at 609–10.

13 *Compare* CAL. CIV. CODE § 3344 (West 2008) *with* Eastwood v. Sup. Ct., 198 Cal. Rptr. 342, 346 (Ct. App. 1983). *See also* William Prosser, *Privacy*, 48 CAL. L. REV. 383, 389 (1960).

14 *See Kirby*, 50 Cal. Rptr. 3d at 614.

15 Comedy III Prods., Inc. v. Gary Saderup, Inc., 21 P.3d 797, 803 (Cal. 2001).

16 *Id.* at 799.

17 *Id.* (emphasis added). "The statutory right originated in Civil Code section 3344, enacted in 1971, authorizing recovery of damages by any living person whose name, photograph, or likeness has been used for commercial purposes without his or her consent." *Id.*

nia Supreme Court recognized a common law right of publicity.[18] However, even then it was not recognized as a descendible right.[19] In 1984, because neither the common law right of publicity nor section 3344 allowed for protection of deceased celebrities' rights of publicity, the legislature enacted California Civil Code section 990 (later changed to section 3344.1), which protected the descendible rights of celebrities.[20]

In 1984, the legislature made a significant change to 3344 and inserted the words, "on or in products, merchandise, or goods."[21] The legislature intended to expand the statute's protection for celebrities, but instead created an opportunity for the courts to more fully explore the statute's struggle against the First Amendment.[22] The base language of the statute now reads:

> Any person who knowingly uses another's name, voice, signature, photograph, or likeness, in any manner, on or in products, merchandise, or goods, *or* for purposes of advertising or selling, or soliciting purchases of, products, merchandise, goods or services, without such person's prior consent, or, in the case of a minor, the prior consent of his parent or legal guardian, shall be liable for any damages sustained by the person or persons injured as a result thereof.[23]

The shift away from strictly advertising purposes enhances the statute's entanglement with the First Amendment, as commercial speech receives inherently less protection than purely political speech, artistic expression or speech that is newsworthy.[24] The legislature's change, which was intended to further protect celebrities from any use,[25] increased the likelihood that a court would magnify the First Amendment concerns when reviewing the statute.

Under the original statute, "for commercial purposes" established a line to which courts and practitioners could separate proper from improper appropriation of a celebrity's likeness. Courts have always given their highest protections under the First Amendment to the press and newsworthy events, and less protection to commercial speech.[26] For example, it was clear that the image of a celebrity could be used in a newspaper for educational use, or even to promote a newspaper.[27] However, using a celebrity's image as a commercial endorsement or print ad without their authorization

---

18 603 P.2d 425, 428 n.6 (Cal. 1979).

19 *Id.* at 429.

20 CAL. CIV. CODE § 3344.1 (West 2008); *Comedy III*, 21 P.3d at 799-800.

21 *See Comedy III*, 21 P.3d at 801 (emphasis added).

22 *See id.*

23 CAL. CIV. CODE § 3344 (West 2008) (emphasis added).

24 *See* Kirby v. Sega of Am., Inc., 50 Cal. Rptr. 3d 607, 614 (Ct. App. 2006) (finding that "[First Amendment] protections may extend to all forms of expression, including written and spoken words (fact or fiction), music, films, painting, and entertainment, whether or not sold for a profit.").

25 *See Comedy III*, 21 P.3d at 801.

26 Cent. Hudson Gas & Elec. v. Pub. Serv. Comm'n of N.Y., 447 U.S. 557, 562–63 (1980). *See also* Abdul-Jabbar v. Gen. Motors Corp., 85 F.3d 407, 416 (9th Cir. 1996) (distinguishing between the use of athletic statistics in news and advertizing contexts).

27 *See* Namath v. Sports Illustrated, 363 N.Y.S.2d 276 (N.Y. Sup. Ct. 1975).

was most certainly a violative use.[28]

The early right of publicity cases reviewed the basic threshold issues for protection under the statute. The court did not find in favor of Joe Montana in his case against the San Jose Mercury News for using a photograph of Montana in a poster to promote the newspaper.[29] Even though the use by the San Jose Mercury News was actually a promotional tool to increase circulation, the event depicted was newsworthy in and of itself.[30] It stands as a clear example of the overriding concern the court has for the freedom of the press and the heightened level of protection granted to the press. While the Ninth Circuit dismissed the statutory claims of Vanna White when Samsung used a blond-headed robot to turn letters during a commercial promoting one of its products, the Ninth Circuit upheld the common law right of publicity because there was a triable issue of fact.[31] In contrast to the pure commercial nature of promoting a product through television commercials, the *Montana* and *White* cases are good examples that the First Amendment affords protection for use of a celebrity's likeness to promote a newspaper's archival records (newsworthy protection).

Since the initial round of cases, such as the *Montana* and *White* cases, the courts have had to struggle with the intersection of celebrity rights and the First Amendment in situations that are more difficult to define.

II. *SADERUP*, *WINTER*, AND *KIRBY*

The first case in which the Supreme Court of California developed the theory of "transformative elements" to establish the First Amendment boundaries for the right of publicity was *Comedy III Productions v. Gary Saderup, Inc.*[32] In *Comedy III*, charcoal sketch artist Gary Saderup created his artistic rendering of The Three Stooges, which he then sold to the public as lithographic T-shirts.[33] Comedy III Productions, the owner of the rights of publicity of Moe, Jerome "Curly" Howard, and Larry Fein—collectively known as The Three Stooges—sued to enjoin the sale of the lithographs and T-shirts as well as to collect damages and attorney's fees.[34] Saderup defended the case to the United States Supreme Court, which denied review.[35] Saderup advanced two separate defenses: (1) that his conduct did not violate the terms of section 3341.1; and (2) that his actions were protected by the First

28 *See* Cher v. Forum Int'l, Ltd., 692 F.2d 634, 639 (9th Cir. 1982).
29 Montana v. San Jose Mercury News, 40 Cal. Rptr. 2d 639 (Ct. App. 1995).
30 *Id.* at 640–41.
31 White v. Samsung Elecs. Am., 971 F.2d 1395, 1399 (9th Cir. 1992).
32 21 P.3d 797, 808 (Cal. 2001).
33 *Id.* at 800.
34 *Id.* at 800–01.
35 *Id.*, *cert. denied*, 534 U.S. 1078 (2002).

Amendment.[36] The court found neither argument persuasive.[37]

The court first addressed Saderup's argument that the use of the image in the lithographs and on T-shirts was not within the statute.[38] He contended that the statute applied only to the use of a deceased personality's name, voice, photograph or image for the purpose of advertising, selling, or soliciting the purchase of products or services.[39] The court focused on the language, "in any manner" in ruling that his argument was simply "unpersuasive."[40] The court found that the lithographs and T-shirts themselves were tangible personal property, which satisfied the requirements of the statute.[41] The court clarified that, while the original sketch itself was protected by the First Amendment, the lithograph copies and T-shirts were violative.[42]

The second argument moved the court away from simple interpretation of the statute toward a balancing of the boundaries of the right of publicity against the protections of the First Amendment.[43] Political speech, use by the press, or artistic expression require pure or enhanced protection by the First Amendment.[44] The entanglement of the First Amendment and celebrity rights emerges when there is a product involved.[45] Although commercial speech is not entitled to the same level of protection as pure non-commercial speech, it is still entitled to the protection of the First Amendment.[46] The introduction of a product, such as the lithographs and T-shirts in *Comedy III*, introduces the question of whether or not Saderup's motives were purely for commercial gain or actually for artistic motives.[47] There is no question that Saderup created a piece of artwork in the original sketched image and, as stated earlier, the original drawing is not a violation of the statute. The question with which the *Comedy III* court was faced was whether the transfer of the sketch to the lithographs and T-shirts and their subsequent sales violated the statute.

Section 3344.1 gives protection to original works of art.[48] But what happens when the original work is reproduced for sale without permission of the celebrity subject for sale to the general public? To decide this, the court developed the *transformative elements test*.[49] The *Comedy III* court stated that, in order to evoke the protection of the First Amendment, the

---

36 *Id.* at 801.
37 *Id.*
38 *Id.* at 801–02.
39 *Id.* at 801.
40 *Id.*
41 *Id.* at 802.
42 *Id.* at 801.
43 *Id.* at 802–11.
44 *Id.* at 809.
45 *Id.* at 802.
46 *Id.*
47 *Id.* at 810.
48 CAL. CIV. CODE § 3344.1(a)(2) (West 2008).
49 *Comedy III*, 21 P.3d at 809.

court must look to the actual creation to determine what extent the work is "transformative."[50] But what exactly is, "transformative?" In its most explainable form, a work is *transformative* when it has elements the artist has added that give "significant expression" beyond the original work.[51] In these cases, the "original work" is really that of the image or "likeness of the celebrity."[52] The *Comedy III* court refused First Amendment protection.[53]

Saderup failed to create a work that was uniquely his. His *reproductions* were nothing more than a literal rendering of the Three Stooges in charcoal.[54] The California Supreme Court said that the literal rendering failed to have any transformative elements from the original image of the celebrity and, without that, the First Amendment defense simply does not apply.[55] Saderup simply did not do enough to add his own artistic vision to the drawing of the Three Stooges.

Many artists, especially those out of the sixties' pop art movement, used celebrities as the subject of their art. Andy Warhol's portraits of Marilyn Monroe, Chairman Mao, and James Dean are examples of popular culture lending itself to art.[56] Certainly, Warhol (or his estate) can sell recreations of "Marilyn" without having to pay royalties or even get permission from Marilyn Monroe's estate. The age of Marilyn has enough transformative qualities to it that it is known as an important work by Warhol and famous as a Warhol work, rather than simply as an image of Marilyn Monroe.[57] Although there is little doubt that Warhol's intent was not only to create art but to earn money, it does not appear that his immediate goal was to put the paintings on T-shirts for sale.

Although Warhol is an excellent example of a famous artist, a less famous artist is not left out of the analysis under *Comedy III*, requiring only transformative elements to relieve an artist from the grasp of the celebrity's rights.[58] However, a jury of twelve could have ruled differently. The California Supreme Court, by reviewing the case without remand, acted as the curator of the museum to decide whether or not there was a significant enough transformation to give Saderup's work First Amendment protection

50 *Id.*

51 *Id.* at 808.

52 *Id.* at 809.

53 *Id.* at 810.

54 *Id.* at 801.

55 *Id.* at 811.

56 Zeke Quezada, Press Release, About.com, Andy Warhol: The Celebrity Portraits, http://govegas.about.com/cs/familyfun/a/warhol.htm (last visited Apr. 21, 2008) [hereinafter Celebrity Portraits].

57 *Id.*

58 *Comedy III*, 21 P.3d at 808.

as a serious work of art. It is this author's opinion that, although the "art" that Saderup created was woefully short of transformative elements, his clear intention to simply sell T-shirts should have played a more pivotal role in the court's analysis. If Saderup had created a one of a kind drawing, which then hung on a museum wall for a number of years and achieved its own fame as a work of art, it is extremely unlikely that the court would have reached the same conclusion.

Although the right of publicity won the battle against the First Amendment in *Comedy III*, the California Supreme Court's transformative elements test set the stage for a First Amendment takeover. The case of *Winter v. DC Comics* was the first to truly interpret the rule developed by the *Comedy III* court.[59] In *Winter*, the Winter brothers, Johnny and Edgar, a long-time singing duo with distinct long white hair and extremely fair skin, sued DC Comics for the publication of *Jonah Hex*.[60] *Jonah Hex* was a five volume comic series featuring the Autumn Brothers, a pair of half snake, half human killers named Johnny and Edgar.[61] Both carried weapons—one a pistol, the other a rifle—and were evil characters.[62]

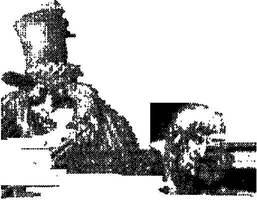

Fig. 1 The Autumn Brothers of Jonah Hex

Fig. 2 Johnny Winter

Fig. 3 Edgar Winter

59 69 P.3d 473, 476 (Cal. 2003).
60 *Id.* at 476.
61 *Id.*
62 *Id.*

The Winter brothers sued DC Comics for misappropriation of their right of publicity for basing the Autumn Brothers characters on them.[63] DC Comics defended on First Amendment grounds and won summary judgment in the trial court.[64] The court of appeal originally affirmed the trial court's grant of summary judgment for DC Comics, but, on instruction from the California Supreme Court, reversed its decision and remanded, stating that there were triable issues of fact which existed with regard to California Civil Code section 3344.[65] Interestingly, *Winter*'s first visit to the supreme court was delayed because of the *Comedy III* decision, which the court decided first.[66]

In the second round, the court of appeal affirmed summary judgment on all counts except misappropriation under California Civil Code section 3344 and remanded the case to the trial court.[67] DC Comics petitioned the California Supreme Court to review the matter again for determination that the use, as a matter of law, was not a misappropriation of the Winters' likenesses.[68]

The supreme court, in its first right of publicity decision since *Comedy III*, granted review.[69] The court specifically addressed the economic issue inherent in section 3344, stating that the rights conveyed by the statute are economic.[70] Addressing the issue much like claims under the Lanham Act,[71] the court looked at the monopolization of the celebrity's likeness by the owner.[72] The celebrity can still "monopolize the production of conventional, more or less fungible, images of the celebrity" with regards to memorabilia.[73] However, when the creation contains "significant transformative elements" that remove it from the general economic crossover that may be found in celebrity memorabilia, the defendant is entitled to First Amendment protection because it is less likely to interfere with the economic interests that the statute is designed to protect.[74] The court posed the question of whether or not the DC Comics creation of *Jonah Hex* was something with which the Winter brothers should be economically concerned.[75]

The obvious challenge that courts must face is to define, "significant transformative elements." In doing so, *Winter* looked to the language of

63 *Id.* The Winter Brothers also filed suit for defamation, which is not discussed here. *Id.*

64 *Id.*

65 *Id*

66 *Id*

67 *Id.*

68 *Id*

69 *Id.*

70 *Id.* at 477–78.

71 15 U.S.C. §§ 1051–1141n (2000).

72 *Winter*, 69 P.3d at 477–78.

73 *Id.* at 477.

74 *Id*

75 *Id.* at 478.

Comedy III: "[E]xpression of something other than the likeness of the celebrity . . . ."[76] and "[a]n artist depicting a celebrity must contribute something more than a 'merely trivial' variation, but must create something recognizably 'his own' in order to qualify for legal protection."[77] The court continued: "[W]hen an artist's skill and talent is manifestly subordinated to the overall goal of creating a conventional portrait of a celebrity so as to commercially exploit his or her fame, then the artist's right of free expression is outweighed by the right of publicity."[78] The court continued to explore the transformative elements added by the artist, whether or not the work was worthy of First Amendment protections due to the artist's contribution to the celebrity's likeness, and to what extent the new work's economic interest is furthered by the involvement of the celebrity.[79]

The supreme court held in favor of DC Comics, determining that the economic interests of the Winter Brothers were not infringed when weighed against the interests of the First Amendment.[80] The court suggested that the use by DC Comics was not one with which the Winter brothers should be concerned, because the brothers were a singing duo who likely would not have an economic interest in a comic book and whose particular fans do not really care about them in cartoon form.[81]

However, as further discussed below, the court should not simply be looking at whether or not the fans should care, as the publicity right is, and should be, based on the origination of the likeness. The Winter brothers should be allowed to control their likeness and decide where, when, and how it can be used. Where it came from, how it was imagined and who should control that use is a key pillar of the right of publicity that the courts are now retreating from in the face of the First Amendment.

The court addressed this case using the First Amendment argument based on the transformative nature of the work.[82] And, in this instance, the court, stepping in as the trier of fact, concluded that the work was entitled to First Amendment protection.[83] The court could have put before the jury the questions: (1) whether the work was a transformative use of the Winters' images; and (2) whether the intent of DC Comics was to merely capitalize on the fame and persona of the Winter brothers as a vehicle to draw prospective readers. Looking to commercial intent, in addition to the transformative elements, creates a more complete analysis to decide the question of whether or not there is an economic misappropriation. The issue of whether or not this infringed on the economic interests could have been put

---

76 *Id.* (quoting Comedy III Prods., Inc. v. Gary Saderup, Inc., 21 P.3d 797 (Cal. 2001)).
77 *Id.* (quoting *Comedy III*, 21 P.3d 797).
78 *Id.* (quoting *Comedy III*, 21 P.3d 797).
79 *Id.*
80 *Id.* at 480.
81 *Id.* at 479.
82 *Id.*
83 *Id.*

to a jury. In this author's opinion, the court was not incorrect in its finding because of the significant level of transformative elements; however, in cases that are less certain, the court's ruling as a matter of law causes strain on the transformative elements test.

In *Kirby v. Sega of America, Inc.*, a California appellate court was called on to review another case involving *transformative elements.*[84] Kierin Kirby was the lead singer of the early 1990's band, Deee-Lite.[85] She performed as lead of the band with great devotion as a character she developed, "Lady Miss Kier."[86] Kirby's celebrity and public persona was based more on her fame from Deee-Lite and as Lady Miss Kier than anything else.[87] Lady Miss Kier had a distinctive style that Kirby is still known for today, combining retro and futuristic looks with signature platform shoes, knee-socks, unitards, short pleated skirts (generally plaid), and sporting a bare midriff and backpack.[88] Kirby also claims the lyrical expression "ooh-la-la", which she sings in Deee-Lite's most popular song, "Groove is in the Heart."[89] Although Kirby had not put out an album, with or without Deee-Lite, in many years, she maintained a distinct following for Lady Miss Kier.[90]

Enter Sega.[91] Sometime between 1997 and 1999 an employee from Sega Japan created *Space Channel 5*, a video game targeted to teenage girls.[92] *Space Channel 5*'s main character was Ulala, a female reporter who is dispatched to investigate aliens who are invading Earth by causing uncontrollable dancing.[93] Ulala was outfitted with several different costumes throughout the game, but was primarily seen in a miniskirt, elbow-length gloves, stiletto-healed knee-high platform boots and hot pink

84 50 Cal. Rptr. 3d 607 (Ct. App. 2006)

85 *Id.* at 609.

86 *Id.*

87 *See id.*

88 *Id.*

89 *Id.*

90 *Id.*

91 Sega was not the only defendant in the case. *Id.* at 611. THQ and AGETEC were also defendant parties. *Id.* THQ as a licensee for the handheld version of the game for Nintendo and AGETEC for their license to distribute for the Playstation platform. *Id.* at 610.

92 *Id.* at 609.

93 *Id.* at 610.

hair tied in two dramatic ponytails.[94]

After Sega had released the game in several formats, Sega contemplated using the Deee-Lite song, "Groove is in the Heart" to promote the game. They even contacted Kirby to see if she, as Lady Miss Kier, would promote the game.[95] She refused and, in 2003, sued Sega for infringement of the common law right of publicity, violation of California Civil Code section 3344, violation of the Lanham Act, unfair competition and interference with prospective economic advantage.[96]

Sega moved the court for summary judgment on two grounds. First, Sega argued that Kirby failed to meet all of the elements required for her claims.[97] Additionally, Sega asserted that the First Amendment was a complete defense to the action.[98] Under the appellate court's analysis, it is apparent that the first part of Sega's defense was simply not necessary. The trial court had found that material factual issues existed as to whether Sega had misappropriated Kirby's likeness by their creation of the Ulala character, and the appellate court agreed.[99] There were material issues of fact whether Ulala was based on Kirby under both common law and statute.[100] However, the court stated that it was unnecessary to carry the analysis that far, as the First Amendment was a complete defense to Kirby's claims.[101]

The court, immediately citing *Comedy III* and *Winter*, looked to the transformative elements and inquired whether "the defendant's work 'adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message.'"[102] The court further stated that the transformative nature of the work would make it "less likely to interfere with the economic interests protected by the right of publicity."[103] The court, in reaching its decision, did not give any weight to the fact that Sega approached Kirby to endorse the game prior to its release.[104] As such, the court completely ignored Sega's commercial intent when creating the Ulala character.

Kirby insisted that the Ulala character was, indeed, her, simply with "digital enhancements and manipulations."[105] The court did not agree with this argument and felt that Kirby and the Ulala character, although they shared similarities, had sufficiently different hairstyles, clothing, look, and

---

94 *Id.*
95 *Id.*
96 *Id.*
97 *Id.*
98 *Id.*
99 *Id.* at 613.
100 *Id.* at 614.
101 *Id.*
102 *Id.* at 615 (citations omitted).
103 *Id.*
104 *See id.* at 615–18.
105 *Id.*

even dance moves.[106] The court, despite Kirby's insistence, refused to reject the *transformative elements* test and reaffirmed *Comedy III*'s analysis.[107] Although it certainly could be argued that Kirby based her own character, Lady Miss Kier on Japanese *anime* style and is, therefore, not entitled to any protection because it was not developed by her, the character that she developed is clearly entitled to protection under both the common law and statutory right of publicity, at least to some extent. The court did address the similarities between Lady Miss Kier and Ulala and dismissed them by simply stating that, although there were some similarities, Sega's actions were protected by the First Amendment due to the transformative elements that were present.[108]

Should jurists really be determining what is "art"? None of the three cases discussed here, although stating that the transformative elements test is a factual question, actually allowed a jury—or even a trial court judge—to make the determination, as each was decided by a panel.[109] The *Kirby* court's application of the transformative elements test, which left out the actual balance in the economic interest as enunciated in *Comedy III*, may have led to an inconsistent result. It is unknown whether a jury would have decided the fate of Lady Miss Kier the same as the appellate court panel.[110]

CONCLUSION

The rulings from the above three cases are interesting from more than simply a legal perspective. The rulings affect our popular culture and the money derived from our popular culture. The rights protected by section 3344 are, as defined by the courts, economic rights and the right to control the economic aspects of a celebrity's persona and the economic interest the celebrity built in to that persona.[111] According to the courts, a bit of tweaking here and there to the image or likeness or the name may allow an "unauthorized" artist to capitalize on that persona.[112] Without something more, *the transformative elements* test is incomplete. The court must also look to the commercial intent of the defendant. If we look at the facts of the three cases on a use scale that combines the transformative elements, as well as the commercial nature or intent of the defendant, the court could give better direction as to what is violative of the First Amendment. *Comedy III* was essentially a direct copy of a basic image of the Three Stooges and con-

---

106 *Id.* at 615–17.

107 *Id.* at 616–18.

108 *Id.* at 615.

109 *Id.* at 608; Winter v. DC Comics, 69 P.3d 473 (Cal. 2003); Comedy III Prods., Inc. v. Gary Saderup, Inc., 21 P.3d 797, 799 (Cal. 2001).

110 One can judge for oneself. A montage of Lady Miss Kier and Ulala has been assembled on YouTube. Who Came First—Ulala or Lady Kier?, http://www.youtube.com/watch?v=1pyl75Wd8ug (last visited Mar. 28, 2008).

111 *See* CAL. CIV. CODE § 3344 (West 2008).

112 *Kirby*, 50 Cal. Rptr. 3d at 615

verted into a charcoal drawing for the specific intent of selling T-shirts.[113] This is a clear violation of the economic interest of the celebrity. There is little question that this level of use should be stopped. On the other end of the scale is the *Winter* case, where the use has little intent and is highly transformative. The characters developed by DC Comics had little, if anything, to do with the Winter brothers, other than some basic level of inspiration as to their overall look of the caricature.[114] There was little to do with the public persona that Winter brothers had established. Further, the creation of a comic book, which many consider art in a form similar to movies or television, would be entitled to a higher level of protection. Combining the two analyses would give a more defined result.

Carefully viewing the commercial intent could lead to a different conclusion in *Kirby*. Keiran Kirby (or, as she was better known to the public, Lady Miss Kier) was clearly more than simple inspiration for the Ulala character in the Sega video game. Her hair, clothes, backpack, and overall style were almost identical to the video game character. Further, Sega went so far as to contact her to promote the game.[115] Sega's intent could be looked at as attempting to further connect the two characters. Despite these obvious connections, the obvious inspiration, and the clear recognition of the character to Lady Miss Kier to the Sega character, the court blocked her attempt at the misappropriation claim by simply stating that the elements to the character were transformed enough to be protected by the First Amendment—without having a jury make that decision.[116] Sega's commercial intent is slightly less clear. We know that Sega attempted to have Kirby and her band's song to promote the game.[117] The persona that Sega used could be argued to be for the purpose of selling more video games. A jury balancing these elements together could clearly render a different result.

Paying attention to the commercial nature in addition to the "transformative use" certainly assists the trier of fact in its determination. What is the actual difference between *White* and *Kirby*? In *White*, White's persona was transformed into a robot that turned letters on a board, an action that was very similar to her day job.[118] The robot was specifically used to sell through a television commercial.[119] In *Kirby*, the use was a video game. Ulala was arguably based on Kirby to attract the specific demographic to which Kirby appealed. Therefore, Sega used the persona to capitalize on the demographic and fan base that Kirby built, thus heightening the commercial nature of their use. Leaving out the commercial nature of

---

113 *Comedy III*, 21 P.3d 797.
114 *Winter*, 69 P.3d 473.
115 *Kirby*, 50 Cal. Rptr 3d at 610.
116 *Id.* at 616.
117 *Id.* at 613.
118 White v. Samsung, 971 F.2d 1395, 1396 (9th Cir. 1992)
119 *Id.*

the analysis can severely damage the rights the statutes are designed to protect. The *Winter* court did address the economic right but quickly dismissed the Winter brothers' claim that DC Comics had impaired such right by stating that transformative works, especially those that are worthy of First Amendment protection, are less likely to interfere with the economic interest protected by the right of publicity.[120] Further, the court asserted that the statute's purpose is to protect the celebrity's economic right, i.e., the right to distribute its own memorabilia.[121] This approach leaves out what celebrity has truly become to our pop culture.

America has been dominating the market on celebrity culture since before the first frame of film was shot in Hollywoodland in the late 1800's. Through the 1800's, showman wrestlers, circus performers, and boxers were known wherever there were newspapers—not just in America, but worldwide. Certainly, P.T. Barnham was one of the first to control the economic right and capitalize on the fame of a celebrity.

Just as the world focuses our collective attention on the celebrity, the celebrity focuses its attention on trying to exploit and monetize it—as is its right. The right of the celebrity to control its economic rights is bounded only by the tenets of the First Amendment.[122] As the *Kirby* case shows us, Sega, with a far greater ability to reach millions of people than Lady Miss Keir ever could, has stumbled onto a new outlet for exploiting the fame of a celebrity apart from the celebrity's own rights. Just as Sega developed a game—arguably based on the persona of Lady Miss Kier—one can imagine a game based on two debutante sisters, both tall, thin and attractive, who have to save the world by attending parties and driving in convertible Bentleys. One could also imagine a game based on an Austrian bodybuilder who must build an empire on his way to becoming a top politician. In recognition of the recent decisions and the light standard that the court has now set to earn First Amendment protection, creators and artists could create characters truly based on celebrities without their permission or authorization as long as it is *transformed* enough from the literal image of the celebrity.

Allowing First Amendment protection based solely on considerations of transformative elements, without recognition of commercial intent, circumvents too much of the statute's protections. As discussed above, Andy Warhol often used celebrities as the subject of his work.[123] However, Warhol's dominant motive was not simply to sell T-shirts or lithographs or video games bearing his creation. His dominant motive was to actually create

---

120 Winter v. DC Comics, 69 P.3d 473, 477 (Cal. 2003) (citing Comedy III Prods., Inc. v. Gary Saderup, Inc., 21 P.3d 797 (Cal 2001)).

121 *Id*

122 *Id.* ("We noted that the right of publicity threatens two purposes of the First Amendment: (1) preserving an uninhibited marketplace of ideas; and (2) furthering the individual right of self-expression.").

123 *See* Celebrity Portraits, *supra* note 56.

a work of art. Warhol uses celebrities as the focus of his work to show us just how celebrity-driven our culture is. However, regardless of the motive, his works became known more as the work of Warhol than the celebrities they depicted. They were not literal depictions and certainly had "transformative elements," but in many cases there was little difference between the work he created and a literal image of the celebrity. The Marilyn Monroe painting is a good example of this. There is no question that the painted image is simply Marilyn in a distorted color pattern. However, the painting became known as an artistic work by Warhol, rather than simply an image of Marilyn.

Even if the painting was by a different artist, as long as the artist's rendition becomes known for its own merit apart from the celebrity it no longer infringes on the celebrity's economic interests. A Warhol effect, so to speak. If Saderup's sketch of the Three Stooges had become famous on its own, it would be difficult for the court to stop Saderup's commercialization of the sketch.

The *Winter* court discussed the Winter brothers' lack of exploitation in the comic book market.[124] However, as our culture has an ever-growing fascination with "celebrity," and with the amazing avenues a celebrity and its team of advisors can use to exploit its fame, celebrities *should* have the right to pursue any and all avenues. The right of publicity should protect all avenues for the celebrity, whether a particular judge believes they can be exploited or not. Clothing lines, bottled waters, luggage lines, sunglasses, sunscreens . how about a line of Nicole Ritchie baby care books or Brett Favre hand warmers are all commercial and are more obvious economic interests. It is not hard to imagine a comic book series starring Jessica Simpson and her boyfriend-of-the-moment. Should she not have the right to exploit that economic interest?

The courts' failure to look beyond the sketch, the image, or the digitized version is likely to further the misuse of celebrity name and likeness. Courts should instead look to the dominant motive and the strength of the artwork itself, and the notoriety it has gained on its own.

It is unlikely that we will see legions of unauthorized Arnold Schwarzenegger copies in digitized form for a video game without his name or voice, which would be protected under the statute. If the theory of transformative elements is followed, however, without consideration of the commercial intent, commercialization of celebrities' images, without authorization for a myriad of uses, will continue to be viable. A court must also take into consideration the intent of the defendant along with the transformative elements to form a more complete test to protect both the right of publicity and First Amendment guarantees.

---

124 *Winter*, 69 P.3d 473.

Playing in the Virtual Arena: Avatars, Publicity, and Identity Reconceptualized Through Virtual Worlds and Computer Games

Jon M. Garon[*]

> What sport shall we devise here in this garden,
>
> To drive away the heavy thought of care?
>
> William Shakespeare, *The Tragedy of King Richard the Second, Act III, Scene IV*

> Serious sport has nothing to do with fair play. It is bound up with hatred, jealousy, boastfulness, disregard of all rules and sadistic pleasure in witnessing violence: in other words it is war minus the shooting.
>
> George Orwell, *Shooting an Elephant*

INTRODUCTION: LET THE GAMES BEGIN 466

I. CONTENT OWNERSHIP INSIDE COMPUTER GAMES AND VIRTUAL WORLDS 468

A. Origins 468

B. First Amendment Protection for Computer Games and Virtual Worlds 472

C. Copyright's First Amendment Accommodations through the Idea/Expression Dichotomy and Fair Use 477

D. Publicity Rights in Avatars 481

E. Publicity Rights: Accommodations for the First Amendment 485

F. Intersections with Trademark Fair Use and First Amendment Protection 493

G. Kirby's Ride through San Andreas: The State of Virtual World Protection 498

* Dean and Professor of Law, Hamline University School of Law; J.D. Columbia, 1988. This article was prepared as part of the Tenth Annual Chapman Law Review Symposium. I would like to thank my fellow panelists Kathy Heller, John Tehranian, Kevin Greene, Eric Farber, and the constitutional law panelists Erwin Chemerinsky, Jay Dougherty John Eastman, and Raymond Ku for the insights they shared throughout the symposium.

II. WHERE SPEECH ENDS IN VIRTUAL WORLDS: WHAT CAN AND SHOULD BE REGULATED 502
A. Where Publicity meets Free Expression: From Fair Use to Avatar-Jacking 502
B. Finding Balance among the Balancing Tests 505
C. Advertising inside the Game and the Need for Disclosure 507
D. Who Owns the Unauthorized Content, Anyway? 509
III. REORDERING CHAOS: COLLECTIVE BARGAINING AND BEST PRACTICES FOR THE PROFESSIONAL NEIGHBORHOODS OF VIRTUAL WORLDS 510
A. Collective Bargaining as an Alternative to Regulation 511
B. Expanding the Jurisdiction through Viral Distribution of the Agreements 515
C. Best Practices for Everyone Else 517
CONCLUSION 519

INTRODUCTION: LET THE GAMES BEGIN

Free agency started it all. Like the professional athletes a generation earlier, the elite computer gamers playing Madden Football wanted to move players from team to team. As with fantasy sports leagues, the gamers wanted to create rosters that matched up from week to week. A few wanted cross-over players to join in.

Soon, an online game developed. Clever programmers, illustrators, and sports aficionados created "PRO"(*www.pro.us*), an interactive online gaming environment featuring virtual replicas of all starting professional athletes in football, baseball, basketball, soccer, hockey, tennis, boxing (full contact) and golf. The professional women's leagues were represented along with the men's leagues. Players could be used in their professional sport or imported to any of the other sports represented in the game. Lacrosse and gladiator fighting competitions were quickly added and proved some of the most popular. In some games, gamers would control entire teams while in others a gamer would control only his or her own character, allowing dozens of online gamers to participate at once. (This was difficult in football, but worked very well for gladiatorial fights in the Hippodrome and the Roman Coliseum.) As a default design, players generally wore their own team numbers and uniforms, but gamers could re-outfit the characters with any of the available professional, minor league, or university team indicia available in the "locker room." "Celebrity Death Match" became a popular mini-game.

Gamers were charged a monthly subscription fee, with additional costs for purchasing uniforms in the locker room. More entrepreneurial

gamers set up design studios, selling original team logo designs, uniforms, equipment and weapons to enhance the play of the characters. Characters became "avatars."[1] A gamer soon became able to edit the selected athlete, changing not only the team uniform but also the physical attributions of the player. Gamers increased the skill level for the characters and avatars on their team rosters through play or purchase of digital steroids and virtual growth hormones.

Nobody paid the players, their unions or the professional sports leagues. Pictures, descriptions and accounts of games—both copies and originals—were completely unauthorized.

In the final innovation before the lawsuits began, statistics from weekly fantasy sports play was added. Each week, the game "replayed" a highlight reel featuring play of fantasy teams against each other in fantasy leagues. With the nearly photographic quality of the animation, these fifteen minute highlight shows became as popular as some network broadcasts, appearing on YouTube and other websites.

PRO's popularity rivaled the Super Bowl. Thousands of gamers regularly spent time acting out their professional games; tens of thousands were heavy users. Millions of occasional gamers held accounts. Advertisers vied to purchase billboard space and naming rights to the virtual arenas and stadiums. Only the leagues, unions, players, networks, and videogame publishers objected.

The development of law within and about virtual worlds will remain a complex and conceptually challenging exercise for years to come. In many respects, the commercial and social interactions within virtual worlds are essentially the same as those interactions conducted face-to-face or over less engrossing technologies. In certain respects, however, the immersive nature of the virtual world redefines the nature of the experience.

Because virtual worlds mimic their brick-and-mortar counterparts, they exhibit commercial attributes unlike those of plays, television shows, or motion pictures. To the extent that there is commerce conducted within the medium, the historic separation between commercial conduct and expressive speech must be reconceptualized. In the first instance, such legal line drawing will necessarily be done with crude tools, so this article suggests that just as the theatre and motion picture industries turned to collective bargaining agreements to provide a more refined set of rules for professional content development, the entertainment content created in virtual worlds will benefit from similar collective bargaining solutions to legally difficult conundrums.

---

1 The description used above distinguishes between avatars, which are individuated representations of the computer user from characters, which may be substantially the same identity for every computer user interacting with that aspect of the game. Like Mickey Mouse, Mario and Kirby are characters in a game rather than avatars representing the person operating the controls.

Part I of this article provides an overview of virtual worlds and the legal framework for the regulation of content ownership. Part II addresses the tension between the speech and property rights associated with the participants in this new art form, identifying what the law suggests and how it should evolve through case law and legislation. Part III suggests the steps that can be taken through private ordering collective bargaining arrangements to further clarify the protections for professionals associated with this developing new medium.

I. CONTENT OWNERSHIP INSIDE COMPUTER GAMES AND VIRTUAL WORLDS

A. Origins

Since the advent of *Pong*,[2] computer gamers have been searching for increasingly realistic—or, at least, photorealistic—experiences with their computer-generated content. As the technology has allowed for ever more realistic images, sound, and even tactile response, the gaming experience has grown far beyond high-score lists to become immersive, interactive environments. The "virtual environment is an interactive computer simulation which lets its participants see, hear, use, and even modify the simulated objects in the computer-generated environment."[3] As described by the plaintiff in a legal action against *Second Life*, "many people 'are now living large portions of their lives, forming friendships with others, building and acquiring virtual property, forming contracts, substantial business relationships and forming social organizations' in virtual worlds such as Second Life."[4]

Attributes of the genre include the ability to involve a very large number of simultaneous participants online through the Internet or other networking systems, and the ability for the participant to take on a character or role in the game. As some of these gaming environments involve millions of players, they are now coined, "massively multi-player online role-playing game (MMORPG)."[5] The user-created characters in these worlds are referred to as "avatars," virtual representations of the players.[6]

---

2 "*Pong*, while not the first videogame, was the first coin-op arcade game and the first mainstream videogame that was available to almost everyone. *Pong* was the impetus for the development of the video gaming industry, almost single-handedly creating both the home and the arcade videogame markets." ClassicGaming.com's Museum: Atari Pong 1975–1977, http://classicgaming.gamespy.com (follow "Features: Console Museum" hyperlink; then follow "Pong" hyperlink) (last visited Mar. 16, 2008)

3 Woodrow Barfield, *Intellectual Property Rights in Virtual Environments. Considering the Rights of Owners, Programmers and Virtual Avatars*, 39 AKRON L. REV. 649, 649 (2006) (footnote omitted).

4 Bragg v. Linden Research, Inc., 487 F. Supp. 2d 593, 595 (E.D. Pa. 2007).

5 Barfield, *supra* note 3, at 650; *see also* Cory Ondrejka, *Escaping the Gilded Cage: User Created Content and Building the Metaverse*, 49 N.Y.L. SCH. L. REV. 81, 82 (2004); Caroline Bradley & A. Michael Froomkin, *Virtual Worlds, Real Rules*, 49 N.Y.L. SCH. L. REV. 103, 121 (2004).

6 *Bragg*, 487 F. Supp. 2d at 595. The *Bragg* court also described avatars, explaining that

The online role-playing games trace their lineage to *Dungeons & Dragons* and the genre of role-playing games, in which participants would create characters who would navigate in the fictional worlds created and managed by "dungeon masters."[7] In *Dungeons & Dragons*, the players would give themselves the attributes of wizards, warriors, trolls, elves, and similar mythic characters. The interaction of the players and their characters would last in story arcs that could run for indefinite periods. There may even be some characters still in use from 1974 when the rules were first published.[8] Character attributes were kept on note cards and interactions mediated through polyhedral dice.

The *Dungeons & Dragons* genre moved to the online environment with games such as *World of Warcraft*, *The Lord of the Rings Online: Shadows of Angmar*, *Warhammer Online*, *EVE Online*, *Anarchy Online*, *RuneScape*, *Rappelz*, and *Shadow of Legend*.[9] The genre also includes science fiction worlds such as *The Matrix Online* and *Star Wars Galaxies*.[10]

Professor Erez Reuveni suggests two attributes that define the MMORPG and virtual worlds, separating them from classic computer or their *Dungeons & Dragons* predecessors.[11] "Unlike traditional computer games, . virtual worlds are persistent and exist independently of any individual's presence. Virtual worlds exist in real time even after a specific player logs off, and a person's actions can permanently shape the virtual world."[12] While this is a literary distinction, the persistence and literary independence may also provide a framework for treating certain aspects of these works as distinct from novels, computer games, or motion pictures.

The persistence and literary independence of online role-playing games have spawned an entirely new genre from the fantasy worlds. In environments such as *Second Life*[13], *Moove*[14], *Active Worlds*[15], or *There*[16], the environment is a fantasy alternative to modern reality, with businesses, lounges, universities, and other brick-and-mortar equivalents. These environments are "near worlds," or alternate realities set in the present with on-

---

"[s]ince the advent of computers, however, 'avatar' is also used to refer to an Internet user's virtual representation of herself in a computer game, in an Internet chat room, or in other Internet fora." *Id.* at 595 n.3.

7 GameSpy.com, Magic & Memories: The *Dungeons & Dragons* Index, http://pc.gamespy.com/articles/538/538848p1.html (last visited Mar. 4, 2008).

8 *Id.*

9 All of these games can be found at http://www.gamespy.com (last visited Mar. 16, 2008).

10 These two games can also be found at http://www.gamespy.com. The science fiction role-playing counterpart to *Dungeons & Dragons* was *Traveller*, designed by Marc Miller for Game Designers' Workshop in 1977. Wikipedia, Traveller (role-playing game), http://en.wikipedia.org/wiki/Traveller_(role-playing_game) (last visited Mar. 4, 2008).

11 Erez Reuveni, *On Virtual Worlds: Copyright and Contract Law at the Dawn of the Virtual Age*, 82 IND. L.J. 261 (2007).

12 *Id.* at 265.

13 http://secondlife.com.

14 http://www.moove.com.

15 http://www.activeworlds.com.

16 http://www.there.com.

ly modest changes from the world around us:

> On the surface, *Second Life* is an online place somewhat similar to a *Sims* computer game, with buildings and roads and a population of avatars—cartoonish representations of users. Anyone can join, and users chat with each other, build houses, start businesses, go to concerts, and otherwise hang out together. The site is winning the attention of Internet heavy hitters who believe *Second Life*—or something like it—will evolve into a way to use the Net that is more like the way humans use the real world. In that way, it could mark a next great leap in the Net's accessibility.[17]

The attraction of virtual worlds comes from the technological opportunities to animate and enhance the interactions on a borderless, international landscape; the billions of dollars in revenue to be earned by the publishers and purveyors of these environments; and a growing cultural and commercial environment within each of the virtual worlds. Corporations, for example, are exploring the use of *Second Life* as a methodology and platform for employee training.[18] As communications educator Montse Anderson noted, "programs such as Second Life have the potential to enhance learning because they allow people to interact with each other, rather than reading a manual."[19]

The growth of virtual worlds is coming from a tremendous curiosity about these opportunities and a dramatic shift in the spending of the entertainment dollar. Games are projected to increase from nine to thirteen percent of annual entertainment spending per household by 2010.[20] The growth of virtual worlds has significant economic potential. The online game market has already surpassed both video and music sales.[21] At present, the revenue is $4 billion per year.[22] "Strategy Analytics reckons the online games market could triple in size over the next five years, ballooning to $11.8 billion."[23] Even more than size, the online monthly service relationship allows for better management of accounts, increasing paying customers even in markets known for high piracy. For example, China is "where [World of Warcraft] has really taken off . . [With] 3.5 million players—paying up in a land where piracy has been a problem for other media companies, and demonstrating that it is possible to create online con-

---

17 Kevin Maney, *The king of alter egos is surprisingly humble guy: Creator of Second Life's goal? Just to reach people*, USA TODAY, Feb. 5, 2007 at 1B.

18 Andrew Johnson, *Virtual Training: Phoenix Couple Launch Venture to Help Companies Use Virtual World to Educate, Orient New Employees*, ARIZ. REPUBLIC, Nov. 5, 2007, at B6.

19 *Id.*

20 Global Information, Inc., TV To Dominate Future Home Entertainment Spending, http://www.the-infoshop.com/press/itm34591_en.shtml (last visited Mar. 2, 2007). The report also predicts continued growth in television, particularly because of the digital delivery of the medium, while recorded music will continue to decline as a percentage of the household entertainment dollar. *Id.*

21 Matt Vella, *Tolkien's Virtual World Takes Off*, BUS. WK. ONLINE, Sept. 28, 2007, http://www.businessweek.com/innovate/content/sep2007/id20070928_550277.htm?chan=search.

22 *Id.*

23 *Id.*

tent that people will pay for."[24]

The explosive growth of the revenue and the financial models that incorporate an active, engaged and participatory audience will deliver the ultimate media product. The benefit of persistence, literary independence and interactivity results in an ongoing user participation, which requires consumers to pay to remained subscribed. Moreover, the virtual environments create opportunity for advertisers to place goods and services in front of consumers in a variety of methods—which will fuel advertiser spending and consumer behavior. In addition to creating stories and audience entertainment, the persistence and literary independence of the medium provides an ideal environment in which to place advertising and products.[25]

Even in the medium of an interactive, virtual world, the distribution of producer-created content will continue to co-exist with participant-created content. The literary independence does not require that content come only from participants, so it is likely that producer-created content will play a significant role in many of the games and worlds popular within the genre.[26] As a variation of traditional theatre, the coexistence might manifest as the ability for both professional and amateur actors to utilize avatars to perform scripted productions. The entire canon of Shakespeare's plays will eventually be available as performed in animation—avatar performances by amateur and professional acting companies. Moreover, the choice of avatar will undoubtedly include the public's affinity for their stars. What better for an amateur actor than to portray the avatar of a famous performer? The aspiring professional actress will be able to shine with a nod to the femme fatales of the past?[27]

In the realm of sports, a simple version of this opportunity regularly takes place. Through the use of game controllers, players control professional athletes competing in all major professional sports. *Madden Football*, a game licensed by the National Football League and Players, Inc., the for-profit arm of the National Football League Player's Association,[28] has

---

24 Dan Sabbagh, *This virtual world yields very real profits*, TIMES (London), Mar. 31, 2007, (Features), at 3.

25 But, despite the growth of gaming, the same studies suggest television will continue to dominate the entertainment medium. Television will increase from 44% of home spending to 53% of home spending. Global, *supra* note 20. This suggests that watching television, whether on broadcast, cable, digital, or Internet, will continue to be a significant, if not dominant medium. Vella, *supra* note 21.

26 Because producer-created content can be used to set professional norms through collective bargaining agreements, the presence of such content may be critical to the development of the medium. *See infra* Part III.

27 I imagine, as one such production, a restaging of King Lear played by James Earl Jones with a Darth Vader avatar and avatars from within the Star Wars cavalcade. Jar Jar Binks or Yoda can play the Fool and Princess Leia serves well as Cordelia, but there is only Queen Padme as another female character. So, casting for Regan and Goneril would be difficult.

28 Troy Wolverton, *Electronic Arts Lands an NFL Exclusive*, THE STREET.COM, Dec. 13, 2004, http://www.thestreet.com/stocks/troywolverton/10198835.html; NFL Players Association, Players, Inc., http://www.nflpa.org/Departments/PlayersInc.aspx (last visited Mar. 4, 2008).

become one of the most popular video games of all time.[29] The football play calling, player control and immersive graphics make Madden Football only slightly less immersive than the virtual worlds or online role-playing games.[30] To find players who are not under the Players, Inc. contract, former all-star players have been signed to participate in a competing product.[31] If not already possible, it is inevitable that the games genres will combine, allowing role-playing athletes to compete as teams using their favorite player's attributes.

From an economic and social standpoint, both law and industry must help determine whether the professional athletes and professional actors are entitled to compensation for being utilized as part of this entertainment product. Should an author have unbridled right to excerpt celebrities' identities from real life when creating upon a digital, interactive canvas? The athletes certainly care. "[M]any professional athletes have grown up playing sports video games. Players have even lobbied game companies to improve their digital representations."[32] Such economic interests create powerful incentives to maximize ownership of content within the computer games and virtual worlds as well as protect the limitations on such content ownership.

B. First Amendment Protection for Computer Games and Virtual Worlds

The question of content ownership within computer games and virtual worlds assumes that the games and worlds are authorial, creative content, benefiting from the full panoply of legal protections. It has been long held that computer programs are literary works, protected by copyright laws.[33] Beyond copyright, the law must reflect the changed paradigm of the computer games and virtual worlds. While the makers of Pong had no point of

---

29 Kevin Gemmell, *Video Scouting—For sports fans and video gamers—even NFL players—it's a mad, mad, mad, mad, "Madden 2007" world, where graphics are good and a team's playbook is as real as it gets*, S.D. UNION-TRIB., Sept. 3, 2006, at C.

30 *Id.*

31 Seth Schiesel, *With Famed Players, Game Takes on Madden's Turf*, N.Y. TIMES, Sept. 17, 2007 at C3.

32 *Id.*

33 Williams Elec., Inc. v. Artic Int'l, Inc., 685 F.2d 870 (3d Cir. 1982). The House Report on the 1976 Act contains the following statement:

> The term "literary works" does not connote any criterion of literary merit or qualitative value: it includes catalogs, directories, and similar factual, reference, or instructional works and compilations of data. *It also includes computer data bases and computer programs to the extent that they incorporate authorship in the programmer's expression of original ideas, as distinguished from the ideas themselves.*

Id. at 875 n.4 (quoting H.R. REP. No. 94-1476, at 54 (1976)); *see also* Apple Computer, Inc. v. Franklin Computer Corp., 714 F.2d 1240 (3d Cir. 1983); Arthur R. Miller, *Copyright Protection for Computer Programs, Databases, and Computer Generated Works: Is Anything New Since CONTU?*, 106 HARV. L. REV. 977, 979 (1993); Pamela Samuelson, *CONTU Revisited: The Case Against Copyright Protection for Computer Programs in Machine-Readable Form*, 1984 DUKE L.J. 663 (1984); *cf.* Midway Mfg. Co. v. Dirkschneider, 543 F. Supp. 466, 479 (D. Neb. 1981) (copyright infringement involving Pac-Man, Galaxian, and Rally-X).

view being espoused by their square ball or simple paddles, modern games can be violent, sexy, propagandistic, satirical or politically astute.[34] At some point, the authors of these games tapped them for their expressive ability. The law has slowly followed suit.

The tardiness of the law to recognize the legitimate expressive interests of entertainment media is not a new concern. Since at least 1915, the question of the applicability regarding First Amendment rights has been reassessed by the courts with the introduction of each medium. In *Mutual Film Corp. v. Industrial Commission of Ohio*,[35] a filmmaker facing a censor board challenged the state law claiming violations of free speech rights[36] as well as interference with interstate commerce.[37] "The Mutual"[38] brought both state[39] and federal free speech claims.[40] Because the Supreme Court did not apply the First Amendment to the states until 1925,[41] the federal claim was exceptionally weak and technically beyond the power of the court.[42] Looking at the state speech protection, the court endeavored to assess the extent to which silent movies were protected as "speech, writing or printing"[43]:

> Are moving pictures within the principle, as it is contended they are? They, indeed, may be mediums of thought, but so are many things. So is the theatre, the circus, and all other shows and spectacles; and their performances may be thus brought by the like reasoning under the same immunity from repression or supervision as the public press,—made the same agencies of civil liberty . . . .
>
> We immediately feel that the argument is wrong or strained which extends the guaranties of free opinion and speech to the multitudinous shows which are ad-

---

34 *E.g.*, Chris Morris, *Your Tax Dollars at Play: U.S. Army gets into the gaming business. You're paying for it*, CNNMONEY.COM, June 3, 2002, http://money.cnn.com/2002/05/31/commentary/game_over/column_gaming (describing computer game recruiting tools by the U.S. Army).

35 236 U.S. 230 (1915).

36 *Id.* at 239–40. The state law provision in question read as follows: "Only such films as are in the judgment and discretion of the board of censors of a moral, educational or amusing and harmless character shall be passed and approved by such board." *Id.* at 240.

37 *Id.* at 239; *see* Jon M. Garon, *Entertainment Law*, 76 TUL. L. REV. 559, 637–38 (2002) ("The interstate commerce argument was, in many ways, the more practical of the two arguments. Films were admittedly shipped in interstate commerce; the exhibitors often owned or were members of consortia that crossed state lines. Interstate commerce was a justiciable issue for the federal courts.").

38 The term "The Mutual" represented both the company and case. John Wertheimer, *Mutual Film Reviewed: The Movies, Censorship, and Free Speech in Progressive America*, 37 AM. J. LEGAL HIST. 158, 159 (1993).

39 *Mut. Film Corp.*, 236 U.S. at 239. The Ohio Constitution also has a strong free speech clause:

> Every citizen may freely speak, write, and publish his sentiments on all subjects, being responsible for the abuse of the right; and no law shall be passed to restrain or abridge the liberty of speech, or of the press. In all criminal prosecutions for libel, the truth may be given in evidence to the jury, and if it shall appear to the jury that the matter charged as libelous is true, and was published with good motives, and for justifiable ends, the party shall be acquitted.

OHIO CONST. art. I, § 11.

40 *Mut. Film Corp.*, 236 U.S. at 230.

41 Gitlow v. New York, 268 U.S. 652, 666 (1925).

42 *Mut. Film Corp.*, 236 U.S. at 243.

43 *Id.*

> vertised on the bill-boards of our cities and towns . . and which seeks to bring motion pictures and other spectacles into practical and legal similitude to a free press and liberty of opinion.
>
> The judicial sense supporting the common sense of the country is against the contention.[44]

The Court took over three decades to reverse this position regarding such "spectacles" and other entertainment.[45] In 1948, the Court articulated a new philosophy regarding the role of the First Amendment:

> We do not accede to appellee's suggestion that the constitutional protection for a free press applies only to the exposition of ideas. The line between the informing and the entertaining is too elusive for the protection of that basic right. Everyone is familiar with instances of propaganda through fiction. What is one man's amusement, teaches another's doctrine.[46]

Relying on this expansive language, the Court eroded limitations on the First Amendment based on medium and, in 1952, the Court reversed the *Mutual* decision and protected motion pictures despite their largely commercial nature and their proclivity for greater evil—both accusations hurled today at computer games and virtual worlds:

> It is urged that motion pictures do not fall within the First Amendment's aegis because their production, distribution, and exhibition is a large-scale business conducted for private profit. We cannot agree. That books, newspapers, and magazines are published and sold for profit does not prevent them from being a form of expression whose liberty is safeguarded by the First Amendment. We fail to see why operation for profit should have any different effect in the case of motion pictures.
>
> It is further urged that motion pictures possess a greater capacity for evil, particularly among the youth of a community, than other modes of expression. Even if one were to accept this hypothesis, it does not follow that motion pictures should be disqualified from First Amendment protection. If there be capacity for evil it may be relevant in determining the permissible scope of community control, but it does not authorize substantially unbridled censorship such as we have here.[47]

Despite the Court's explicit rejection of the regulatory rationales in the context of motion pictures, modern legislatures have again introduced these arguments.[48] The municipal bodies and state legislatures have attempted to ban or restrict certain aspects of video games, suggesting that the nature of the video game industry makes the content unworthy of constitutional protection or that the way in which these diversions are attractive to youth

---

44 *Id.* at 243–44; *see* DONALD E. LIVELY, MODERN COMMUNICATIONS LAW 10 (1991).

45 Joseph Burstyn, Inc. v. Wilson, Comm'r of Educ. of N.Y., 343 U.S. 495, 502 (1952); LIVELY, *supra* note 44, at 10.

46 Winters v. N.Y., 333 U.S. 507, 510 (1948).

47 *Burstyn*, 343 U.S. at 501–02 (citing Grosjean v. Am. Press Co., 297 U.S. 233 (1936); Thomas v. Collins, 323 U.S. 516, 531 (1945)) (footnotes omitted).

48 Video Software Dealers Ass'n v. Schwarzenegger, No. C-05-04188 (RMW), 2007 U.S. Dist. LEXIS 57472 at *25 (N.D. Cal. Aug. 6, 2007).

make censorship more appropriate.[49] They return to the same themes espoused in *Mutual* and *Joseph Burstyn*: "Several decades ago, the Supreme Court 'recognized that some believe motion pictures possess a greater capacity for evil, particularly among the youth of a community, than other modes of expression.'"[50]

Courts have been steadfast in their refusal to allow prohibitions or criminal sanctions for the sale of ultra-violent or sexually explicit video games.[51] For example, a 2000 St. Louis County, Missouri ordinance made "it unlawful for any person knowingly to sell, rent, or make available graphically violent video games to minors, or to 'permit the free play of' graphically violent video games by minors, without a parent or guardian's consent."[52] In reviewing the ordinance, the Eighth Circuit Court of Appeals accepted the premise that "'material that contains violence but not depictions or descriptions of sexual conduct cannot be obscene.' Simply put, depictions of violence cannot fall within the legal definition of obscenity for either minors or adults."[53] The Eighth Circuit was quite mindful of the law's slow embrace of motion pictures as a form of expressive speech and took pains to avoid the same error:

> We recognize that while children have in the past experienced age-old elemental violent themes by reading a fairy tale or an epic poem, or attending a Saturday matinee, the interactive play of a video game might present different difficulties
>
> The fact that modern technology has increased viewer control does not render movies unprotected by the first amendment, and equivalent player control likewise should not automatically disqualify modern video games that are "analytically indistinguishable from . . . protected media such as motion pictures."
>
> We note, moreover, that there is no justification for disqualifying video games as speech simply because they are constructed to be interactive; indeed, literature is most successful when it "draws the reader into the story, makes him identify with the characters, invites him to judge them and quarrel with them, to experience their joys and sufferings as the reader's own[.]"[54]

---

49 *E.g.*, LA. REV. STAT. ANN. § 14:91.14 (2008) (criminalizing video games that appeal to a minor's morbid interest in violence); St. Louis County Ordinance No. 20,193 (Oct. 26, 2000); REV. CODE INDIANAPOLIS/MARION, IND.§§ 831-1, 831-7 (2008).

50 *Video Software Dealers Ass'n*, 2007 U.S. Dist. LEXIS 57472 at *9 n.2 (quoting Interstate Circuit, Inc. v. City of Dallas, 390 U.S. 676, 690 (1968)).

51 *E.g.*, Interactive Digital Software Ass'n v. St. Louis County, 329 F.3d 954 (8th Cir. 2003); Am. Amusement Mach. Ass'n v. Kendrick, 244 F.3d 572 (7th Cir. 2001); *Video Software Dealers Ass'n*, 2007 U.S. Dist. LEXIS 57472; Entm't Software Ass'n. v. Foti, 451 F. Supp. 2d 823 (M.D. La. 2006); Entm't Software Ass'n. v. Hatch, 443 F. Supp. 2d 1065 (D. Minn. 2006); Entm't Software Ass'n v. Granholm, 426 F. Supp. 2d 646 (E.D. Mich. 2006); Entm't Software Ass'n v. Blagojevich, 404 F. Supp. 2d 1051 (E.D. Ill. 2005); Video Software Dealers Ass'n v. Maleng, 325 F. Supp. 2d 1180 (W.D. Wash. 2004).

52 *Interactive Digital Software*, 329 F.3d at 956.

53 *Id.* at 958 (quoting Video Software Dealers Ass'n v. Webster, 968 F.2d 684, 688 (8th Cir. 1992)) (brackets omitted).

54 *Id.* at 957 (quoting Wilson v. Midway Games, Inc., 198 F. Supp. 2d 167, 181 (D. Conn. 2002); Am. Amusement Mach. Ass'n v. Kendrick, 244 F.3d 572, 577 (7th Cir. 2001)) (second ellipses in original).

The Eighth Circuit correctly refuses to make any First Amendment distinctions based on the interactive nature of the experience or of the form the new media is beginning to take. In correctly refusing to make such categorical exceptions, however, the decisions may be going too far in the opposite direction, cloaking the speech aspects of the interactive games with too broad a penumbra. The Eighth Circuit refused to allow St. Louis County to label graphic content "obscene" to minors, finding that historically only sexual content can be deemed obscene.[55] In doing so, the court rejects the attempt to make a new category of unprotected speech for violent content that is sold to minors, despite the lawful regulation of non-obscene sexually explicit content sold to minors[56] and commercial advertising directed at minors.[57]

The attempt to create additional categories of speech that can be regulated with regard to minors is certainly not new. Broadcast regulation has added mandatory children's programming,[58] technological blocking measures,[59] viewer ratings,[60] and Internet privacy protections.[61] So much for "no law"—Congress has been quite active balancing the interests of speakers and their audience.[62]

Of course, as with the attempts to regulate sexually explicit content, any such laws must avoid creating an unlawful burden on the production of protected speech for adults when building these protections for minors.[63] But given the wide-ranging nature of the content being developed (and described below), a much more nuanced approach will be needed to balance the various types of speech that will exist within the games and virtual worlds under development. In the context of sexually explicit material made available to minors, the Supreme Court found that there could be regulation which was sufficiently narrowly tailored to meet the governmental interest of protecting the minors which did not burden the free speech

55 *See Interactive Digital Software*, 329 F.3d at 958.

56 *See* Ginsberg v. New York, 390 U.S. 629, 639 (1968). The Eighth Circuit suggests that the content in question in *Ginsberg* "did not involve protected speech," *Interactive Digital Software*, 329 F.3d at 959, but such a suggestion is erroneous—creating a circular argument. While it is axiomatic that obscene materials (which have no constitutional protection for any reader) can be banned for children, the Supreme Court recognizes the state's interest in protecting children from harmful speech that is beyond regulation for adults. While a modern court may demand a more substantial standard than that of *Ginsberg*, the interest in protecting minors from harmful content has not been repudiated. *Cf.* FCC v. Pacifica Found., 438 U.S. 726, 749–50 (1978) (coupling the "ease with which children may obtain access" with the concerns expressed in *Ginsberg* to justify special treatment of indecent broadcasting).

57 Pub. L. No. 101-437, 104 Stat. 996 (codified in scattered sections of 47 U.S.C.); *see also* Cass R. Sunstein, *Television and the Public Interest*, 88 CAL. L. REV. 499 (2000).

58 Sunstein, *supra* note 57, at 508.

59 47 U.S.C. § 303 (x) (2000).

60 Telecommunications Act of 1996, Pub. L. No. 104-104, § 551(b)(1), 110 Stat. 56, 140 (1996) (was to direct insertion of 47 U.S.C. § 303(w), but did not become effective).

61 Children's Online Privacy Protection Act, 15 U.S.C. §§ 6501–03 (2000).

62 *But see* Ashcroft v. ACLU, 542 U.S. 656 (2004) (granting preliminary injunction against Children's Online Protection Act); ACLU v. Gonzales, 478 F. Supp. 2d 775 (E.D. Pa. 2007) (permanent injunction of same).

63 *Ashcroft*, 542 U.S. at 665.

rights of the adults.[64] Whether geared towards violent content, sexually explicit content or both, some additional legal obligations may be placed on video arcades and retailers selling to minors. A balanced approach will be necessary that may begin with a robust protection of video games as expression, but, as with other media, the law must be an appropriate balancing of interests among First Amendment protection and limits on unprotected speech.[65]

C. Copyright's First Amendment Accommodations through the Idea/Expression Dichotomy and Fair Use

A second balancing occurs between First Amendment rights of the publisher and the intellectual property rights of any third parties who may have had some of their work exploited without permission. Copyright holders, trademark owners, athletes, celebrities, and performers holding publicity rights all seek to limit what publishers attempt to do with the proprietary content.

The balancing of interests for First Amendment protection has very different assumptions, depending on the nature of the rights at stake. Since computer games and virtual worlds involve copyright, trademarks and content regulation, in addition to the publicity rights emphasized in this article, a brief survey of each helps to illustrate the variety of tests used to balance these interests.

In addressing the limitations placed on a copyright holder's interest by the First Amendment, the Supreme Court had historically focused on the "idea/expression dichotomy,"[66] protecting the public's right to use the idea expressed, but not the particular expression owned by the copyright holder.[67] "[T]he democratic dialogue—a self-governing people's participation in the marketplace of ideas—is adequately served if the public has access to an author's ideas, and such loss to the dialogue as results from inaccessibility to an author's 'expression' is counterbalanced by the greater public

---

64 *E.g.*, Ginsberg v. New York, 390 U.S. 629, 639 (1968).

65 While not the focus of this article, I strongly question the assumption underlying the judicial conclusion that obscenity must be limited to sexually explicit material. While the precedential definition of obscenity is clear, throughout the Twentieth Century, the First Amendment has been expanded to cover additional categories of speech and reduced in the amount and type of content deemed outside of constitutional protection. Even when *Joseph Burstyn, Inc. v Wilson* overturned *The Mutual*, the Court reminded the parties that the "capacity for evil . . . may be relevant in determining the permissible scope of community control." Joseph Burstyn, Inc. v. Wilson, 343 U.S. 495, 501–02 (1952). I do not suggest that cities and states should have unrestrained discretion, but neither does the Constitution suggest that the only content so repugnant as to be beyond First Amendment protection is sexually obscene speech. At the periphery of expressive content, regulators should be permitted an opportunity to meet constitutional thresholds to establish the case for a compelling state interest in the context of regulating access to content for young minors (e.g. rules for children under the age of 13).

66 Harper & Row, Publishers, Inc. v. Nation Enters., 471 U.S. 539 (1985).

67 *See, e.g.*, 17 U.S.C. § 102(b). "In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work." *Id.*

interest in the copyright system."[68] In *Harper & Row Publishers, Inc. v. Nation Enterprises*,[69] the Supreme Court endorsed this general approach. "[C]opyright's idea/expression dichotomy 'strike[s] a definitional balance between the First Amendment and the Copyright Act by permitting free communication of facts while still protecting an author's expression.'"[70] "Due to this distinction, every idea, theory, and fact in a copyrighted work becomes instantly available for public exploitation at the moment of publication."[71]

Dr. Michael D. Birnhack, writing in the Nimmer copyright treatise, raised questions regarding the legitimacy of over-reliance on the idea/expression dichotomy:

> Consider the photographs from the Vietnam War of the My Lai massacre. Here is an instance where the visual impact of a graphic work made a unique contribution to an enlightened democratic dialogue. No amount of words describing the "idea" of the massacre could substitute for the public insight gained through the photographs. The photographic expression, not merely the idea, became essential if the public was to fully understand what occurred in that tragic episode. It would be intolerable if the public's comprehension of the full meaning of My Lai could be censored by the copyright owner of the photographs. Here it would seem that the speech interest outweighs the copyright interest.[72]

Despite the importance of visually powerful images to the public debate, the publishers of most photographs retain the ability to demand payment for use of the copyrighted work. Despite the visually powerful image invoked by the treatise, however, few such images exist that do not also incorporate the ability of publishers to secure the rights to publish for a fee.[73] Such an image only becomes iconic through public exposure and adoption within the public's consciousness.

Instead of using the First Amendment to create an additional, constitu-

---

68 4 NIMMER ON COPYRIGHT § 19E.03 [A][2]; Suntrust Bank v. Houghton Mifflin Co., 268 F.3d 1257, 1264 (11th Cir. 2001).

69 471 U.S. 539 (1985).

70 *Id.* at 556 (quoting Harper & Row, Publishers, Inc. v. Nation Enters., 723 F.2d 195, 203 (1983)).

71 Eldred v. Ashcroft, 537 U.S. 186, 219 (2003); *see* Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 349–50 (1991).

72 4 NIMMER ON COPYRIGHT § 19E.03[A][2].

73 *But see* Rosemont Enters., Inc. v. Random House, Inc., 366 F.2d 303 (2d Cir. 1966) (attempted use of copyright ownership to stop unauthorized biography of Howard Hughes not permitted); New York Times Co. v. United States, 403 U.S. 713 (1971) (the "Pentagon Papers" case). In concurrence, Justice Brennan expressed the lack of any need to balance copyright interests. "[T]he Government is not asserting an interest in the particular form of words chosen in the documents, but is seeking to suppress the ideas expressed therein." *Id.* at 726 (Brennan, J., concurring). *But see* Salinger v. Random House, Inc., 811 F.2d 90 (2d Cir. 1987) (infringement for publication of unpublished letters in biography resulting in less access to such unpublished resources); New Era Publ'ns, Int'l, ApS v. Henry Holt & Co., Inc., 873 F.2d 576 (2d Cir. 1989) (same). In rejecting the lower court's rationale for refusing an injunction, the Second Circuit commented that "[t]he public would not necessarily be deprived of an 'interesting and valuable historical study,' but only of an infringing one." *New Era Publ'ns*, 873 F.2d at 584 (quoting New Era Publ'ns, Int'l, ApS v. Henry Holt & Co., Inc., 695 F. Supp. 1493, 1528 (S.D.N.Y. 1988).

tional limitation on the rights of copyright holders, courts have increasingly turned to the doctrine of fair use[74] to assure that the public's access to socially or culturally important aspects of expressive works are not unduly restricted by the copyright owners.[75] The Supreme Court has made this increased constitutional importance of fair use explicit in *Eldred v. Ashcroft*.[76] There, the Court raised the implicit protections of fair use to the level of constitutional importance: "[T]he 'fair use' defense allows the public to use not only facts and ideas contained in a copyrighted work, but also expression itself for limited purposes. 'Fair use' thereby affords considerable latitude for scholarship and comment . and even for parody . . ."[77]

Although fair use has been statutorily codified into four prongs, courts have been quite adept at reviewing the significance of the usage and the lack of legitimate access to the work as part of the analysis. For example, in refusing to enjoin the unauthorized sequel to *Gone with the Wind*, the Eleventh Circuit looked to the harm caused to the well-established classic novel against the public's interest in a unique approach to the well-established novel.[78]

The case closest to the My Lai massacre example comes from the famous Zapruder film, which serendipitously captured the assassination of John F. Kennedy.[79] The owner of the copyright refused to license the images for use in the defendant's book. In response, the defendant used his access to the photographs to steal copies of the images for use in his own work. The district court acknowledged the misconduct of the defendant but focused on the elastic nature of the fair use doctrine, drawing the following conclusion:

> There is a public interest in having the fullest information available on the murder of President Kennedy. Thompson did serious work on the subject and has a theory entitled to public consideration. The Book is not bought because it

---

74

> Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include— (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work. The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

17 U.S.C. § 107 (2000).

75 *See* Michael D. Birnhack, *Copyright Law and Free Speech after* Eldred v. Ashcroft, 76 S. CAL. L. REV. 1275, 1289–90 (2003).

76 Eldred v. Ashcroft, 537 U.S. 186, 197 (2003).

77 *Id.* at 190 (internal citations omitted)).

78 Suntrust Bank v. Houghton Mifflin Co., 268 F.3d 1257, 1264 (11th Cir. 2001).

79 Time, Inc. v. Bernard Geis Assocs., 293 F. Supp. 130, 131 (S.D.N.Y. 1968).

> contained the Zapruder pictures; the Book is bought because of the theory of Thompson and its explanation, supported by Zapruder pictures.
>
> There seems little, if any, injury to plaintiff, the copyright owner. There is no competition between plaintiff and defendants. Plaintiff does not sell the Zapruder pictures as such and no market for the copyrighted work appears to be affected. Defendants do not publish a magazine. There are projects for use by plaintiff of the film in the future as a motion picture or in books, but the effect of the use of certain frames in the Book on such projects is speculative. It seems more reasonable to speculate that the Book would, if anything, enhance the value of the copyrighted work; it is difficult to see any decrease in its value.[80]

Such an analysis provides an excellent solution to the problem posed by the My Lai photographs. In the situation where a license is available for purchase, then the presumption is that a publisher seeking to use the work should secure that license. Where the content is not available and used in a transformative manner,[81] such as to propound a new idea or theory, then such use should be worthy of fair use protection.[82]

A similar situation occurred when an unauthorized use of an artist's evocative and graphic imagery in brochures objecting to "obscene art" was held a fair use.[83] Fundraising brochures objecting to "'offensive' and 'blasphemous' art by the National Endowment for the Arts," used cropped images of David Wojnarowicz's works in an attempt to shock, offend, and motivate donors to object to the government-funded art.[84] In such a situation, it is highly unlikely that the victim of such a campaign would voluntarily license his work to the proselytizer, so fair use provides a balancing of the interests of the artist and the organization objecting to the work. If there were any example where the First Amendment could be used as an independent tool granting access to the content, the political nature of the debate over the National Endowment of the Arts and the concomitant refusal by Wojnarowicz to allow such use could suggest that the First Amendment would be an independent ground to balance the interests. The court had no need to turn to an independent analysis using the First Amendment, however, because the elastic nature of the fair use doctrine provides more precedent and a more narrowly balanced framework than would a resort to constitutional first principles.

Copyright fair use makes explicit that "the effect of the use upon the

---

80 *Id.* at 146.

81 *See* Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 579 (a more transformative use will weigh heavily towards a finding of fair use because the use "adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message . . . . [T]he more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.").

82 *Compare* Los Angeles News Serv. v. KCAL-TV Channel 9, 108 F.3d 1119, 1122 (9th Cir. 1997) (finding the rebroadcast of "Beating of Reginald Denny" not transformative) *with* Los Angeles News Serv v. CBS Broad., Inc., 305 F.3d 924, 941 (9th Cir. 2002) (finding the short use of a clip of the "Beating of Reginald Denny" in montage was transformative use).

83 Wojnarowicz v. Am. Family Ass'n, 745 F. Supp. 130, 142–43 (S.D.N.Y. 1990).

84 *Id.* at 133.

potential market for or value of the copyrighted work"[85] must be taken into account in determining the scope of fair use. The inclusion of this aspect of the fair use test creates an economic incentive to license copyrighted works for exploitation. Copyright holders are encouraged to license their works because of precedent that gives economic protection to the market-based licensing while generally granting broader fair use rights to third parties in situations where the copyright holder has withheld licensing opportunities.[86] In situations where the copyright holder refuses to license, the equities tend to shift towards fair use whereas in cases where the third party refuses to seek the license or pay the fee, the equities favor the rights owner.

Through the use of both the idea/expression dichotomy and fair use, copyright holders are free to exploit the exclusive rights of their work without unduly limiting the expressive rights of others. Though the copyright owners occasionally object to the uses made by others of their rights, the system works to reward innovation, protect the editorial integrity, and promote the marketplace of ideas. These concepts, in turn, have informed publicity rights jurisprudence.

D. Publicity Rights in Avatars

Publicity rights are the most recent of the intellectual property rights to be recognized under the law, evolving into an important economic resource for their creators and a tool to manage the editorial and commercial integrity of the goods associated with the celebrity exercising the right. As such, protections of the economic and associative rights are similar to those of copyright and trademark. "The right of publicity is an intellectual property right of recent origin which has been defined as the inherent right of every human being to control the commercial use of his or identity."[87] Athletes, actors, and other celebrities expend considerable effort to maximize the potential for licensing, commercial exploitation, and identities. Publishers, such as EA Sports, invest heavily in these relationships so that their titles achieve dominant market presence.[88] But the economic interest only has market value if the legal interests are respected by third parties and enforced by the courts or other relevant bodies.

The protectible identity of a person is broadly defined. "[T]he Right of Publicity is generally understood to encompass any personal attribute that identifies a particular person."[89] California statutory law lists one's "name, voice, signature, photograph, or likeness," as the attributes of

---

85 17 U.S.C. § 107 (2000).

86 *See, e g* , Harper & Row, Publishers, Inc. v. Nation Enters., 471 U.S. 539 (1985).

87 ETW Corp. v. Jireh Publ'g, Inc., 332 F.3d 915, 928 (6th Cir. 2003).

88 *See, e.g.*, Gemmell, *supra* note 29 (describing the relationship between EA and the NFL in creating the video game Madden).

89 W. Mack Webner & Leigh Ann Lindquist, *Transformation: The Bright Line Between Commercial Publicity Rights and the First Amendment*, 37 AKRON L. REV. 171 (2004).

identity.[90] While some states have yet to address the cause of action, most states provide a statutory cause of action, a common law cause of action, or both.[91] California's common law articulation is typical: "A cause of action for common law misappropriation of a plaintiff's name or likeness may be pled by alleging: (1) the defendant's use of the plaintiff's identity; (2) the appropriation of plaintiff's name or likeness to defendant's advantage, commercially or otherwise; (3) lack of consent; and (4) resulting injury."[92]

The right of publicity is distinct from either an inchoate right to be free from defamation or an invasion of privacy.[93] One's name or appearance in public does not give rise to a publicity rights claim. "It is only when the publicity is given for the purpose of appropriating to the defendant's benefit the commercial or other values associated with the name or the likeness that the right of privacy is invaded."[94] There is also some inconsistency on whether publicity rights are limited to those individuals who have exploited their rights commercially—so called celebrities—or whether the rights are protected for all individuals.[95] In both California and New

---

90

> Any person who knowingly uses another's name, voice, signature, photograph, or likeness, in any manner, on or in products, merchandise, or goods, or for purposes of advertising or selling, or soliciting purchases of, products, merchandise, goods or services, without such person's prior consent, or, in the case of a minor, the prior consent of his parent or legal guardian, shall be liable for any damages sustained by the person or persons injured as a result thereof.

CAL. CIV. CODE § 3344 (West 2007).

91 Marshall Leaffer, *Symposium: Interdisciplinary Conference on the Impact of Technological Change on the Creation, Dissemination, and Protection of Intellectual Property: The Right of Publicity: A Comparative Perspective*, 70 ALB. L. REV. 1357, 1358 (2007) ("In the United States, the right of publicity is now found in most states either by statute or by common law interpretation"). *See* 1 J. THOMAS MCCARTHY, THE RIGHTS OF PUBLICITY AND PRIVACY §§ 2:1–:2, 6:3, 6:8 (2d ed. 2003).

92 Montana v. San Jose Mercury News, Inc., 34 Cal. App. 4th 790, 793 (Ct. App. 1995); *see also* Allison v. Vintage Sports Plaques, 136 F.3d 1443, 1447 (11th Cir. 1998). Another useful articulation of the elements which comprise the infringement of the right are derived from the Restatement (Third) of Unfair Competition: "(1) That defendant used plaintiff's name as a symbol of his identity (2) without consent (3) and with the intent to obtain a commercial advantage." Doe v. TCI Cablevision, 110 S.W.3d 363, 369 (Mo. 2003) (en banc).

93

> The history of the right of publicity is markedly different from that of trademark rights, but the right is derived, in part, from the traditional law of unfair competition. A few early cases protected what is now recognized as the right of publicity under the rubric of unfair competition, but some courts view the right of publicity as a direct descendant of the right of privacy, a very different type of right in no way dependent upon its owner's commercial activities

1-2 GILSON ON TRADEMARKS § 2.16 (internal footnotes omitted).

> But if the right of privacy is a component of a broader right of personality, as yet unrecognized under that label in American law but inchoate in the theoretical basis for the law of privacy, then it is a suitable matrix from which other rights protective of the personality can evolve . . . .

Edward J. Damich, *The Right of Personality: A Common-Law Basis for the Protection of the Moral Rights of Authors*, 23 GA. L. REV. 1, 75 (1988).

94 RESTATEMENT (SECOND) OF TORTS § 652C cmt. d (1977).

95 *Id.*

York, for example, there is no distinction based on the prior use.[96]

Although the history of publicity rights in the United States can properly be traced back to 1905,[97] the modern age of licensing is better identified with the victory by Topps Chewing Gum, Inc., that allowed it to enforce exclusive rights in professional baseball players' identity interests to help it sell gum by packaging it with baseball cards.[98]

Topps began a vigorous program of signing individual standard form contracts with thousands of both major and minor league baseball players. Under these agreements, each player granted Topps an exclusive right to publish his name, picture, signature and biographical sketch "to be sold either alone or in combination with chewing gum, candy and confection or any of them."[99] As consideration, Topps guaranteed the player a lump-sum payment of $125.00 for each season in which either his picture was used or the player was an active member of a major league club. These contracts ran until Topps had made five years of payments to the individual player.[100]

The nature of the rights for baseball 'players' trying to control their economic interest for playing cards is not dissimilar to those same athletes and actors claiming a right to control their identities when used for commercial purposes in computer games and virtual worlds. As the right developed, it needed (and still needs) to be untangled from other personal tort claims, such as defamation, false light invasion of privacy, unfair competition, and misrepresentation.[101]

---

96 CAL CIV. CODE § 3344 (West 2007); N.Y. CIV. RIGHTS LAW §§ 50–51 (McKinney 2002).

97 Pavesich v. New England Life Ins. Co., 50 S.E. 68, 69–70 (Ga. 1905) (the first case to recognize the common law right of publicity in the United States). The common law doctrine was developed from the seminal law review article which argued that a common law right of publicity had long existed at common law under various names. *See* Samuel D. Warren & Louis D. Brandeis, *The Right to Privacy*, 4 HARV. L. REV. 193 (1890). The common law right in New York was rejected by the Court of Appeals. *See* Roberson v. Rochester Folding Box Co., 64 N.E. 442, 447 (N.Y. 1902). New York adopted its Civil Rights Law to reverse the court's decision.

98 Haelan Labs, Inc. v. Topps Chewing Gum, Inc., 202 F.2d 866 (2d Cir. 1953); *see also* Fleer Corp. v. Topps Chewing Gum, Inc., 658 F.2d 139, 142 (3d Cir. 1981) (reviewing Topps' licensing history).

99 *Fleer*, 658 F.2d at 142.

100 *Id.*

101

> [A] man has a right in the publicity value of his photograph, *i.e.*, the right to grant the exclusive privilege of publishing his picture, and that such a grant may validly be made 'in gross,' *i.e.*, without an accompanying transfer of a business or of anything else. Whether it be labeled a 'property' right is immaterial; for here, as often elsewhere, the tag 'property' simply symbolizes the fact that courts enforce a claim which has pecuniary worth.
>
> [2] This right might be called a 'right of publicity.' For it is common knowledge that many prominent persons (especially actors and ball-players), far from having their feelings bruised through public exposure of their likenesses, would feel sorely deprived if they no longer received money for authorizing advertisements, popularizing their countenances, displayed in newspapers, magazines, busses, trains and subways. This right of publicity would usually yield them no money unless it could be made the subject of an exclusive grant which barred any other advertiser from using their pictures.

Haelan, 202 F.2d at 868.

In *Zacchini v. Scripps-Howard Broadcasting Co.*,[102] the Supreme Court provided important recognition that publicity rights are a legitimate economic interest which can be recognized by states:[103]

> [T]he State's interest in permitting a "right of publicity" is in protecting the proprietary interest of the individual in his act in part to encourage such entertainment. [T]he State's interest is closely analogous to the goals of patent and copyright law, focusing on the right of the individual to reap the reward of his endeavors and having little to do with protecting feelings or reputation.[104]

The *Zacchini* decision unequivocally established that state publicity rights were not automatically preempted by the First Amendment. The Court did not, however, wrestle with the challenge of the correct balancing test between these competing interests.[105]

In *Topps*, *Zacchini*, and other cases articulating publicity rights, the primary underlying assumption emphasized the commercial rights in one's likeness—that a person owns his or her identity for endorsing or advertising a product.[106] The protection of this interest necessarily includes a protection of reputation since the endorsement of a poorly manufactured or dangerous product would directly harm the reputation of the person giving the endorsement.[107] This should not blur the parameters of the right, however, but merely highlight the importance of protecting the use of the right as commercially important.

Courts have expanded the notion of commercial endorsement, however, to include more creative ways of taking unfair advantage of others.[108] As a result, a bright line distinguishing commercial activities of advertising billboards and product packaging from expressive uses in newspapers, magazines, plays, films and books has been eroded as parties seek additional ways of exploiting the good will associated with celebrities for products unrelated to those celebrities. The distinction may be critically important to understand the rights of third parties to exploit celebrity identities:

> [W]hether the use of a person's name and identity is "expressive," in which case it is fully protected, or "commercial," in which case it is generally not protected. For instance, the use of a person's identity in news, entertainment, and creative works for the purpose of communicating information or expressive ideas about

---

102 433 U.S. 562 (1977).

103 *Id.* at 572.

104 *Id.* at 573 (footnote omitted).

105 *See id.* (recognizing the right of publicity as a legitimate cause of action while failing to discuss the First Amendment implications).

106 *See supra* notes 98–105 and accompanying text; *see also, e.g.*, Wendt v. Host Int'l, Inc., 125 F.3d 806, 811 (9th Cir. 1997) (use of likeness as animatronic puppets in bars); Abdul-Jabbar v. General Motors Corp., 85 F.3d 407, 416 (9th Cir. 1996) (use of prior name for car commercial); Carson v. Here's Johnny Portable Toilets, Inc., 698 F.2d 831, 835–36 (6th Cir. 1983) (use of slogan for commode sales).

107 *E.g.*, Stephanie Strom, *A Sweetheart Becomes Suspect: Looking Behind Those Kathie Lee Labels*, N.Y. TIMES, June 27, 1996, at D1.

108 *E.g.*, Nemani v. St. Louis Univ., 33 S.W.3d 184, 185 (Mo. 2000) (en banc) (using a researcher's name in a grant application).

that person is protected "expressive" speech. On the other hand, the use of a person's identity for purely commercial purposes, like advertising goods or services or the use of a person's name or likeness on merchandise, is rarely protected.[109]

The distinctions between commercial and expressive use has proven quite difficult to separate. There is wide disagreement on the interpretation and efficacy of the laws across jurisdictions.[110] Because publicity rights are creatures of state law, both the articulation of the specific rights and limitations of the interest vary a great deal from state to state.[111] In contrast, the concern regarding expressive use of identity is the extent to which it impinges on federal constitutional rights of free speech.

E. Publicity Rights: Accommodations for the First Amendment

The *Zacchini* decision unequivocally established that state publicity rights were not automatically preempted by the First Amendment.[112] The Court did not, however, wrestle with the challenge of the correct balancing test between these competing interests. Instead, a variety of state and federal courts have evolved inconsistent and sometimes incompatible approaches to create the appropriate balancing of these interests. Despite a good deal of dicta from various courts looking to base their decisions on doctrine common across jurisdictions, three fairly distinct lines of decisions have developed.

In *Comedy III Productions, Inc. v. Gary Saderup, Inc.*,[113] the California Supreme Court imported the concept of transformative fair use from copyright law as a framework through which the rights of publicity and speech could be balanced, describing it as "at the heart of any judicial attempt to square the right of publicity with the First Amendment."[114] The California Supreme Court attempted to build upon the copyright fair use doctrine as a method of separating fair use from protected speech. As it explained, "both the First Amendment and copyright law have a common goal of encouragement of free expression and creativity . . ."[115] Having identified fair use as the framework, the California court set out to create a rule under which courts and parties could operate:

> When artistic expression takes the form of a literal depiction or imitation of a celebrity for commercial gain, directly trespassing on the right of publicity without adding significant expression beyond that trespass, the state law interest in protecting the fruits of artistic labor outweighs the expressive interests of the imitative artist. On the other hand, when a work contains significant transformative

---

109 Doe v. TCI Cablevision, 110 S.W.3d 363, 373 (Mo. 2003) (en banc) (citations omitted).

110 C.B.C. Distribution & Mktg., Inc. v. Major League Baseball Advanced Media, L.P., 443 F. Supp. 2d 1077, 1084 (D. Mo. 2006) (discussing the right of publicity in various states).

111 *See, e.g.*, George P. Smith II, *The Extent of Protection of the Individual's Personality Against Commercial Use: Toward A New Property Right*, 54 S.C. L. REV. 1, 29 (2002)

112 *Zacchini*, 433 U.S. at 573.

113 21 P.3d 797 (Cal. 2001).

114 *Id.* at 808.

115 *Id.* (citation omitted) (footnote omitted).

> elements, it is not only especially worthy of First Amendment protection, but it is also less likely to interfere with the economic interest protected by the right of publicity. As has been observed, works of parody or other distortions of the celebrity figure are not, from the celebrity fan's viewpoint, good substitutes for conventional depictions of the celebrity and therefore do not generally threaten markets for celebrity memorabilia that the right of publicity is designed to protect.[116]

The court in *Comedy III* recognized that it was not articulating a single new legislative decree for publicity rights. Instead, the court tried to articulate its reasoning in a variety of ways. "Another way of stating the inquiry is whether the celebrity likeness is one of the 'raw materials' from which an original work is synthesized, or whether the depiction or imitation of the celebrity is the very sum and substance of the work in question."[117] This formulation emphasizes the relevance of the publicity rights to the output of the new author or artist. Incorporation of the identity interests remains essential for biographies, news reporting, social commentary, and many other forms of protected speech.[118]

Perhaps because the case was dealing with parody, in *Comedy III*, the court chose not to incorporate the entirety of fair use, but instead to incorporate various prongs of the statutory formulation.[119] Parody cases may be where the tensions run the highest rather than where the fair use is most robust. When asking "whether a product containing a celebrity's likeness is so transformed that it has become primarily the defendant's own expression rather than the celebrity's likeness,"[120] parodies of the celebrities are often the form of fair use that is most like the celebrity's likeness and the least transformed.

Influenced by the particular use before it, the court rejected incorporation of the fourth statutory fair use element, "the effect of the use upon the potential market for or value of the copyrighted work."[121] The limitation should be revisited because in many cases outside of parody, such as biography, news reporting or commercial endorsement, the potential market

---

116 *Id.*

117 *Id.* at 809.

118 The court's own catalog of copyright examples is highly instructive:

> We emphasize that the transformative elements or creative contributions that require First Amendment protection are not confined to parody and can take many forms, from factual reporting (see, e.g., *Rosemont Enterprises, Inc. v. Random House, Inc.* (N.Y.Sup.Ct.1968) 58 Misc.2d 1, 294 N.Y.S.2d 122, 129, affd. mem. (1969) 32 A.D.2d 892 301 N.Y.S.2d 948) to fictionalized portrayal (*Guglielmi, supra*, 25 Cal. 3d at pp. 871–872, 160 Cal. Rptr. 352, 603 P.2d 454; *see also Parks v. Laface Records* (E.D.Mich.1999) 76 F.Supp.2d 775, 779–782 [use of civil rights figure Rosa Parks in song title is protected expression]), from heavy-handed lampooning (see *Hustler Magazine v. Falwell* (1988) 485 U.S. 46, 108 S. Ct. 876, 99 L. Ed. 2d 41) to subtle social criticism (see Coplans et al., Andy Warhol (1970) pp. 50–52 [explaining Warhol's celebrity portraits as a critique of the celebrity phenomenon]).

Comedy III, 21 P.3d at 809 (citations in original).

119 *Id.*

120 *Id.*

121 17 U.S.C. § 107(4) (2000).

would be dispositive. One can never exploit the potential market for an unauthorized biography about oneself nor should one be able to be compensated for news reporting about oneself. In contrast, commercial endorsements of products or services have a robust market that should never give rise to claims that the endorsement was a transformative use of the celebrity's identity interests.

The California Supreme Court reaffirmed its approach in *Winter v. DC Comics.*[122] Because the work in question was an expressive literary work, in this case a comic book, the court reiterated two important limitations for publicity rights it espoused in *Comedy III*:

> We made two important cautionary observations. First, "the right of publicity cannot, consistent with the First Amendment, be a right to control the celebrity's image by censoring disagreeable portrayals. Once the celebrity thrusts himself or herself forward into the limelight, the First Amendment dictates that the right to comment on, parody, lampoon, and make other expressive uses of the celebrity image must be given broad scope. The necessary implication of this observation is that the right of publicity is essentially an economic right. What the right of publicity holder possesses is not a right of censorship, but a right to prevent others from misappropriating the economic value generated by the celebrity's fame through the merchandising of the 'name, voice, signature, photograph, or likeness' of the celebrity." Second, "in determining whether the work is transformative, courts are not to be concerned with the quality of the artistic contribution—vulgar forms of expression fully qualify for First Amendment protection. On the other hand, a literal depiction of a celebrity, even if accomplished with great skill, may still be subject to a right of publicity challenge. The inquiry is in a sense more quantitative than qualitative, asking whether the literal and imitative or the creative elements predominate in the work."[123]

In the comic book, Texas recording artists, Johnny and Edgar Winter were depicted as "villainous half-worm, half-human offspring."[124] Given the limitations placed on publicity rights that they not be used to censor disagreeable portrayals nor avoid vulgar expression, the two most significant complaints regarding the Winters' depictions properly became irrelevant. The court also made clear that subtleties of interpretation between parody and satire suggested by the Supreme Court in *Campbell* were inapplicable in the case of publicity rights.[125] In doing so, the California court signaled a much wider berth should be given for the editorial use of publicity rights than fair use is afforded for copyright law. By determining that the use of the redrawn figures could be used for the comic books, the California court made clear that most insertions of caricatures of celebrities in other literary works would be considered a transformative use protected by the First Amendment.

---

122 69 P.3d 473 (Cal. 2003).

123 *Id.* at 478.

124 *Id.* at 475.

125 *Id.* at 479; *cf.* Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 581 (1994); Dr. Seuss Enters., L.P. v. Penguin Books, 109 F.3d 1394, 1400 (9th Cir. 1997).

In contrast to the transformative, fair use analysis adopted by California, an interpretation of an Oklahoma statute very similar to the California publicity statute did not feel free to incorporate fair use doctrine.[126] Instead, in *Cardtoons, L.C. v. Major League Baseball Players Ass'n*,[127] the court directly balanced the interest of the First Amendment rights against the benefits of protecting publicity rights.[128] As the Tenth Circuit commented, "In resolving the tension between the First Amendment and publicity rights in this case, we find little guidance in cases involving parodies of other forms of intellectual property."[129] Absent statutory reference to fair use, the court found itself unable to incorporate the copyright law into the state's publicity statute[130]:

> This case instead requires us to directly balance the magnitude of the speech restriction against the asserted governmental interest in protecting the intellectual property right. We thus begin our analysis by examining the importance of Cardtoons' right to free expression and the consequences of limiting that right. We then weigh those consequences against the effect of infringing on MLBPA's right of publicity.[131]

Having set itself the task of determining the value and social utility of publicity rights, the Tenth Circuit opined that neither the economic incentives nor the non-economic incentives involved are all that compelling as compared to the benefits of parody.[132] Summarizing the analysis of the *Cardtoons* decision, a district court described the balancing as:

> Economic interests that states seek to promote include the right of an individual to reap the rewards of his or her endeavors and an individual's right to earn a living. Other motives for creating a publicity right are the desire to provide incentives to encourage a person's productive activities and to protect consumers from misleading advertising. But major league baseball players are rewarded, and handsomely, too, for their participation in games and can earn additional large sums from endorsements and sponsorship arrangements. Nor is there any danger

---

126 Cardtoons, L.C. v. Major League Baseball Players Ass'n, 95 F.3d 959, 968 (10th Cir. 1996).

127 *Id.*

128 *Id.*

129 *Id.* at 970.

130 *Id.* at 970–71.

131 *Id.* at 972.

132 *Id.* at 976 (citing Michael Madow, *Private Ownership of Public Image: Popular Culture and Publicity Rights*, 81 CAL. L. REV. 125, 128 (1993)). Because celebrities take on personal meanings to many individuals in the society, the creative appropriation of celebrity images can be an important avenue of individual expression. As one commentator has stated:

> Entertainment and sports celebrities are the leading players in our Public Drama. We tell tales, both tall and cautionary, about them. We monitor their comings and goings, their missteps and heartbreaks. We copy their mannerisms, their styles, their modes of conversation and of consumption. Whether or not celebrities are 'the chief agents of moral change in the United States,' they certainly are widely used—far more than are our institutionally anchored elites—to symbolize individual aspirations, group identities and cultural values. Their images are thus important expressive and communicative resources, the peculiar, yet familiar idiom in which we conduct a fair portion of our cultural business and everyday conversation.

Madow, *supra*, at 128 (emphasis omitted) (footnotes omitted)

> here that consumers will be misled, because the fantasy baseball games depend on the inclusion of all players and thus cannot create a false impression that some particular player with "star power" is endorsing CBC's products.
>
> Then there are so-called non-monetary interests that publicity rights are sometimes thought to advance. These include protecting natural rights, rewarding celebrity labors, and avoiding emotional harm. We do not see that any of these interests are especially relevant here, where baseball players are rewarded separately for their labors, and where any emotional harm would most likely be caused by a player's actual performance, in which case media coverage would cause the same harm. We also note that some courts have indicated that the right of publicity is intended to promote only economic interests and that non-economic interests are more directly served by so-called rights of privacy. For instance, although the court in *Cardtoons*, conducted a separate discussion of non-economic interests when weighing the countervailing rights, it ultimately concluded that the non-economic justifications for the right of publicity were unpersuasive as compared with the interest in freedom of expression. "Publicity rights . . are meant to protect against the loss of financial gain, not mental anguish." We see merit in this approach.[133]

Although the outcome of the case is correct, the dismissal of the state's interest in protecting publicity rights was inconsistent with the Supreme Court's decision in *Zacchini* and utterly dismissive of the legislative power of a state to recognize and regulate the property interests of its citizens. The difficulty caused by the *Cardtoons* approach is the categorical balancing of free expression against publicity rights rather than judging the particular use of identity interests as weighed against competing but significant governmental interests. Perhaps the best that can be said regarding the *Cardtoons* decision was the characterization by the California Supreme Court: "While *Cardtoons* contained dicta calling into question the social value of the right of publicity, its conclusion that works parodying and caricaturing celebrities are protected by the First Amendment appears unassailable in light of the test [adopted in California]."[134]

Although not persuaded by *Cardtoons*, the Supreme Court of Missouri also rejected the California transformative fair use test and other jurisdictional precedents.[135] It found that the California approach could lead to unintended and undesirable third party use. It rejected *Comedy III* because "the transformation or fictionalized characterization of a person's celebrity status is not actionable even if its sole purpose is the commercial use of that person's name and identity."[136] The Missouri Supreme Court instead sought a more accommodating balance of interests to address expressive works used for commercial exploitation. The Court adopted Mark Lee's

---

133 C.B.C. Distribution & Mktg. v. Major League Baseball Advanced Media, L.P., 505 F.3d 818, 824 (8th Cir. 2007) (quoting Cardtoons, 95 F.3d at 973–76) (internal citations omitted).

134 Comedy III Prods., Inc. v. Gary Saderup, Inc., 21 P.3d 797, 809 (Cal. 2001).

135 Doe v. TCI Cablevision, 110 S.W.3d 363, 374 (Mo. 2003) (en banc).

136 *Id.*

suggestion of a "predominant use test"[137]:

> If a product is being sold that predominantly exploits the commercial value of an individual's identity, that product should be held to violate the right of publicity and not be protected by the First Amendment, even if there is some "expressive" content in it that might qualify as "speech" in other circumstances. If, on the other hand, the predominant purpose of the product is to make an expressive comment on or about a celebrity, the expressive values could be given greater weight.[138]

The Missouri Court also rejected the Restatement "relatedness" approach because it again objected to the categorical nature of the test.[139] In the relatedness test, unauthorized parties are free to use another person's name or identity in a work that is "related to" that person.[140] The Restatement provides the simplest test, harkening back to the axiomatic rule that publicity rights protect a person from others exploiting that person's identity to sell a good or service without permission by stating that "if the name or likeness is used solely to attract attention to a work that is *not related* to the identified person, the user may be subject to liability for a use of the other's identity in advertising."[141] The relatedness test essentially boils down to a simple question whether the identity was used in an advertisement, in packaging, or on a product.[142] If the identity was used in this fashion without permission, it is actionable. Used in almost any other manner, the use does not violate publicity rights.[143]

The Missouri Supreme Court required a careful balancing approach because it was upholding the finding of liability against a comic book author in a case not too dissimilar from *Winter*. In *Doe v. TCI Cablevision*,[144] Todd McFarlane created a comic book character using the name of St. Louis Blues hockey "enforcer" Tony Twist for a mafia goon and enforcer

---

137 *Id.*

138 *Id.* (quoting Mark S. Lee, *Agents of Chaos: Judicial Confusion in Defining the Right of Publicity-Free Speech Interface*, 23 LOY. L.A. ENT. L. REV. 471, 500 (2002)).

139 *Id.*

140 *Id.* at 373 (citing RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 47 cmt. c (1995))

141 RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 47 cmt. c. (1995))

142 In this simplistic but perhaps preferable approach, mugs, lunch boxes, and posters should be considered commercial products. Photographs, lithographs, and all expressive media—including newspapers, magazines, radio, television, motion pictures, video games, virtual worlds, and plays—would be expressive and outside of concerns regarding publicity rights claims. *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 47 cmt. c (1995). Tee-shirts create the most difficult category because they often serve an expressive purpose, but are also often the source of copyright and trademark piracy. Given the First Amendment importance, tee-shirts might be best treated as expressive for publicity rights purposes, though still subject to copyright and trademark law protections. Whatever arbitrariness such an approach introduces, it removes the case-by-case analysis required by present law, which may result in a chilling effect and substantial self-censorship inevitable to avoid potential liability and the costs associated with litigation.

143 Such a formulation does not preclude liability for misrepresenting the endorsement or involvement of a person. False endorsements, inclusion of researcher's names in grant applications and other fraudulent activities would still be actionable under various unfair competition doctrines unrelated to publicity rights.

144 110 S.W.3d 363 (Mo. 2003) (en banc).

in the popular Spawn comic.[145] Unlike the depictions in *Winter*, McFarlane used only the plaintiff's name, adding no demonic caricature of Twist.[146] Nonetheless, on remand the court held a damage award of fifteen million dollars.[147] The Missouri Supreme Court explained the result, at least in part, based on the marketing of the comic as hockey merchandise because of the steps taken to market Spawn to hockey audiences.[148]

The predominant test here creates a substantial risk of liability for authors well beyond the economic protections suggested by *Zacchini* or any other courts.[149] The mere use of a name within an expressive comic book whether or not combined with an unrelated likeness would have been sufficiently transformative under *Comedy III* to avoid liability in California. The use would have also avoided any liability under the relatedness test of the Restatement since the use was not used to sell the comic, but was instead, related to the common attributes of this hockey player to mafia goons. Given the chilling effect of the damage award, *Doe* provides a strong illustration regarding the benefits of a narrow, bright line test as suggested by the Restatement.

In contrast, the Sixth Circuit has gone the furthest to reconcile the cases and provide thoughtful protection for both the First Amendment and publicity rights. In *ETW Corp. v. Jireh Publishing, Inc.*,[150] the commercial sports artist Rick Rush painted a montage of golf phenomenon Tiger Woods winning his first Masters Tournament in Augusta, Georgia in 1997.[151] The *ETW* decision emphasized the Restatement's comments in helping to shape the contours of the right. The court accepted a theme from the *Cardtoons* decision: "The rationales underlying recognition of a right of publicity are generally less compelling than those that justify rights in trademarks or trade secrets."[152]

---

145 *Id.*

146 *Id.* at 366.

147 Doe v. TCI Cablevision of Mo., No. 9725-9415 B, 2004 WL 5294356M (Mo. Cir. Aug. 23, 2004) (Trial Order).

148 *Id.* at 371 (noting that "respondents marketed their products directly to hockey fans").

149 Had McFarlane used the name of Twist in those marketing efforts (as opposed to the mere use of the name of a character within the comic book), then the trademark balancing approach suggested in *Rogers v. Grimaldi* would have been more appropriate. *See* Rogers v. Grimaldi, 875 F.2d 994, 999 (2d Cir. 1989) and text accompanying *infra* note 188.

150 332 F.3d 915 (6th Cir. 2003).

151 *Id.* at 918. The painting was far more than a simple portrait:

> In the foreground of Rush's painting are three views of Woods in different poses. In the center, he is completing the swing of a golf club, and on each side he is crouching, lining up and/or observing the progress of a putt. To the left of Woods is his caddy, Mike "Fluff" Cowan, and to his right is his final round partner's caddy. Behind these figures is the Augusta National Clubhouse. In a blue background behind the clubhouse are likenesses of famous golfers of the past looking down on Woods. These include Arnold Palmer, Sam Snead, Ben Hogan, Walter Hagen, Bobby Jones, and Jack Nicklaus. Behind them is the Masters leader board.

Id.

152 *Id.* at 930 (quoting RESTATEMENT (THIRD) OF UNFAIR COMPETITION, § 46 cmt. C (2005)).

The Sixth Circuit emphasized the need to adopt broad First Amendment protections for expression in order to foster a robust creative environment. Quoting Judge Kozinski from his dissent in *White v. Samsung*,[153] the Court noted that:

> Overprotecting intellectual property is as harmful as underprotecting it. Creativity is impossible without a rich public domain. . . . Intellectual property rights aren't free: They're imposed at the expense of future creators and of the public at large. . . . This is why intellectual property law is full of careful balances between what's set aside for the owner and what's left in the public domain for the rest of us . . . .[154]

The Kozinksi dissent does not embrace the *Cardtoons* facial balancing of speech and property rights. It embraces the need to manifest a vibrant public domain and free speech ethos through a careful balance between the rights holder and the public. The Sixth Circuit has attempted to weave these various threads together in a more careful and nuanced manner than other jurisdictions, incorporating rather than rejecting the cases that have been decided in other jurisdictions:

> We conclude that in deciding whether the sale of Rush's prints violate Woods's right of publicity, we will look to the Ohio case law and the RESTATEMENT (THIRD) OF UNFAIR COMPETITION. In deciding where the line should be drawn between Woods's intellectual property rights and the First Amendment, we find ourselves in agreement with the dissenting judges in *White*, the Tenth Circuit's decision in *Cardtoons*, and the Ninth Circuit's decision in *Hoffman*,[155] and we will follow them in determining whether Rush's work is protected by the First Amendment. Finally, we believe that the transformative elements test adopted by the Supreme Court of California in *Comedy III Productions*, will assist us in determining where the proper balance lies between the First Amendment and Woods's intellectual property rights.[156]

By incorporating all the disparate sources of law into the analysis of Rush's artwork depicting Woods' victory at Augusta, the Sixth Circuit sought to bring balance and harmony back to the law of publicity rights. The court went on to discuss the highly creative and transformative work created by Rush, which met the transformative test set out in *Comedy III*, and allowed for a finding that no publicity rights were implicated.[157] Despite the invitation to integrate the case law, courts continue to apply the various tests as set out by state and federal courts without the care or synthesis suggested by the Sixth Circuit. As a result, the precedential value of any particular case remains somewhat suspect.

---

153 White v. Samsung Elecs. Am., Inc., 971 F.2d 1395 (9th Cir. 1993) *rehearing en banc denied*, 989 F.2d 1512, 1513 (9th Cir. 1993) (Kozinski, J., dissenting).

154 *White*, 989 F.2d at 1513 (Kozinski, J., dissenting).

155 Hoffman v. Capital Cities/ABC, Inc., 255 F.3d 1180 (9th Cir. 2001) (doctored photograph of Dustin Hoffman in drag, standing in a pose simulating *Tootsie* motion picture poster was held protected speech when used as a magazine cover) (footnote not in original quote).

156 *ETW*, 332 F.3d at 936 (footnote omitted).

157 *Id.* at 936–37.

F. Intersections with Trademark Fair Use and First Amendment Protection

In almost every publicity rights case, the plaintiffs are also able to bring a cause of action for either a registered trademark[158] or an unregistered mark under section 43(a) of the Lanham Act.[159] Tiger Woods, for example, has a registered trademark in both "Woods" and "Tiger Woods,"[160] while singer Tom Waits and athlete Kareem Abdul-Jabbar have raised unfair competition claims using section 43(a).[161] Professional athletes in league sports may have registered trademarks in their names, while the professional sports leagues for which they play own the registered trademarks in the team names, logos, and related team indicia. Section 43(a) adds protection to stop a false endorsement, "which is likely to confuse consumers as to the [celebrity's] sponsorship or approval of the product."[162]

Like copyright law and publicity rights, trademark law limits the exclusivity afforded by trademark.[163] First, any party who wishes to use trademarks can do so if such use does not create a likelihood of confusion.[164] Moreover, as a defense to trademark infringement, trademark law generally recognizes two fair use exceptions and a First Amendment exception to allow third parties to exploit trademarks and trade dress without express permission.[165]

Under traditional trademark fair use, the words which are owned as a trademark can be used as fair use when accurately describing a company's own good or service. For example, although "VCR-2" is a legitimate trademark for Go-Video, the trademark holder cannot stop JVC from using VCR-2 to label the second VCR input jack on the back of its own devices.[166] Trademark law was not "meant to deprive commercial speakers of

---

158 15 U.S.C. §§ 1051–1141n (2000)

159 15 U.S.C. § 1125(a) (2000). The provision protects against false designation of origin as to the sources of goods and services and protection against the false advertising of goods and services. *See, e.g.*, E.S.S. Entm't 2000, Inc. v. Rock Star Videos, Inc., 444 F. Supp. 2d 1012, 1027 (C.D. Cal. 2006).

160 *ETW*, 332 F.3d at 920–21.

161 Abdul-Jabbar v. Gen. Motors Corp., 85 F.3d 407, 410 (9th Cir. 1996); Waits v. Frito-Lay, Inc., 978 F.2d 1093, 1107–08 (9th Cir. 1992); *see also* Midler v. Ford Motor Co. 849 F.2d 460 (9th Cir. 1988).

162 *Waits*, 978 F.2d at 1110.

163 *E.g.*, *ETW*, 332 F.3d at 920. As an initial matter, trademark law "provides a defense to an infringement claim where the use of the mark 'is a use, otherwise than as a mark, . . . which is descriptive of and used fairly and in good faith only to describe the goods . . . of such party . . . .'" *Id.* (quoting 15 U.S.C. § 1115(b)(4)).

164 KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 117 (2004). Additional protections are available for "famous mark[s]," but such protection is beyond the scope of this article. *See* 15 U.S.C. § 1125(d) (2000).

165 17 U.S.C. § 107 (2000).

166 *In re* Dual-Deck Video Cassette Recorder Antitrust Litig., 11 F.3d 1460, 1467 (9th Cir. 1993). For two other examples, see *KP Permanent Make-Up, Inc*, 543 U.S. at 123 (2004) and *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 905 (9th Cir. 2003) (Fair use "applies only to marks that possess both a primary meaning and a secondary meaning—and only when the mark is used in its primary descriptive sense rather than its secondary trademark sense.").

the ordinary utility of descriptive words."[167]

The second form of trademark fair use is nominative fair use. A party may properly use the trademark of another to accurately describe the trademark owner's product. For example, an independent Volkswagen repair mechanic was allowed to use the trademark Volkswagen in its advertising to show the makes and models for which it provides service.[168] Such accurate descriptions are allowed "even if the defendant's ultimate goal is to describe his own product."[169]

The test for application of trademark fair use is in a state of flux. While the dominant case law has developed in the Ninth Circuit, recent Supreme Court jurisprudence has called the test into question. For purposes of comparing the approach to publicity rights, the tests of both the Ninth and Third Circuits are instructive.

Under the Ninth Circuit approach, the following characterization applies:

> [W]here the defendant uses a trademark to describe the plaintiff's product rather than its own product, a commercial user is entitled to a nominative fair use defense provided the defendant meets three requirements: [T]he product or service in question must be one not readily identifiable without use of the trademark; only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.[170]

The Third Circuit has modified the Ninth Circuit test with its own three-prong analysis:

> Is the use of plaintiff's mark necessary to describe (1) plaintiff's product or service and (2) defendant's product or service? Is only so much of the plaintiff's mark used as is necessary to describe plaintiff's products or services? Does the defendant's conduct or language reflect the true and accurate relationship between plaintiff and defendant's products or services?[171]

---

167 *KP Permanent Make-Up*, 543 U.S. at 122, *remanded to* 408 F.3d 596 (9th Cir. 2005). On remand, the Ninth Circuit adopted the following set of factors for determining fair use:

> Among the relevant factors for consideration by the jury in determining the fairness of the use are the degree of likely confusion, the strength of the trademark, the descriptive nature of the term for the product or service being offered by [the defendant] and the availability of alternate descriptive terms, the extent of the use of the term prior to the registration of the trademark, and any differences among the times and contexts in which [the defendant] has used the term.

KP Permanent Make-Up, 408 F.3d at 609.

168 Volkswagenwerk Aktiengesellschaft v. Church, 411 F.2d 350 (9th Cir. 1969).

169 Horphag Research, Ltd. v. Pellegrini, 337 F.3d 1036, 1040–41 (9th Cir. 2003) (quoting Cairns v. Franklin Mint Co., 292 F.3d 1139, 1152 (9th Cir. 2002)).

170 Downing v. Abercrombie & Fitch, 265 F.3d 994, 1009 (9th Cir. 2001) (citing New Kids on the Block v. News Am. Publ'g, Inc., 971 F.2d 302, 308 (9th Cir. 1992)).

171 Century 21 Real Estate Corp. v. Lendingtree, Inc., 425 F.3d 211, 228 (3d Cir. 2005). For a discussion of the case, see Graeme B. Dinwoodie & Mark D. Janis, *Lessons from the Trademark Use Debate*, 92 IOWA L. REV. 1703, 1709–10 (2007).

Perhaps one of the reasons that the Ninth Circuit developed its particular articulation has been the extent to which the trademarks in question were related to identity issues, such as the band New Kids on the Block[172], surfer legends, including George Downing and Paul Strauch[173], actor, George Wendt[174], and others for whom their trademarks were their identity. It may be that, whatever variation may result from the somewhat different articulations of the two competing formulations in general, there will be no meaningful difference in cases involving identity or publicity rights. In both categories, the nominative fair use question will turn on whether the use of the celebrity's identity to properly identify that celebrity suggests sponsorship and endorsement. This also answers the question whether "the true and accurate relationship"[175] is accurate or misstated as well as whether the extent to which the identity was used was only "reasonably necessary."[176]

A billboard for a miniature golf facility, saying, "Tiger Woods has never won on our Golf Course" would be accurate, but misleading. While it might be humorous to have a large photograph of Woods in despair as he missed a putt, the use of image and name would strongly suggest sponsorship—even if the text of the ad suggests otherwise. In contrast, a restaurant that posts a wall of photographs of famous celebrities taken as those celebrities are eating inside the restaurant accurately reflects that those celebrities dined in the facility, and their placement inside the restaurant rather than on billboards minimizes any likelihood of consumer confusion that the celebrities are endorsing the restaurant, except to the extent that the individuals depicted had dined there.

The differences in formulation may be significant in certain trademark contexts, but the differences should not affect the outcome of cases inside computer games and virtual worlds, particularly for trademarks related to identity interests.

One recent case involving computer games helps illustrate the impact on the nominative fair use approach. In *E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.*,[177] a district court applied the nominative fair use approach of the Ninth Circuit to a claim for trademark and dress infringement when the plaintiff's marks "Play Pen" and "Totally Nude" were parodied within the video game *Grand Theft Auto: San Andreas*.[178] The court did not take the simple expedient of dismissing the claim under the theory

---

172 *New Kids on the Block*, 971 F.2d 302.

173 *Downing*, 265 F.3d 994.

174 Wendt v. Host Int'l, Inc., 125 F.3d 806 (9th Cir.1997).

175 *Century 21*, 425 F.3d at 228.

176 *Downing*, 265 F.3d at 1009.

177 444 F. Supp. 2d 1012, 1027 (C.D. Cal. 2006).

178 *Id.* at 1014. The plaintiff's disputed the characterization of the depiction as parody. While it may be true the use could better be said to satirize Los Angeles than to parody the Play Pen's name as trademark "Totally Nude," such distinction, if relevant at all, only affects the scope of copyright fair use under *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994). *See id.* at 1016 & nn.13–16.

that the defendant used the plaintiff's mark within an expressive work or under the theory that plaintiff failed to demonstrate any use of its marks as either a false association or false advertising with a product or service. Instead, the opinion emphasized nominative fair use.[179]

The court acknowledged the circularity of applying a nominative fair use analysis since "the lack of anything that suggests sponsorship or endorsement—is merely the other side of the likelihood-of-confusion coin."[180] Not surprisingly, nominative fair use did not apply to the satirical use within the video game. The 'strip club depicted in the game, the "Pig Pen" and copied trade dress did not attempt to refer to the plaintiff's products, "but only to describe their own product."[181] Instead of applying an "other side of the coin" analysis, the court could have applied a likelihood-of-confusion analysis. This would have created far less difficulty in dismissing the claim, because there was no association with any good or service being offered by the plaintiff.[182]

Partially due to the confusion regarding nominative fair use, trademark law analysis requires an additional or alternative First Amendment analysis when expressive works are involved. The First Amendment limitation on trademark rights attempts to balance the limited property rights of the trademark holder with the public's interest in an open marketplace of ideas and the speaker's right to communicate. "[W]hen unauthorized use of another's mark is part of a communicative message and not a source identifier, the First Amendment is implicated in opposition to the trademark right."[183] Increasingly, courts have recognized that were they "to ignore the expressive value that some marks assume, trademark rights would grow to encroach upon the zone protected by the First Amendment."[184]

The leading case articulating the balance of the trademark owner's rights and the expressive rights in creative works was decided by the Second Circuit in *Rogers v. Grimaldi*.[185] *Rogers* involved a complaint by the famed actress Ginger Rogers regarding the title of a movie—*Ginger and Fred*—which referred to the motion pictures of Fred Astaire and Ginger Rogers as a metaphor, but did not involve or relate to either of the screen legends. Addressing the concern that Roger's name was being used for the film's title, the Second Circuit rejected both a narrow First Amendment exception—that there were "no alternative avenues of communication"[186]—and the lower court's categorical assertion that trademark law

179 *Id.* at 1029.

180 *Id.* (quoting Brother Records, Inc. v. Jardine, 318 F.3d 900, 909 n.5 (9th Cir. 2003)).

181 *Id.* at 1036.

182 *Id.*

183 Yankee Publ'g v. News Am. Publ'g , 809 F. Supp. 267, 276 (S.D.N.Y. 1992).

184 Mattel, Inc. v. MCA Records, 296 F.3d 894, 900 (9th Cir. 2002).

185 875 F.2d 994 (2d Cir. 1989).

186 *Id.* at 998; *cf.* Mut. of Omaha Ins. Co. v. Novak, 836 F.2d 397, 402 (8th Cir. 1987) (finding infringement when "adequate alternative avenues of communication exist").

was simply inapplicable to works of artistic expression.[187] Steering clear of either extreme position, the court announced a balancing of interests between the trademark holder and the author:

> We believe that in general the Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression. In the context of allegedly misleading titles using a celebrity's name, that balance will normally not support application of the Act unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work.[188]

This test requires that there be a relationship between the literary content of a work and the trademark used in the title of the work as a condition of providing First Amendment protection for the speech. The use of a title in a work has at least some commercial aspects, which gives rise to the right to protect the public from fraudulent or misleading products and advertising.[189] Such an approach is quite consistent with First Amendment jurisprudence that finds little value in commercial speech that is intentionally misleading.[190]

The Ninth Circuit has taken the same approach, extending *Rogers* to cases involving the use of the trademark "Barbie" in both a song title[191] and in parody photographs.[192] Many courts have also extended the *Rogers* balancing test beyond the titles of expressive works to the covers of books as well as to trademarks used within the content of the literary work.[193] As the courts have suggested, "in deciding the reach of the Lanham Act in any case where an expressive work is alleged to infringe a trademark, it is appropriate to weigh the public interest in free expression against the public interest in avoiding consumer confusion."[194] The Sixth Circuit took a similar approach for the trademark aspects of Tiger Woods' name when used in conjunction with Rush's painting of the golfing victory at Augusta.[195]

The *Rogers* approach thus posits two reasons to restrict the use of a trademark or celebrity name. Either the mark has no artistic relevance to

---

187 *Rogers*, 875 F.2d at 999.

188 *Id.*

189 *See id.* at 999 n.5 ("This limiting construction would not apply to misleading titles that are confusingly similar to other titles. The public interest in sparing consumers this type of confusion outweighs the slight public interest in permitting authors to use such titles.").

190 *See, e.g.*, Peel v. Attorney Registration & Disciplinary Comm'n, 496 U.S. 91 (1990); *In re* R.M.J., 455 U.S. 191, 203 (1982); Cent. Hudson Gas & Elec. v. Pub. Servs. Comm'n, 447 U.S. 557 (1980).

191 Mattel, Inc. v. MCA Records, 296 F.3d 894, 901 (9th Cir. 2002) (finding First Amendment protection for the song title, "Barbie Girl").

192 Mattel, Inc. v. Walking Mountain Prods., 353 F.3d 792, 807 (9th Cir. 2003).

193 Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ'g Group, 886 F.2d 490, 494–95 (2d Cir. 1989); *see also* 2 THOMAS J. MCCARTHY, MCCARTHY ON TRADEMARK AND UNFAIR COMPETITION § 10:22 (4th ed. 2007).

194 *Cliffs Notes*, 886 F.2d. at 494; *see also* Hoffman v. Capital Cities/ABC, Inc., 255 F.3d 1180, 1183–84 (9th Cir. 2001) (balancing between right of publicity and the First Amendment).

195 ETW Corp v. Jireh Publ'g, 332 F.3d 915, 937 (6th Cir. 2003).

the underlying work, or the use of the mark "explicitly misleads as to the source or the content of the work."[196]

Returning to the marks in *Grand Theft Auto: San Andreas*, the use of plaintiff's marks—Pig Pen, Totally Nude and nude figure trade dress[197]—have relevance to a stylized Los Angeles streetscape in which the marks appear, and the marks do not suggest anything to mislead the players of the game as to the source or content of the game. With regard to the source of the game, the court pointed out that, "when First Amendment interests are implicated, the Rogers 'explicitly misleading' standard applies, not the traditional 'likelihood of confusion' test."[198]

The test regarding consumer expectations is quite important for adjudicating the ability of artists and authors to use trademarks within expressive works. Given the commercialized nature of celebrity endorsements, general audiences may tend to assume that any use of a brand name, celebrity identity or other mark is done only with permission. There is little social utility, however, in allowing that normative expectation to reduce the range of free speech afforded to authors and artists. When focusing on the content within an expressive work, audiences are not harmed by the confusion. The audience member's choice to read, watch, or play has already been made. This was a key factor in the *Rogers* court, focusing on the title rather than on the content within the movie. The expressive use within the movie should have even greater First Amendment protection than the title. On the other hand, even protected speech has little utility when it is written to be explicitly misleading as to the source. A video game that claims to be the "approved and official game or web page," has little First Amendment protection if it is made without consent and is trying to hold itself out in a fraudulent manner to the public.[199]

G. Kirby's Ride through San Andreas: The State of Virtual World Protection

Courts do not formally attempt to consolidate the copyright fair use analysis, the trademark nominative fair use and First Amendment analysis, and the publicity rights fair use balancing tests. But the combination of these various tests, as applied in recent case law, suggests a strong trend towards protecting free expression and away from identity interests in computer games and virtual worlds.

---

196 *Rogers*, 875 F.2d at 999.

197 E.S.S. Entm't 2000, Inc. v. Rockstar Videos, Inc., 444 F. Supp. 2d 1012, 1020–21 (C.D. Cal 2006).

198 *Id.* at 1045.

199 *See, e.g.*, Mattel, Inc v. MCA Records, Inc., 296 F.3d 894, 900 (9th Cir. 2002). In contrast, the important distinction is how the fictional work is presented to the public. If someone wishes to produce a comic parody of commercialization by creating a television skit about the making of a TV commercial using athletes, the producer of the skit should not require permission of the athletes or manufacturers to depict real athletes or products in the parody. The skit producer is not intending to mislead the public into thinking the commercial or the endorsement is real.

In *Kirby v. Sega of America, Inc.*,[200] a California appellate court addressed a right of publicity claim in the context of a Sega computer game named, *Space Channel 5*.[201] Plaintiff, Kierin Kirby, lead singer of the retro-funk band "Deee-Lite," complained that her identity was used for the game. As described by the court, the similarities were quite difficult to imagine. The court had only modest respect for the publicity claims brought by Kirby, but nonetheless found that she raised triable issues of fact.[202] The *Kirby* court rejected the plaintiff's suggested rule that the work relate to the person parodied by requiring the work to "say something—whether factual or critical or comedic" about Kirby the public figure in order to receive First Amendment protection.[203] Despite the plaintiff's efforts, references to the Restatement test were thus rejected.[204]

The California court of appeal applied the transformative test from *Comedy III*—as interpreted by *Winter*—to find that Kirby was, at best, the raw material for Ulala, the character in Sega's game.[205] The court noted that, "notwithstanding certain similarities, Ulala is more than a mere likeness or literal depiction of Kirby. Ulala contains sufficient expressive content to constitute a 'transformative work' under the test articulated by the Supreme Court."[206] Such transformative changes included the anime style drawing, the height of the animated character, and the difference in dance style from Kirby.[207] The concern raised by these cases is not the outcome, but the focus of the approach. As applied in *Winter* and *Kirby*, California's fair use test is evolving into a less helpful transformative test. As described in *Kirby*, the very act of rendering a live person's likeness into an avatar was transformative. This at least suggests that the rendering alone—the translation from photograph to avatar—would be sufficient to make the likeness a transformative fair use. Describing the depictions in *Comedy III*,

---

200 50 Cal. Rptr. 3d 607 (Ct. App. 2006).

201 *Id* at 609.

202 *Id.* at 613.

203 *Id.* at 616 (internal quotations omitted).

204 *See supra* notes 132–34 (describing the Restatement test).

205 *Id.*

206 *Id.*

> The similarities which gave rise to a triable issue of fact are not mentioned. Ulala resembles Kirby in certain respects. Certain of Ulala's characteristics and computer-generated features resemble Kirby's. Both images are thin, and have similarly shaped eyes and faces, red lips and red or pink hair. Both wear brightly-colored, formfitting clothing, including short skirts and platform shoes in a 1960's retro style. In addition, Ulala's name is a phonetic variant of "ooh la la," a phrase often used by Kirby and associated with Kirby. Finally, as the trial court pointed out, both Kirby and Ulala used the phrases, "groove," "meow," "dee-lish," and "I won't give up." These similarities support Kirby's contention her identity was misappropriated.

Id. at 613. The *Kirby* court's description of similarities in the *White* case is helpful. *White* represented a "[n]onconsensual use of robotic image of celebrity Vanna White, dressed in wig, gown and jewelry regularly worn by White, turning letters on a game show set designed to look like the *Wheel of Fortune*, constitutes common law appropriation of celebrity's singular identity." *Id.* at 614 (citing White v. Samsung Elecs. Am., 971 F.2d 1395, 1399 (9th Cir. 1992).

207 *Kirby*, 50 Cal. Rptr. 3d at 613–14, 616.

the *Kirby* court illustrates its understanding of the difference. "The artist who created [the Three Stooges drawings], while highly skilled, contributed nothing other than a trivial variation that transformed the drawings from literal likenesses of the three actors."[208] Such an interpretation creates a very low threshold for a transformative act. Moreover, since the transformative test does not take the commercial nature of the use into account, it may allow for much greater exploitation of an actor or athlete's identity than had been historically permitted.

The purpose of incorporating fair use into publicity rights analysis was to assure that legitimate respect was given to the free speech rights of artists and authors who used the identity of the famous in their expressive works. As the test is evolving, however, it is losing sight of its role in creating a critical accommodation for expressive works.

Just as the court in *Kirby* extended *Comedy III*, the Eighth Circuit has extended *Cardtoons* in *C.B.C. Distribution and Marketing v. Major League Baseball Advanced Media, L.P.*[209] In *C.B.C.*, a fantasy sports operator brought a declarative action asserting its freedom to use "'names, nicknames, likenesses, signatures, pictures, playing records, and/or biographical data of each player' in an interactive form in connection with its fantasy baseball products."[210] Although no visual images were used in connection with the for-profit fantasy league site, most other attributes of identity were utilized. The Eighth Circuit began the analysis by identifying the high social utility in access to the statistics of America's pastime:

> The public has an enduring fascination in the records set by former players and in memorable moments from previous games . . . . The records and statistics remain of interest to the public because they provide context that allows fans to better appreciate (or deprecate) today's performances." The . . . "recitation and discussion of factual data concerning the athletic performance of [players on Major League Baseball's website] command a substantial public interest, and, therefore, is a form of expression due substantial constitutional protection."
>
> In addition, the facts in this case barely, if at all, implicate the interests that states typically intend to vindicate by providing rights of publicity to individuals. [M]ajor league baseball players are rewarded, and handsomely, too, for their participation in games and can earn additional large sums from endorsements and sponsorship arrangements.[211]

The court thus found that the players' claims were precluded by the First Amendment.[212]

The court saw little in either the economic or non-economic interests of the players to offset the public's interest in access to game statistics.

---

208 *Id.* at 615.

209 505 F.3d 818 (8th Cir. 2007).

210 *Id.* at 823 (internal quotations omitted).

211 *Id.* at 823–24 (quoting Gionfriddo v. Major League Baseball, 114 Cal. Rptr. 2d 307, 315 (Ct. App. 2001) (internal quotations omitted)).

212 *C.B.C.*, 505 F.3d at 824.

Compare this result to a similar case decided in 1970.[213] Throughout the 1960's, Negamco's *Major League Baseball* and *Big League Manager Baseball* were sold as sports fantasy games. The two games "employ[ed] the names and professional statistical information such as batting, fielding, earned run and other averages of some 500 to 700 major league baseball players, identified by team, uniform number, playing position and otherwise."[214] The unauthorized use of the information now protected by the First Amendment was barred in the earlier situation.[215]

The historical change in the expectation that players control the statistics of their play for purposes of fantasy games dictates the outcome of the litigation. If the court assumes that such an ownership right exists, as it did in *Uhlaender*, then a game manufacturer cannot exploit that right without permission. If the court assumes that no such right exists, as it did in *C.B.C.*, then the game manufacturer is free to sell the game. No empirical justification is available to inform this assumption. It is an essentially arbitrary starting point, normatively based.

Again, a reflection on copyright fair use can provide a more nuanced approach as an analogy.[216] Without challenging the finding that the public has a high interest in the baseball statistics, the assertion does not support a finding that the statistics should be controlled by the players or be available free to the public. Free access should reduce the costs to the public, but it may also reduce the reliability of the data gathered. The lack of ownership also means the lack of any quality control from the players. Copyright fair use, in contrast, would allow the court to assess the effect on the market. To the extent that the fantasy statistics are fully available through licensed channels to the public, the public need should be satiated. To the extent that the transaction costs involved in collecting the data are too high to license the information, fair use should provide an adequate remedy. Instead, the Eighth Circuit has made a value judgment regarding the publicity rights of the players as used in an unlicensed commercial fantasy sports business. This is perhaps yet another consequence of the California Supreme Court's rejection of portions of the fair use test in *Comedy III*.

The Restatement's relatedness test may provide a better explication regarding the shift of player statistics than is suggested by *C.B.C. or Uhlaender*. Board games (*Uhlaender*) and video games (*C.B.C.*) are both products. But websites are content, much closer to newspapers and televi-

---

213 Uhlaender v. Hendricksen, 316 F. Supp. 1277 (D. Minn. 1970).

214 *Id.* at 1278. ("SCIENTIFICALLY COMPUTED [sic] Players are rated in every phase of baseball play. Each pitcher is different and each batter is different. You manage 520 big time players. Your strategy affects the outcome of every game. This game is Big, Colorful, and True. 220 pitchers and 300 fielders are included.").

215 *Id.* at 1283 ("Defendants have violated plaintiffs' rights by the unauthorized appropriation of their names and statistics for commercial use.")

216 It is only an analogy, since copyright does not provide protection for any of the individual statistics and the players have not copyrighted work embodying the order, selection and arrangement of the statistics in any copyrighted fashion. *See* 17 U.S.C. § 102 (2000).

sion than to lunch boxes or billboards. As websites and simple ball-and-paddle videogames converged into virtual worlds, the line was crossed and the works became wholly protected speech. Player data can no longer be protected as expression because the data has become the facts and ideas necessary for communication about the sport. Fantasy leagues are merely another method of that expression. It is the role of the content, which has changed, making *C.B.C.* correct for its age, just as *Uhlaender* was correct in its era.

Taken together, *Kirby* and *C.B.C.* reflect a strong swing away from protecting the identity interests of celebrities and towards free speech interests of producers for games and virtual worlds. The very nature of these tests suggests a movement away from protecting identity, significantly impacting products currently being sold and under development.

II. WHERE SPEECH ENDS IN VIRTUAL WORLDS: WHAT CAN AND SHOULD BE REGULATED

A. Where Publicity meets Free Expression: From Fair Use to Avatar-Jacking

Grand Theft Auto: San Andreas represents the state of the modern case law regarding computer games and virtual worlds. These games are entitled to First Amendment protection, thwarting city and state attempts to ban ultra-violent or socially repugnant works. They are expressive works, entitled to fair use and First Amendment protection that allows unauthorized use of intellectual property—copyrights, trademarks, and publicity rights—to be incorporated into their content. They are highly valuable commercial properties earning their owners tremendous revenue and setting the stage for a high stakes battle regarding the control of the intellectual property contained in these games. Against this backdrop, it will be useful to assess the legal consequences of the introductory example, *www.PRO.us* ("PRO"), a virtual world incorporating the best and worst aspects of *Second Life*, *Madden NFL*, and *Grand Theft Auto*.

In this hypothetical, Players, Inc.—the for-profit licensing arm of the National Football League Players Association—will bring suit against the owners of PRO, and will also file take-down notices against the website hosting companies where the players' trademarks and publicity rights are being exploited without authorization.[217]

---

217 Such a lawsuit would be filed not just by Players, Inc., but also by all unions and leagues affected. The focus on a single plaintiff is for purposes of illustration only. The league and individual teams would bring trademark actions for the use of the registered trademarks, logos and mascots of the teams; broadcasters may have copyright claims for copying of television footage and still photography, as well as copyright claims for intermediate copying for the use of such photographs and footage into what later became the avatars and game graphics. The players would also be expected to bring defamation claims regarding unsportsmanlike activities and steroid use allowed in the game, and false light claims for the use of the identity in gladiatorial games. This article provides no opinion as to the effica-

In analyzing the hypothetical case, courts following the *Digital Software, Kirby, E.S.S. Entertainment 2000,* and *C.B.C.* line of cases will treat the game as an expressive work rather than merely a product. In recent cases attempting to ban ultra-violent games, courts have consistently accepted video games as expressive works.[218] Since the various legal tests for fair use and First Amendment protection no longer rely on merely categorizing the game as expressive or commercial, however, this recognition of video games as expressive is merely the first step in the analysis.

Turning first to the use of the trademarks within the game, claims that PRO is unable to use these trademarks are directly comparable to *C.B.C.* Both the teams and the players will make trademark claims, but both will face similar challenges for protection.

Under trademark law, the teams and leagues would have a stronger claim than the players because the use of team names, logos, and colors for various fantasy leagues goes beyond the nominative fair use tests of the Ninth and Third Circuits. While the use of the player's professional affiliation would be necessary for the user to create one 's team, there is less support for the claim that names, logos, or colors are necessary to build and play the team. Both the Third Circuit and Ninth Circuit nominative fair use tests focus on the necessity of the use, and the amount taken suggests that it is substantial. As a result, nominative fair use may provide little protection from the teams. The sufficiency and need for taking will be influenced by the expressive use made of these elements.

Publishers of PRO will assert that the game itself creates a parody of the leagues and the values of professional sports. To-the-death fighting, steroid availability, free agency, and interchangeability of players between sports all comment on the inherent nature of professional sport. Taken one step further, parody versions of these trademarks, created in a whimsical fashion like that in *Cardtoons*, would take less of the original and enhance the expressive elements.

The additional analysis required under the First Amendment further reflects a predisposition to protect free expression. It is quite difficult to parody the teams or players without access to the team names, colors, or logos. The public interest in the free expression will outweigh any concerns regarding likelihood of confusion.[219] The satirical view of professional sports built into the game will have a strong influence on the First Amendment defense.

For the players, nominative fair use should eliminate any trademark

---

cy of those additional causes of action.

218 *See, e g.*, Interactive Digital Software Ass'n v. St. Louis County, 329 F.3d, 954 (8th Cir. 2003); Video Software Dealers Ass'n v. Webster, 968 F.2d 684 (8th Cir. 1992); Am. Amusement Mach. Ass'n v. Kendrick, 244 F.3d 572 (7th Cir. 2001); Wilson v. Midway Games, 198 F. Supp. 2d 167 (D. Conn. 2002).

219 *See, e g.*, Hoffman v. Capital Cities/ABC, Inc., 255 F.3d 1180, 1187 (9th Cir. 2001).

claims they may have. The names and images refer directly to the players. The relationship between the game and the players should be clear from the game play, use of disclaimers, and the sophistication of many in the online community.[220] The transformative test applied in the Ninth Circuit to publicity rights, though not applying the same legal standard, is also helpful to use as a comparison. The Three Stooges T-shirts at issue in *Comedy III* were not transformative because, although they were skillful and careful reproductions of the likeness of the Three Stooges, they were merely accurate drawings, with nothing else added to the canvas, reflecting only a copy of the actors' images.[221] In PRO, there is an overwhelming amount of additional content, manipulation of the images, the use of the images in the games, and the implicit social commentary of the players, leagues and sports. Like the image of Tiger Woods being embraced by golf's pantheon, the players' images are merely a part of the message communicated.

In the context of nominative fair use, courts following the reasoning of these cases will likely allow PRO to use the entirety of an identity. Given the extensive nature of the game and the comprehensive, highly transformative use to which the identity is put, celebrities and athletes should expect to have little ability to stop such use. Like an unauthorized biography, there is no amount of detail that crosses the line because of the context in which the raw material is used.

The publicity rights claims will follow the same line of reasoning for the transformative test of the Ninth Circuit and the related balancing test in the Sixth Circuit. Even assuming that the court did not follow *Kirby*'s overzealous approach of characterizing the mere creation of the character as a transformative act, the use to which the PRO characters are put seems to be highly transformative. The users can manipulate the names and likeness to create new characters, cast those characters into a variety of sports, enhance the play of the characters, and evolve the people in a wide variety of ways. Such use bespeaks the "raw material" envisioned under California law. Given the protection afforded to free expression under *Kirby* and *C.B.C.*, courts would find it difficult to rule against PRO even if the judges found the content undesirable.

To the extent that *Doe v. TCI Cablevision* creates any inconsistency in the court decisions, the facts of that decision render it far less persuasive. *Doe* emphasized that the commercial exploitation of hockey players occurred in a manner unrelated to the comic book, *Spawn*, but directly related

---

220 The game has violent aspects not appropriate for young children. Assuming steps are taken to verify that the game has a 13+ rating and the marketing is not geared at young children, the argument that the youth playing the game are more likely to be confused should have little weight. Teens generally seem quite discerning regarding their brands and do not require extra protection for trademark confusion.

221 Comedy III Prods., Inc. v. Gary Saderup, Inc., 21 P.3d 797, 810 (Cal. 2001) (finding that an artist accurate rendering of a celebrity image was not sufficiently transformative to receive First Amendment Protection).

to marketing efforts to sell the comic books.[222] A parallel between *Doe* and PRO would only exist if PRO utilized the players' likenesses to target the marketing of the game. Given the factually specific nature of *Doe*, there is little chance that *Doe* would sway a court's opinion.

Having said that, the outcome could depend on the jurisdiction in which the case is brought. The Missouri court would be highly critical of the analysis described above. As in *Doe*, the creators of PRO are emphasizing the game for the sports fan. The more a gamer knows of players and statistics, the more valuable the game features become. The use of real players is unequivocally intended to create a commercial advantage for the producers of the game.[223] Applying "a sort of predominant use test,"[224] PRO's producers would be hard pressed to establish that the predominant purpose of the game was "to make an expressive comment" on or about a player or players.[225] This very narrow exception to publicity rights requires the object of the publicity rights claim to be the subject of the work at issue. Although taken as a whole, the players are the subject of the game, the emphasis of the work is on the game play, and not on the players. Real identities are not required to make the game work or even to comment on the violence or drug use associated with professional sports. Were a court to closely follow *Doe*, the players would be much more likely to have their identity rights protected.

The *Doe* approach highlights the economics underlying the game. Why should the players be forced to forgo income that will be made by third parties? By including the effect on the market, copyright fair use includes the ability to assess this question. But at present, only *Zacchini* reiterates this concern.[226] Even under *Zacchnini*'s approach, however, a court can distinguish the right of the player to control his or her performance from the right to recreate a user-generated performance based on attributes of the performer. Under a proper copyright fair use approach, courts would find fair use because a voluntary license is unlikely, given the nature of the parody in PRO.

B. Finding Balance among the Balancing Tests

The Missouri predominant use test goes too far in requiring a direct reference to the particular celebrity as a prerequisite to protecting free expression interests. On the other hand, California goes too far in excluding

---

222 *Id.* at 371.

223 *See id.* at 369.

224 *Id.* at 374.

225 *Id.* (quoting Mark S. Lee, *Agents of Chaos: Judicial Confusion in Defining the Right of Publicity-Free Speech Interface*, 23 LOY. L.A. ENT. L. REV. 471, 500 (2003)).

226 Zacchini v. Scripps-Howard Broad. Co., 433 U.S. 562, 576 (1977) ("The rationale for [protecting the right of publicity] is the straight-forward one of preventing unjust enrichment by the theft of good will." (quoting Harry Kalven, Jr., *Privacy in Tort Law—Were Warren and Brandeis Wrong?*, 31 LAW & CONTEMP. PROBS. 326, 331 (1966))).

the market effect from publicity fair use analysis. The full fair use analysis of copyright provides such a synthesis, as does the combination of trademark law's fair use, nominative fair use, and First Amendment defenses.

Copyright, of course, is not an entirely useful comparison. If the players were literary characters or comic book characters, then PRO would be an infringing work. The copyright in a celebrity's authorized avatar will have greater legal protection than the publicity rights available to the person behind the avatar. The extensive use of the characters in a video game would be an unauthorized derivative work.[227] But the players are not themselves the work. The identity rights protected for humans are far less than the literary rights of characters protected for their authors.

Looking to a comprehensive fair use copyright analysis, the unauthorized use of the names and likeness would be balanced against the commercial nature of the game; the highly transformative use of the identities; the entirety of the identities taken; and the potential effect on the market. The effect on the market for publicity rights is an important factor under a copyright-style analysis. Although PRO does not substitute for watching professional sports, PRO does directly compete with *Madden Sports* and other licensed toys and games. The economic rights to the market will be affected by PRO. So either all of these products should no longer be protected, or PRO will require a license. This is an accurate reflection of fair use, but it also has problematic consequences.

A fair use approach to publicity rights ignores the transaction cost difficulties of such a doctrine. Fair use, as applied in the copyright context, is a highly fact specific regimen which may create a significant chilling effect on content that merely risks running afoul of infringement. Although this problem exists in copyright as well, centuries of practice and industry norms have allowed publishers to make many assumptions about the contours of fair use for purposes of quotations, reviews, news, commentary and many other unauthorized reproductions of third party content. The extent of fair use parody may be hard to predict,[228] but many other forms of copyright fair use are largely routine.

In contrast, the two cases that have thus far attempted to create a new common law fair use doctrine for publicity rights are quite complex, and the role of such fact-specific rules in the mercurial worlds of computer games and virtual worlds makes such rule making more harmful than helpful.

A court applying a more comprehensive approach, such as the Sixth Circuit, would be more likely to find that the commercial nature of the

227 *Cf.* Pirone v. MacMillan, Inc., 894 F.2d 579, 584 (2d Cir. 1990) (finding Babe Ruth's trademark and publicity rights in his name and likeness insufficient to stop use of photographs in a calendar).

228 *See, e.g.*, Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 579 (1994); *cf.* Dr. Seuss Enters. v. Penguin Books USA, Inc., 924 F. Supp. 1559, 1575 (S.D. Cal. 1996), *aff'd*, 109 F.3d 1394 (9th Cir. 1997).

game and the ability of the publishers and the players to earn revenue, the comprehensive use of all attributes of identity, and the history of video game licensing would weigh heavily against the transformative nature of the game. Under such a balancing test, it would be hard to predict if PRO would be required to license the players' publicity rights or permit only fictional avatars to be used.

Only once the parameters of the online activities become clear can usefully predictive fair use rules begin to develop. Absent good fair use rules, the public is probably better served by a rejection of a cause of action for misappropriation of performances than it would be if such a cause of action existed.

C. Advertising inside the Game and the Need for Disclosure

Virtual worlds have the ability to include advertising and commercial speech within the game, an attribute that separates them from books and other literary works.[229] Billboards in video games can be sold to advertisers, or change dynamically depending on the attributes of the game or the individual user.[230] In PRO, for example, the producers of the game could show Gatorade on football sidelines since that product is commonly used in real-world football games.[231] In the alternative, PRO's publishers could sell the branding rights to a particular company, create a fictional product, or have the product which is displayed be based on the computer browsing habits of each user towards the advertiser's products. In the not-too-distant future, the choice of drinks advertised in the video game could be based on the consumer preferences of the gamer.[232] Needless to say, ability to affiliate particular products in the game to each gamer's user behavior will eventually have far-reaching economic consequences to reinforce brands and adjust marketing strategies. Such individuation of advertising would also change the relationship between the celebrity and the product to be advertised or endorsed.

The commercial endorsements and advertising in virtual worlds should be viewed as a form of commercialization rather than expressive

---

229 The motion picture industry and television industries are also increasing the incorporation of paid commercial content and product placement. The professional actors involved in these works have the ability to negotiate for an income stream from these revenues through collective bargaining agreements.

230 *See, e.g.*, Derrik J. Lang, *What if watching TV were like playing a game?*, MINNEAPOLIS ST. PAUL STAR TRIB., Dec. 23, 2007, at F3.

231 The technique of replacing advertising within movies has been both exploited and litigated. *See* Sherwood 48 Assocs. v. Sony Corp. of Am., 213 F. Supp. 2d 376, 377 (S.D.N.Y. 2002), *aff'd*, 76 Fed. Appx. 389 (2003) (digital replacements of billboards in New York's Times Square for Sony's *Spider-man* film were not infringing of the building's trade dress).

232 This could be accomplished through brand surveys, cross-tabulation of the gamer to spending and purchasing habits tracked with credit cards and store affinity cards, or inferred through interaction with other computer content. In the latter case, for example, the company could assess the amount of screen time (or "stickiness") various products had for each gamer, then incorporate the advertising associated with the stickiest product on a user-by-user basis.

speech because the gamer will be able to move directly to the commercial product on the Internet. Whether the commercial is directly linked to the product's website or whether the gamer must open a second browser to reach the product, the user is much closer to the point of purchase than a billboard or television advertisement. If advertisements or endorsements take place inside the game for real products that are readily available for purchase, those advertisements and endorsements should require the licensing of the identity.

Of course, if the commercial is for a "wacky package"[233] or parody along the lines of Cardtoons[234], then a lack of commercial payment and the parodic nature of the ad can be taken into account. A comedic TV sketch for a "Bass-o-Matic" remains a parody whether on television or playing on a television within a virtual world,[235] so the placement of an advertisement within the virtual world should not materially affect the analysis. The determination should be based on whether the product is intended to be promoted to a gamer or viewer. If stadium billboards inside the game show celebrities endorsing commercially available products, those billboards should be treated the same as their brick-and-mortar counterparts. A commercial display of a product directly associated with a character or avatar should not be treated as transformative merely because the commercial appears in the game or virtual world.

The need to identify commercial endorsements and advertising for products that occur within the video games and virtual worlds suggests that the various tests of fair use, transformative use, and First Amendment must be applied to the specific use of the publicity rights within the game rather than more generally to the game as a whole. Similarly, the sale of virtual products with publicity rights or trademarks should be treated as commercial transactions if the sale results in an exchange of something of value that has economic consequence outside of the virtual environment.

Unlike the complex balancing surrounding the right fair use approaches to publicity rights protection, the concerns regarding the use of publicity rights and avatars within the video games and virtual worlds have a relatively simple regulatory solution. Broadcasting already has comprehensive rules for identification of paid sponsorships[236] and e-mail advertising re-

---

233 Wacky Packages, http://www.wackypackages.com (last visited March 25, 2008) (Wacky Packages are magnets, stickers, and postcards which parody particular brand names such as "Canaduh Dry," "Enlisterine," and "Cavemanwich.")

234 Cardtoons, http://www.tilly.com/cardtoons/default.htm (last visited March 25, 2008) (Cardtoons are comic representations of sports athletes packaged as trading cards).

235 *See* Urban Dictionary, http://www.urbandictionary.com/define.php?term=bass-o-matic, (last visited January 16, 2008) ("Coined by SNL alumnus Dan Ackroyd in the 1970s, the bass-o-matic is an ordinary blender used to turn fresh bass (fish) into a disgusting red slurry that no one in his right mind would actually drink.") *See also Saturday Night Live* (NBC television broadcast April 17, 1976); Saturday Night Live Transcripts, http://snltranscripts.jt.org/75/75qbassamatic.phtml (last visited March 10, 2008).

236 47 U.S.C. § 317 (2000) ("Announcement of payment for broadcast rules"); 47 C.F.R. §

quires disclosures.[237] A simple extension of these laws would create a regulation requiring that paid advertising and sponsorships be identified for the user. Such a rule would not be difficult to implement, since the law could simply require a notice page of the endorsements, sponsorships and advertisers included in the product.

The relevance here is that the disclosure requirement would help define which uses of an avatar were in furtherance of a commercial purpose and which were expressive. If a person is depicted in a biographical movie drinking a Coke, there is no assumption that Coca-Cola paid to have its product associated with that famous person. Listing the companies paying for product placement might change that.[238] Consider a biographical movie of Humphrey Bogart and Lauren Bacall. Authenticity might require that the famed couple's actual cigarette brand preferences be shown, but there will be a tremendous financial temptation to create a sponsorship opportunity to sell the brand featured in the motion picture. Were such a production made for the Internet, a requirement that the advertisers be listed on a web page associated with the site would have little chilling effect. At the same time, the disclosure of commercial endorsement would help satisfy the public's compelling interest regarding the commercial promotion of products.

D. Who Owns the Unauthorized Content, Anyway?

Yet one additional wrinkle unique to the issues of virtual worlds is the ownership tension between the creators of content in the worlds and the publishers of the worlds themselves. Virtual world publishers require end user license agreements, which set forth the contractual rights of the gamer and the publisher.[239] The terms of service or end-user license agreements used in these relationships typically require that user not violate the rights of third parties and set forth the ownership of any intellectual property created or imported into the virtual world by the user.

Publishers try to immunize themselves from liability to third parties by including provisions in the agreements prohibiting the user from uploading content that violates the rights of third parties.[240] As a result, to the ex-

---

73.4180 (2006) ("Payment disclosure: Payola, plugola, kickbacks").

237 CAN-SPAM Act of 2003, Pub. L. No. 108-187, 117 Stat. 2699 (2003) (codified at 15 U.S.C. §§ 7701–7713 and 18 U.S.C. § 1037).

238 *E.g.*, SUPERMAN II (Warner Brothers 1980) (the movie prominently featured the Coca-Cola sign which adorned Times Square). For an exact image, see also http://www.youtube.com/watch?v=68hRt0Pz7HI, at time 2:05 of 2:26, (last visited March 10, 2008).

239 Erez Reuveni, *On Virtual Worlds: Copyright and Contract Law at the Dawn of the Virtual Age*, 82 IND. L.J. 261, 286–87 (2007); *see generally*, Steven J. Horowitz, *Competing Lockean Claims to Virtual Property*, 20 HARV. J.L. & TECH. 443, (2007); Andrew E. Jankowich, *Property and Democracy in Virtual Worlds*, 11 B.U. J. SCI. & TECH. L. 173 (2005); F. Gregory Lastowka & Dan Hunter, *The Laws of the Virtual Worlds*, 92 CAL. L. REV. 1 (2004). The interpretation and enforceability of these agreements is beyond the scope of this article.

240 *E.g.*, Reuveni, *supra* note 239, at 286 n.153 (referring to a Sony end user license agreement).

tent that the use of celebrity publicity rights violates the rights of the celebrities, such user conduct is a breach of the agreement. The consequences are typically set out in the agreement, but generally include the right of the publisher to terminate the user's account and prohibit the user from resubscribing.[241]

The specific contractual language may be important with regard to publicity rights. If the terms of service agreement were to specify copyright law and defamation, then publicity rights would be omitted from the prohibition. Were the prohibition written not to violate any other person's "intellectual property rights," then additional ambiguity would be introduced due to the inconsistency of the jurisdictions in labeling publicity rights as a personal right, property right, or intellectual property right.

The agreements may have a similar ambiguity with regard to the rights retained by the user and the publisher. Commercial sites often require that players waive any claims to the intellectual property created by the gamer inside the game and assign those rights to the publisher.[242] In contrast, *Second Life* does not require the users to relinquish the intellectual property created and uploaded to the virtual world.[243] Each publisher has a slightly different variation on the language used.

Assuming, *arguendo*, that no third party interests were violated by gamers when creating characters and avatars incorporating the publicity rights of athletes and performers, then under many of the license agreements, the copyrightable character created from the user's adaptation of the celebrity would become the property of the game publisher. The publishers, not the end users, would gain the economic value of these interests.

It will be highly ironic that courts would encourage a liberal interpretation of First Amendment jurisprudence to allow the creation of these avatars, only to have the rights then transferred by contract to the major commercial publishers by operation of click-wrap contract law.

III. REORDERING CHAOS: COLLECTIVE BARGAINING AND BEST PRACTICES FOR THE PROFESSIONAL NEIGHBORHOODS OF VIRTUAL WORLDS

At present, the courts reviewing claims for publicity rights have not been generous to their owners. Courts have been highly respectful of the free expression for the publishers of virtual worlds and computer games and slow to protect the property interests of athletes and performers. Were

---

241 *E.g.*, Sony Online Entertainment LLC Terms of Service, http://www.station.sony.com/termsofservice.vm (last visited January 15, 2008).

242 *Id.*, *see* Reuveni, *supra* note 239, at 263–64.

243 *See* http://secondlife.com/corporate/tos.php, at section 3.2 (last visited Jan. 15, 2008) ("[S]ubject to the terms and conditions of this Agreement, you will retain any and all applicable copyright and other intellectual property rights with respect to any Content you create using the Service, to the extent you have such rights under applicable law.").

this trend to continue, it will extend beyond virtual worlds to create a legal basis for challenging the type of exclusive deals presently being made by EA Sports and other publishers.

One response to the inconsistent and increasingly unfriendly judiciary could be an attempt to change the state laws or enact federal legislation. Such laws would inevitably face First Amendment challenges, raising even more questions regarding the scope of available protection.[244] Moreover, to the extent that the judicial approach reflects the political will to protect celebrity interests, the efforts to protect these rights might result in substantial opposition in many jurisdictions.[245]

A preferred alternative would be for the professional athletes and actors to use their collective bargaining clout to establish an appropriate balance between the economic interests of the players and the expressive interests of the public and the publishers. Through collective bargaining and the establishment of recommended best practices, the celebrities are likely to gain an appropriate level of protection while respecting the free expression and creative interests important in the nuanced balancing between the First Amendment and the publicity rights. The collective bargaining agreements, in turn, should include provisions requiring that any other parties in business with the signatories to the collective bargaining agreements will also be required to commit to the practices required under the collective bargaining agreement. In this way the publicity rights provisions will extend beyond the bargaining unit to all commonly divisions under joint ownership with the employers, and eventually to many of their contracting partners.

A. Collective Bargaining as an Alternative to Regulation

Collective bargaining provides an excellent gap-filler for those areas in which intellectual property law cannot properly balance all inequities.[246] The terms of the collective bargaining agreement can establish the rights to compensation, credit, and association of the person 's identity with products or services.[247] The existing collective bargaining agreements are moving from traditional film and television into Internet use and reuse of creative content developed by union members.[248]

---

244 Moreover, the analysis described throughout this article is limited to United States law. Both the First Amendment and the publicity rights are highly idiosyncratic to United States law but the foreign rules applying to publicity rights, though not dealt with in this article, will turn on different property and state interests, depending on the jurisdiction.

245 *But see* S.B. 771, 2007, Leg., Reg. Sess. (Ca. 2007) (amending CAL. CIV. CODE § 3344.1 to make retroactive publicity rights protection available to those who died prior to January 1, 1985).

246 *Cf.* Toney v. L'Oreal, 406 F.3d 905, 910 (7th Cir. 2005) (discussing the Illinois Right of Publicity Act as a gap filler in intellectual property law); Fleet v. CBS, 50 Cal. App. 4th 1911, 1924 (Ct. App. 1996) (contract, not copyright or right of publicity, establishes the rights of an actor who voluntarily appears in a movie).

247 *See* Welch v. Carson Prods. Group, Ltd., 791 F.2d 13 (2d Cir. 1986).

248 Peter Sanders, *Directors, Studios Reach a Deal*, WALL ST. J., Jan. 18, 2008, at A3.

Welch v. Carson Productions Group[249] provides an example of how the collective bargaining agreement provides a more nuanced solution to the tensions between publicity rights and production rights than the law can provide. Under section 36 of the Screen Actors Guild Television Agreement then applicable to the dispute, the reuse of a commercial required payment to the actors, but also provided a mechanism to allow the producers to use the commercial if the actor could not be identified or contacted.[250] The provision balanced the performers' rights with very practical considerations regarding the transaction costs involving record keeping and reuse of content. The collective bargaining agreement specified the required minimum payments and set forth how the reuse would take place.[251] Unlike court decisions, the agreement provides rules for the situation in which the party cannot be located. In this fashion, the agreements can move beyond the legal rights of the parties to address the practical difficulties they face.

Collective bargaining agreements for actors and athletes generally reach issues of endorsement and commercial use of images, protecting performers from the unauthorized use of their images to commercialize a product. At the same time, the agreements provide explicit authority to use the identity interests of the performers to market, sell, and promote the audiovisual work in which the performer appears. As a result, all rights to place the image of an actor on the cover of a DVD case or on posters have been acquired.

For athletes, there are additional considerations. Because groups of players may be used for some commercial endorsements, the collective bargaining agreements have the ability to specify the interests of the player, the team, and the league. The rights of a player to use his or her team jersey, team logos, colors, etc., may prove essential to the ability of that player to commercially exploit his or her publicity rights. When a group of players collectively endorse a product, the team may have an economic or proprietary interest. Legal determinations regarding the scope of publicity rights are irrelevant to the balancing of these interests and their role in the overall bargain between the performers and their employers. The collective bargaining agreement is the law of the deal.

Under a collective bargaining approach to exploitation of publicity

---

249 791 F.2d 13.

250 "Reuse of Photography or Sound Track," provides that a producer may not reuse television film of an actor in a manner other than that for which the actor originally was employed

> without separately bargaining with the player and reaching an agreement regarding such use. . . . [If] the Producer is unable to find the player, it shall notify the Guild [SAG], and if the Guild is unable to find the player within a reasonable time, the Producer may use the photography. . . without penalty. . .

Id. at 14–15 (quoting 1977 Screen Actors Guild Television Agreement ("Green Book") § 36) (citations omitted) (omissions in original).

251 *Id.*

rights in video games and virtual worlds, the publishers receive the right to use the identity of a celebrity for noncommercial, expressive activities in exchange for clear prohibitions against using the identity for commercial exploitation. In keeping with this basic approach, the following points would need to be negotiated:

> The right of publicity would have to be recognized by the publishers and producers of the video games, websites, and virtual worlds. The right would extend to members of the bargaining unit as well as any other person, except for non-union members appearing in crowds or large groups.[252]

The definition of commercial activity would be specified to focus on the sale, marketing, or endorsement of any product or service offered to the public. It would exclude all expressive, literary or editorial content, and provide limited use of unlicensed identity interest for advertising or marketing of the work in which the celebrity appeared as a performer or athlete.

The publishers and producers would be obligated to make an effort[253] to avoid interfering with the exploitation of the publicity rights by union members with products or services which were in competition with the products and services for which the union members had existing exclusive arrangements. For example, because Tiger Woods has an exclusive endorsement agreement with Nike,[254] absent a compelling editorial need, he would be depicted with a Nike shirt rather than a Reebok shirt. Similarly, Serena Williams would be shown using a Hewlett-Packard computer rather than an Apple to recognize her exclusive agreement with the manufacturer, HP.[255] Such a rule would not be absolute, however, and would allow for necessary editorial use by the publishers, including the ability to parody or satirize the endorsements.

For athletes, collective bargaining agreements with teams and leagues would need to extend to the use of identity interests in computer games and virtual worlds. The publishers and producers would be required to recognize those agreements either by becoming signatories or recognizing the third party beneficiary interests and obligations set forth in the players' collective bargaining agreements.

The enforcement of the publicity rights provisions would need to ex-

---

252 The difference between an outline of the terms and the specific terms is highlighted by this concept. While it may be intuitively easy to understand when a person is featured in an advertisement and when a person is merely part of the background, the language necessary to make that distinction may be highly technical and beyond the scope of this article.

253 Such a clause could range from a contractual requirement to a reasonable efforts obligation. A "best efforts" clause would be a reasonable starting point.

254 Jason Sobel, *Woods Signs Third Multiyear Deal with Nike Golf*, ESPN.COM, Dec. 13, 2006, http://sports.espn.go.com/golf/news/story?id=2695135.

255 *See* Susan Dominus, *Dangerous When Interested*, NYTIMES.COM, Aug. 19, 2007, http://www.nytimes.com/2007/08/19/sports/playmagazine/0819play-serena.html; Kate Maddox, *HP Serves up TV Spot*, B TO B ONLINE, Aug. 27, 2007, http://www.btobonline.com/apps/pbcs.dll/article?AID=/20070827/FREE/70827004/1078.

tend beyond the publisher or producer of the game or site to include the end users. The publishers and producers would accomplish this through inclusion of the provisions in its end-user license agreement.[256]

Rules governing the importation of content originally created for television, radio, billboard, and motion pictures should be developed. This will allow for better movement of advertising and other content to the games and virtual worlds. For example, a depiction of a drive-in theatre in a virtual world could be running movie trailers, movies, or commercials, and the availability of this use must be obtained from both the copyright holder and the performers. Billboards and print advertising should similarly be clarified.

Compensation would be paid to the performers. The competition might be limited to the commercial exploitation only or could be based on other uses. Compensation might even be appropriate in situations such as PRO, where substantial revenues are being generated based on the union 'members' identities notwithstanding the fact that those identities are used in an expressive manner. This reflects the distinction between the editorial control over the image and the economic advantage being taken by the use of the image. Such compensation deals, however, would be appropriate only where a very substantial taking of identity interests occurred.

Credit for the performers would be provided and full disclosure of the relationship between the celebrities and the characters and avatars would make explicit the extent to which permission had been granted for the depictions in each game or virtual world.

The terms of the agreement will apply to all divisions under the common ownership of the producers. The parties to the agreement will not enter into agreements with any third party that does not abide by a substantially similar agreement or an enforceable statement of best practices.

The producers will provide a notice and take-down mechanism for complaints of publicity rights infringement similar to that utilized for complaints of copyright infringement.[257]

The particular rule adopted under each of these topics does not necessarily matter. Different unions will likely seek different outcomes, at least initially. Actors, musicians, and athletes may each have slightly different goals for the agreements, and these differing interests will result in slightly different resolutions. Parties will learn from each other as a consensus emerges. The rules provide a much more symbiotic relationship between the parties than any that can be derived through court decisions.

---

256 *See* Andrew Jankowich, *EULAw: The Complex Web of Corporate Rule-Making in Virtual Worlds*, 8 TUL. J. TECH. & INTELL. PROP. 1 (2006); Robert L. Oakley, *Fairness in Electronic Contracting: Minimum Standards for Non-Negotiated Contracts*, 42 HOUS. L. REV. 1041 (2005).

257 *See* 17 U.S.C. § 512 (2000) (enacting limitations on liability relating to material online); *see also* 47 U.S.C. § 230 (2000) (providing protection for private blocking and screening of offensive material)

B. Expanding the Jurisdiction through Viral Distribution of the Agreements

To be effective, these provisions must ultimately be fairly ubiquitous across the Internet. Although content on the Internet is not directly regulated, many policies derive from regulation[258] or commonly adopted practices.[259] A contract provision, such as the one suggested above in paragraph nine, that requires the contracting party to enter the same clause with its other contracting partners takes on the behavior of a virus, 'infecting' every contracting party that comes into contact with the source of the provision. These provisions provide that the parties to the first contract are a form of third party beneficiary to the subsequent agreements. Assuming these provisions are drafted in a manner consistent with antitrust laws,[260] such provisions can quickly transform the common practices of an industry.

A practice codified into collective bargaining agreements for those companies which are unionized[261] and followed as best practices for those businesses which have no union agreements will be applicable for a major portion of the commercially significant activities on the Internet. The technique for spreading new contractual expectations through viral provisions in contracts will not extend everywhere, but it should track most of the economically relevant activity. Through the combination of contractual and voluntary adoptions, voluntary self-regulation spread virally through the transactional web of the Internet.

The plan to regulate publicity rights in gaming and virtual worlds through collective bargaining may appear flawed because the jurisdiction appears too limited on both sides. The Wild West of the Internet is not home to extensive collective bargaining agreements. A closer look, however, suggests that through the application of these viral contracting techniques, there is both the ability to marshal collective bargaining power clout and the economic interests to do so. This is not a case of traditional

---

258 *E.g.*, 42 U.S.C. § 1320d-2 (2000) (HIPAA regulations attaching data security obligation to any entity having control over the regulated health information).

259 An example of this would be voluntary ratings for motion pictures or video games. *See* Motion Picture Association of America, Film Ratings, http://mpaa.org/filmratings.asp (last visited Mar. 9, 2008); Entertainment Software Rating Board, http://www.esrb.org (last visited Mar. 9, 2008). Professor Larry Lessig would suggest that the computer code utilized to standardize Internet sites has this *de facto* effect. LAWRENCE LESSIG, CODE AND OTHER LAWS OF CYBERSPACE 6 (1999).

260 Sherman Act, 15 U.S.C. § 1 (2000). *See* Lawrence A. Cunningham, *Language, Deals, and Standards: The Future of XML Contracts*, 84 WASH. U. L. REV. 313 (2006); Henry H. Perritt, Jr., *Towards a Hybrid Regulatory Scheme for the Internet*, 2001 U. CHI. LEGAL F. 215, 285–88 (2001).

261 The non-statutory labor exemption from antitrust laws avoids Sherman Act complications when the parties are involved in good faith bargaining regarding topics such as wages, hours, and working conditions. Brown v. PRO Football, Inc., 518 U.S. 231, 236 (1996); Connell Constr. Co. v. Plumbers & Steamfitters Local 100, 421 U.S. 616, 622 (1975). While the antitrust implications are significant, they are not likely to interfere with a broadly adopted set of policies, particularly if the policies were generally consistent with, and clarifying of, existing law. Such practices would be reasonable and efficient, benefiting competition and trade, and therefore upheld under either the exemption or under a rule of reason analysis. *See Connell*, 421 U.S. 616.

labor-organizing. The avatars will not be holding rallies, collecting cards, or counting votes. Instead, the willingness to enter into collective bargaining talks will stem from the leverage held by the players and performer unions.

Many of the most important aspects of the Internet are operated by entities that are owned by companies, which in turn have agreements with one or more of the relevant bargaining agreements.[262] America Online is part of AOL/Time Warner.[263] AOL also has a working agreement with Google. Disney has extensive ownership of websites as well as ownership of ESPN and related properties. News Corp., the parent company of Fox, owns MySpace among other sites.[264]

In the video game industry, there is much greater consolidation. Sony is the manufacturer of one of the three principle video game platforms.[265] Microsoft, the maker of a second such player, has co-owned brands with General Electric's NBC.[266] Only Nintendo has no cross-over ownership interest, but it has media content, such as Pokémon, which is sold for broadcast.[267]

Under the viral approach to enforcing the collective bargaining agreements, the performers' unions initially negotiate for the relevant provision in collective bargaining agreements with the producers presently under contract. The ninth provision, listed above, requires that the members of the producers or league enforce the agreement by requiring the provisions to be adopted by their contracting partners. In the first instance, this would require that the entirety of a commonly owned enterprise be subject to the rules. The rules would become the "law" everywhere within the empires of GE, Sony, News Corp., Viacom, CBS, or Disney. Broadcasters would feel the pressure from both the actors' union and the players' union and leagues.

There would, naturally, be some resistance to the proposal because payments are required. But each of these companies also own large portfolios of brands.[268] These companies utilize endorsements to promote many of their own brands, and they make significant revenue from advertisers that seek efficient methods to protect the investment in the performers who endorse their products. As a result, broadcasters, advertisers, and performers all have the same interest in promoting a system that recognizes legal

262 The Nation provides an excellent visual representation. *See* Forum, *The National Entertainment State*, THE NATION, July 3, 2006, at 23–26, *available at* http://www.thenation.com/special/2006_entertainment.pdf [hereinafter *National Entertainment State*].

263 *Id.*

264 *Id.*

265 The three principle video game platforms are Sony's Playstation 3, Microsoft's Xbox 360, and the Nintendo Wii.

266 *GE, Microsoft Bring Bigotry to Life*, FAIRNESS & ACCURACY IN REPORTING, Feb. 12, 2003, http://www.fair.org/index.php?page=1632 (discussing the co-ownership of the news station, MSNBC).

267 Pokémon, http://www.pokemon.com/#tvmovies (last visited Mar. 21, 2008).

268 *See National Entertainment State*, *supra* note 262.

protections. Properly managed, a campaign by celebrities to win over the advertisers and the leagues would emphasize their common interests.

The negotiations will also be more successful if the balance sought is reasonable and consistent with the historical copyright fair use and free expression approach to balancing ownership and expression. Publishers will appropriately fight attempts to frustrate biographies or unauthorized uses of identities. Producers will defend the right to produce parodies of celebrities on television and on the Internet. The rules outlined for the collective bargaining agreement must not impinge on these acts of commentary, criticism, and public discourse.

Once the provisions are incorporated into existing collective bargaining agreements and applied to the enterprises in which those bargaining units exist, the obligation to recognize these rights will spread quickly throughout much of the industry. Sony will impact a large percentage of the video game producers. Google, Yahoo, and YouTube will be brought in through advertising agreements with the various content providers. As a result of contractual relations among the major content producers and advertisers, many of the sources of advertising will be contractually obligated to follow the rules.

The jurisdiction will extend slowly throughout the Internet, computer gaming, and virtual world environment to provide protection for union members and non-union members alike. In this way, it will reach college athletes and non-union musicians as well as the professional celebrities who are notorious rather than talented. Although unions are often reluctant to extend union benefits beyond their members, such protection is in the union's economic best interest because it precludes the signatory from reducing cost by approaching non-union performers for their rights.

C. Best Practices for Everyone Else

There are limits to the model of viral contracting as a method of revising the normative behavior on the Internet. First, the collective bargaining and contract negotiating process intentionally spreads the obligation somewhat slowly through the media network. Second, the reach does not extend to publishers like PRO, which are user-created or outside traditional media. Both of these limits are benefits of the approach.

For the rules of publicity to gain widespread acceptance, the rules need to become part of the normative balance of rights expected by the public. Both copyright[269] and trademark[270] allow the scope of enforcement to be based on the behaviors and expectations of the public. While not al-

---

269 *See* Jon M. Garon, *Normative Copyright: A Conceptual Framework for Copyright Philosophy and Ethics*, 88 CORNELL L. REV 1278 (2002) (emphasizing the fact that the public's acceptance of practices establishes fair use).

270 *See* Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 780 (1992).

ways effective,[271] law in general and intellectual property law in particular benefits tremendously from having it reflect accepted behavior rather than trying to preclude conduct the public does not generally find inappropriate.

Particularly within the context of virtual worlds, there needs to be a great deal of experimentation before the genre matures. Some of these experiments will be highly popular and successful; most will go unnoticed. Owners of intellectual property rights will waste valuable resources if they futilely try to chase every act of infringement. They will also stymie the very innovation necessary for the next stage in growth for immersive and interactive media.

The use of a viral licensing regime helps align the economic interests of the parties and leaves those parties with few connections generally out of the private ordering. As an unlicensed project gains momentum, it is likely to need contractual relations with an entity under the licensing regime. At that point, the publishers can choose to join the regime or stop growing in order to avoid those contractual entanglements.

The best practices are even simpler than the provisions needed in the collective bargaining agreement, because the duties are self-imposed, not requiring any provisions for enforcement outside of the virtual world under operation:

1. The right of publicity would have to be recognized by the virtual world.
2. The enforcement of the publicity rights provisions would need to extend beyond the publisher or producer of the game or site to include the end-users.
3. The definition of commercial activity would be specified to focus on the sale, marketing, or endorsement of any product or service offered to the public. It would exclude all expressive, literary or editorial content, and provide limited use of unlicensed identity interest for advertising or marketing of the work in which the celebrity appeared as a performer or athlete.
4. The virtual world and its members would be obligated to make efforts to avoid interfering with the exploitation of the publicity rights by celebrities with products or services which were in competition with the products and services for which the celebrity had existing exclusive arrangements.
5. Use of publicity rights for commercial activities can only be conducted with the permission of the celebrity.
6. Credit for the performers would be provided and full disclosure of the relationship between the celebrities and the characters and avatars would make explicit the extent to which permis-

271 *See, e.g.*, Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 545 U.S. 913 (2005); A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004 (9th Cir. 2001).

sion had been granted for the depictions in each game or virtual world.

7. The producers will provide a notice and take-down mechanism for complaints of publicity rights infringement similar to that utilized for complaints of copyright infringement.

These provisions are very similar to the provisions applied to collective bargaining agreements, and should be relatively easy for operators of virtual worlds to add to the end-user license agreements and as practices governing their own conduct.

Over time, many of the entities not otherwise contractually obligated to accept the provisions will choose to adopt them as best practices. If the policies are well balanced and take into account both the social desire for robust expression and the social desire for accurate, fully-disclosed commercial endorsements, then publishers of websites will recognize that the burdens of the provisions are very minor and the benefits to the site's customers are significant.

CONCLUSION

The use of new rules for publicity rights in computer games and virtual worlds are best developed through creation of a best practices standard and a series of collective bargaining agreements that slowly pervade the online and gaming worlds. These rules can provide robust protection for celebrities when their identity is hijacked to sell or endorse products, while promoting wide latitude for writers, artists, and publishers to use the identity when telling stories about the celebrities or merely using celebrities as the raw material for other expressive works.

Private ordering will allow for this newest of intellectual property rights to mature, and would avoid the widespread confusion created by the multiple tests proliferating among the courts and the somewhat inconsistent application of the publicity rights doctrine alongside copyright and trademark law.

Given the importance of virtual worlds in the future social fabric, a solution to the identity rights chaos is necessary. Already protected by constitutional law, these worlds' content reflects an important new platform for public discourse, as ideas and mores are explored within these environments. At the same time, these worlds are also sites of commercial transactions, advertising, marketing, and endorsements that take advantage of performers, athletes, and other celebrities to sell their wares.

Celebrities are likely to embrace this new opportunity only if their intellectual property interests can be protected. Through the combination of collective bargaining agreements and best practices, the problems of court interpretation can be avoided, First Amendment challenges averted, and legitimate rights protected.

Let the games continue.

Intellectual Property Expansion: The Good, the Bad, and the Right of Publicity

K.J. Greene[*]

INTRODUCTION

My first reaction upon being asked to write about the right of publicity was, "Oh no, not another right of publicity article!" Is there really anything left to say about this topic, given the proliferation of writing on it in the last ten to fifteen years? A lot has been said about the right of publicity, most of it negative. The right of publicity, analysts say, is out of control.[1] They say it promotes censorship and "redistributes wealth upwards."[2] The right of publicity creates significant tension and, indeed, threatens core values of free speech.[3] The right of publicity, in short, has a lot of analytical problems and yet, like all other forms of intellectual property ("IP"), has expanded faster than Steven Segal's waistline in recent years.[4] In this piece, I would like to sketch how the expansion of the right of publicity fits into the rest of IP expansion, with a focus on trademark law and copyright law in the area of artistic creation.

The right of publicity shares the closest doctrinal similarity to trademark law.[5] Furthermore, virtually every celebrity right of publicity case is co-joined with a Lanham Trademark Act claim.[6] Right of publicity cases, like trademark claims, make sense and are typically uncontroversial when they occur in a zone of pure commerce, such as advertising use. Both claims become problematic when they move toward artistic-related uses.[7]

---

* Associate Professor, Thomas Jefferson School of Law, San Diego, CA; J.D., Yale Law School. Thanks to Aaron Swabach, Mark Schultz, Deven Dessai, Yvette Lieberman, and Lisa Ramsey for thoughtful comments and critiques on this article. Any errors or omissions are strictly my own.

1 *See, e.g.*, Gil Peles, *The Right of Publicity Gone Wild*, 11 UCLA ENT. L. REV. 301, 301 (2004) (noting that the right of publicity "is now utilized more than ever before").

2 *See, e.g.*, Michael Madow, *Private Ownership of Public Image: Popular Culture and Publicity Rights*, 81 CAL. L. REV. 127, 136–37 (1993).

3 *See* John Tehranian, *Whither Copyright? Transformative Use, Free Speech, and an Intermediate Liability Proposal*, 2005 BYU L. REV. 1201, 1228–29.

4 *See, e.g.*, Mark P. McKenna, *The Right of Publicity and Autonomous Self-Definition*, 67 U. PITT. L. REV. 225, 226 (2005) (remarking that the "current right of publicity . . . has expanded to allow claims against an ever-increasing range of conduct").

5 *See* Stacey L. Dogan & Mark A. Lemley, *What the Right of Publicity Can Learn from Trademark Law*, 58 STAN. L. REV. 1161, 1164 (2006) (remarking that "the right of publicity has more in common with trademark law than with copyright").

6 *See, e.g.*, ETW Corp. v. Jireh Publ'g, Inc., 332 F.3d 915 (6th Cir. 2003); Parks v. LaFace Records, 329 F.3d 437 (6th Cir. 2003); Cairns v. Franklin Mint Co., 292 F.3d 1139 (9th Cir. 2002).

7 *See* K.J. Greene, *Abusive Trademark Litigation and the Incredible Shrinking Confusion Doc-*

Similarly, IP expansion in copyright, trademark, and right of publicity contexts makes sense and is socially beneficial when it promotes great artistic incentives and freedom to create. It causes problems when it impinges upon creative freedom and unduly reduces accumulation of the public domain. My thesis is that IP expansion should look to enhance artistic creation at the bottom of the entertainment ecosystem, where the real creativity has always originated, rather than at the top of distribution, where the public domain tends to be the most burdened and the net gains to social productivity are the most attenuated.

In keeping with the theme of my work of recent years, I will use African-American cultural production as a starting point of analysis. My reasons for doing so are three-fold: first, black cultural production is at the center of expressive creativity in American culture and has been since the slave songs of the 1800's and blues and jazz of the 1900's, up through the rap music of today.[8] Second, black artists can stand in for socially and economically disadvantaged persons of all groups—blacks have been at the "bottom of the barrel" of American society until very recent times. Third, as blacks have become upwardly mobile within society, their treatment illustrates how economic stratification skews the benefits of IP protection.

I. THE "BEEF" BETWEEN IP RESTRICTORS AND EXPANSIONISTS

Using an analogy for hip-hop music, where a long-running dispute, or "beef," has existed between East and West Coast rappers, in recent years a "beef" has emerged between two camps, the IP Restrictors and the IP Expansionists. The divide typically features "rights holders, their investors and representatives" on the one side and "[liberal] academics consumer advocates, and civil libertarians" on the other.[9] In rap "beefs," someone often ends up getting shot. In IP "beefs," no one has been shot to date or, at least, there is no record of violence; but there can be considerable sniping among academics, as any attendee at events such as American Association of Law Schools ("AALS") IP section meetings and various IP scholars' forums around the country can attest.[10]

---

trine—Trademark Abuse in the Context of Entertainment Media and Cyberspace, 27 HARV. J.L. & PUB. POL'Y 609, 617 (2004) (distinguishing artistic use from purely commercial use).

8 K.J. Greene, *"Copynorms," Black Cultural Production, and the Debate Over African-American Reparations*, 25 CARDOZO ARTS & ENT. L.J. 1179, 1186–87 (2008) [hereinafter *Copynorms*].

9 Peter K. Yu, *Anticircumvention and Anti-Anticircumvention*, 84 DENV. U. L. REV. 13, 16 (2006) (describing different camps in debate over digital rights management in the IP context).

10 Ann Bartow, *When Bias is Bipartisan. Teaching About the Democratic Process in an Intellectual Property Republic*, 52 ST LOUIS U. L.J. 715, 716 (2008) (remarking that "[s]ome of the fiercest policy debates in academic intellectual property law are over the proper level of monopolistic protection the legal system should provide for copyrights, patents, and trademarks").

A. IP "Restrictors" or Low Protectionists

Broadly, IP Restrictors, sometimes referred to as "low protectionists,"[11] contend that IP protection has expanded too wide and far in recent decades and wish to put the miscreant genie of IP expansion back in the bottle. IP Restrictors are said to believe that the "public domain and copyright are inversely correlated: if one grows, the other must shrink."[12] To IP Restrictors, maintaining a robust public domain is vital, given its primary function of providing "raw material for other works."[13] IP Restrictors include many of the leading scholars in intellectual property.[14] A scholar at the forefront of the anti-expansionist front is Larry Lessig, who contends that IP expansion "locks down" culture and depletes the public domain.[15]

B. IP "Expansionists" or High Protectionists

In opposition to IP Restrictors are the IP Expansionists, also known as "high protectionists."[16] IP Expansionists are concerned that weak IP protection will lead to a tragedy of the commons "if intellectual works are too readily appropriated . . . and advocate strong . . . intellectual property rights . . . as the solution for this tragedy."[17] Expansionists, it is said, "view exemptions and privileges on the part of users or future creators as a tax on rights holders and have considerable sympathy for thinly disguised 'sweat-of-the-brow claims.'"[18] Perhaps the biggest IP Expansionist is Congress, which in recent years seems to never have met an IP bill it did not like. Worse still, leading IP analysts such as Mark Lemley contend that "[t]o a disturbing extent, Congress in recent years seems to have abdicated its role in setting intellectual property policy to the private interests who appear before it."[19] State legislation also seeks to expand IP protection in the area of

---

11 Justin Hughes, *Copyright and Incomplete Histographies: Of Piracy, Propertization, and Thomas Jefferson*, 79 S. CAL. L. REV. 993, 998 (2006) (referring to "those who opposed strong intellectual property [rights] . . . as the 'low protectionists' or 'IP restrictors'").

12 Paul M. Schwartz & William Michael Treanor, Eldred *and* Lochner*: Copyright Term Extension and Intellectual Property as Constitutional Property*, 112 YALE L.J. 2331, 2337 (2003).

13 Steven D. Jamar, *Copyright and the Public Interest from the Perspective of* Brown v. Board of Education, 48 HOW. L.J. 629, 638 (2005).

14 Schwartz & Treanor, *supra* note 12, at 2343.

15 *See* LAWRENCE LESSIG, FREE CULTURE: HOW BIG MEDIA USES TECHNOLOGY AND THE LAW TO LOCK DOWN CULTURE AND CONTROL CREATIVITY (2004).

16 Deborah Tussey, *iPods and Prairie Fires: Designing Legal Regimes for Complex Intellectual Property Systems*, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 105, 115 (2007).

17 *Id.*

18 James Boyle, *Cultural Environmentalism and Beyond*, 70 LAW & CONTEMP. PROBS. 5, 11 (2007) (quoting James Boyle, *Enclosing the Genome?: What the Squabbles over Genetic Patents Could Teach Us*, *in* PERSPECTIVES ON PROPERTIES OF THE HUMAN GENOME PROJECT 97, 107–08 (F. Scott Kieff ed., 2003)).

19 Mark A. Lemley, *The Constitutionalization of Technology Law*, 15 BERKELEY TECH. L.J. 529, 532 (2000). Perhaps no one writes as prolifically and with such perceptiveness as Professor Lemley. My best line, I thought at least, was during a recent presentation at a fabulous conference on the right of publicity at Chapman Law School. I had a PowerPoint slide with a quote from Lemley and, being short on time, I zoomed past the slide, saying, "Who cares what Lemley thinks?" The IP academics in the

right of publicity.[20] IP Expansionists think more of good thing can't be bad and pooh-pah the notion that IP legislation and court decisions impose costs on society that outweigh the benefits.

Admittedly, like "the Sneetches" of Dr Seuss—some who had stars on their bellies and others who did not, and were subsequently mixed up in McMonkey McBean's star-off machine—it can be hard to tell who is who on the roster of IP Restrictors and Expansionists.[21] My own work, for example, could fall into both camps. When it comes to trademark expansion and particularly dilution, as well as the presumption of entitlement to injunctive relief in the motion picture copyright infringement context, I might be seen as a staunch Restrictionist.[22] In contrast, critics might well see my work on black blues artists (advocating for distributive and corrective justice) as an expansion of IP rights.[23]

The IP expansion versus restriction debate sets up some interesting contrasts and paradoxes. "Progressive" scholars are often in the Restrictionist camp, while corporate actors, and those we would typically deem conservative, are in the Expansionist camp. The notion of remuneration for black artists is progressive, yet it would be opposed by a strict Restrictionist. Similarly, an artists' rights movement is progressive in tone, yet IP restrictions could reduce those rights at the time they are expanding for corporate actors and conglomerates. To date, there is little in the way of concrete normative principles to guide determinations of when IP expansion is good or IP restriction is bad.

C. The "Beat Down" of IP Restrictors by Congress and the Courts

The beef between IP Restrictors and Expansionists, in hip-hop terms, is a "beat down"[24]—that is, a rout—in favor of the Expansionists. Each area of IP protection—copyright, trademark, and patent—has grown through legislation and judicial decisions.

1. Copyright Law Expansion

The expansion of copyright protection in the law has been no less than stunning, leading commentators to note that "the last century has witnessed a radical expansion in the scope of protections afforded copyright own-

---

crowd roared; the rest of the audience looked puzzled.

20 *See* Patrick McGreevy, *A Bid to Protect Stars' Images*, L.A. TIMES, July 23, 2007, at B1 (noting that proposed California legislation will expand retroactive post-mortem rights of publicity for non-relatives of dead celebrities).

21 *See* DR. SEUSS, *The Sneetches*, *in* THE SNEETCHES AND OTHER STORIES 3 (1961).

22 *See* Greene, *supra* note 7, at 614 (contending that trademark litigation in the context of expressive works imposes unjustified social costs); *see also* K.J. Greene, *Motion Picture Copyright Infringement and the Presumption of Irreparable Harm: Toward a Reevaluation of the Standard for Preliminary Injunctive Relief*, 31 RUTGERS L.J. 173 (1999) [hereinafter *Motion Picture*] (calling into question automatic grants of injunctive relief in the motion picture context).

23 *See Copynorms*, *supra* note 8.

24 UrbanDictionary.com, Beat Down, http://www.urbandictionary.com/define.php?term=beat+down (last visited Mar. 24, 2008).

ers."[25] We could begin with protection of copyright owners—typically, major record label distributors—in sound recordings in 1971.[26] The 1980's were relatively quiet on the copyright front, besides the Bern Amendments on the international side.[27] An artist-friendly amendment, the Visual Artists' Rights Act ("VARA"), was enacted in 1990.[28] The law applied only to artists working in a fine art medium and was enacted, not out of solicitude for artists' rights, but rather to comply with international obligations to protect "moral rights."[29]

Congress increased the scope of criminal copyright infringement in 1997.[30] Congress also added protection to sound recording owners for digital audio transmissions in 1995.[31] In 1998, Congress passed landmark legislation to protect copyright owners' rights on the internet.[32] In 1998, Congress significantly extended the term of copyright.[33] Further, Congress enhanced damages for copyright infringement in 1999.[34]

Copyright expansion has taken place at such a robust clip, analysts contend that in recent years "copyright has become . propertized. The duration and scope of copyright have expanded so much that they now resemble the 'fee simple' ownership held by landowners."[35] Courts too can stand in as IP Expansionists—most famously, in the Supreme Court's refusal to strike down the Copyright Term Extension Act ("CTEA"), which added an additional twenty years to existing copyrights.[36] The charge against the CTEA was led by Professor Lessig himself.[37] Nonetheless, a "beat down" of the restrictive view occurred in the Supreme Court.

2. Trademark Law Expansion

Just as copyright law protection has skyrocketed, analysts have similarly remarked that the "expansion of trademark rights has been particularly

25 Tehranian, *supra* note 3, at 1210. Tehranian sets forth numerous consequences of the "dramatic theoretical shift in the underpinnings of copyright law . . . ." *Id* at 1211.

26 *See* Sound Recording Protection Act, Pub. L. No. 92-139, 85 Stat. 390 (1971).

27 *See* Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, 102 Stat. 2853 (1988).

28 Visual Artists Rights Act of 1990, Pub. L. No. 101-650, 102 Stat. 5128 (1990) (codified as amended at 17 U.S.C. § 101 (2000)).

29 *Id*

30 No Electronic Theft Act, Pub. L. No. 105-147, 111 Stat. 2678 (1997). The No Electronic Theft Act ("NET") significantly enhanced liability for criminal copyright liability. *See* Eric Goldman, *A Road to No Warez: The No Electronic Theft Act and Criminal Copyright Infringement*, 82 OR. L. REV. 369, 373 (2003).

31 Digital Performance Right in Sound Recordings Act of 1995, Pub. L. No. 104-39, 109 Stat. 336 (1995).

32 Digital Millennium Copyright Act of 1998, Pub. L. No. 105-304, 112 Stat. 2860 (1998).

33 Sonny Bono Copyright Term Extension Act of 1998, Pub. L. No. 105-298, 112 Stat. 2827 (1998).

34 Pub. L. No. 106-44, 113 Stat. 221 (1999).

35 Michael A. Carrier, *The Propertization of Copyright*, *in* 1 INTELLECTUAL PROPERTY AND INFORMATION WEALTH: ISSUES AND PRACTICES IN THE DIGITAL AGE 345, 345 (Peter K. Yu ed. 2007).

36 *See* Eldred v. Ashcroft, 537 U.S. 186 (2003).

37 *Id.* at 191.

. . . dramatic . . . ."[38] Congress extended trademark protection for "intent to use" applications in 1998.[39] In 1995, Congress passed legislation that federalized the state law doctrine of trademark dilution.[40] In 1998, Congress extended trademark protection to mark holders.[41] A similar dynamic of expansion has impacted patent law, where commentators have contended that IP expansion has become self-regenerative: "The assertion of or demand for property rights by some engenders the assertion of or demand for related property rights by others."[42]

Analysts have attributed the expansion of IP rights to two factors: the trend to treat IP rights as pure property rights, and the increase in value of intellectual property goods, which have become "a crucial set of corporate assets in the new information economy."[43] IP expansion, it is said, creates tension with the notion of democratic culture: as "media companies have sought in increasingly aggressive ways to protect their existing rights and expand them further[,]" a serious danger is posed to freedom of expression.[44] Perhaps the most striking example of the willingness of rights holders in IP to use the law aggressively is the litigation strategy of the music industry, led by the Recording Industry Association of America ("RIAA"). The RIAA, at the behest of large record labels, has instituted thousands of lawsuits against digital file-sharers, as well as numerous suits against companies that produce file-sharing software.[45] Clearly, the purpose of the RIAA lawsuits was to intimidate and instill fear.[46] IP Restrictors, such as Professor Lessig, reject economic incentive theory by contending that "property rights in intellectual ideas enable owners to control their own works and ultimately stifle the creative process of others."[47]

---

38 Greene, *supra* note 7, at 611; *see also* Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1896 (2007) (noting that "courts, with some help from Congress, significantly broadened trademark law in the twentieth century").

39 Brooke J. Egan, Comment, *Lanham Act Protection for Artistic Expression: Literary Titles and the Pursuit of Secondary Meaning*, 75 TUL. L. REV. 1777, 1780 (2001).

40 Federal Trademark Dilution Act of 1995, 15 U.S.C.A. § 1051 (2006).

41 Trademark Law Treaty Implementation Act, Pub. L. No. 105-330, 112 Stat. 3064 (1998).

42 Sabrina Safrin, *Chain Reaction. How Property Begets Property*, 82 NOTRE DAME L. REV. 1917, 1921 (2007).

43 Ben Depoorter, *The Several Lives of Mickey Mouse: The Expanding Boundaries of Intellectual Property Law*, 9 VA. J.L. & TECH. 4, ¶ 32 (2004) (quoting Robert P. Merges, *One Hundred Years of Solicitude: Intellectual Property Law, 1900-2000*, 88 CAL. L. REV. 2187, 2235 (2000)).

44 Jack M. Balkin, *Digital Speech and Democratic Culture: A Theory of Freedom of Expression for the Information Society*, 79 N.Y.U. L REV. 1, 18 (2004).

45 *See* Mark F. Schultz, *Fear and Norms and Rock & Roll: What Jambands Can Teach Us About Persuading People to Obey Copyright Law*, 21 BERKELEY TECH. L.J. 651, 659–60 (2006)

46 *See id.* at 660.

47 *See* Sonia K. Katyal, *Ending the Revolution*, 80 TEX. L. REV. 1465, 1472 (2002) (reviewing LAWRENCE LESSIG, THE FUTURE OF IDEAS: THE FATE OF THE COMMONS IN A CONNECTED WORLD (2001)).

II. THE RIGHT OF PUBLICITY AS AN EASY TARGET FOR IP RESTRICTORS

The right of publicity, like other forms of IP, has "shown a remarkable tendency to expand along some dimensions,"[48] particularly as to protected indicia of identity. Although it is contended that the right of publicity "is both hard to object to and hard to support[,]"[49] the right of publicity makes an easy target for IP Restrictors, especially as it moves outside the commercial realm and into the dimension of expression. While there is abundant scholarship critiquing the right of publicity, there are few truly robust defenses of the doctrine or its theoretical rationales. Most of those that exist are by students, not academics.[50]

A. The Right of Publicity and its Fundamentally Weak Justifications

In recognition of costs imposed by intellectual property ownership, IP protections require analytical and pragmatic justification for their existence.[51] IP Restrictionists point to justifications for limiting protection of intangible works by noting that exclusive rights in intangible IP works "can impose more costs on the public than can exclusion rights over tangibles."[52] Some of the social costs of IP protection include anticompetitive distortion, interference with creative production of works, and asymmetrical investment in research and development.[53]

Much has been written about the growing tendency to treat IP just like any other form of property. To merely treat IP like any other form of property is fallacious: "real property and intellectual property analogies are unsatisfying from more than a theoretical point of view; they have direct impact on the manner in which benefits are distributed as between rightholders and the public."[54] As Professor Litman has remarked, "To agree to treat a class of stuff as intellectual property, we normally require a showing that, if protection is not extended, bad things will happen that will outweigh the resulting good things."[55]

48 David Westfall & David Landau, *Publicity Rights as Property Rights*, 23 CARDOZO ARTS & ENT. L.J. 71, 91 (2005).

49 *Id.* at 122.

50 *See, e.g.*, Seth A. Dymond, Note, *So Many Entertainers, So Little Protection: New York, The Right of Publicity, and the Need for Reciprocity*, 47 N.Y.L. SCH. L. REV. 447 (2003) (arguing that New York should expand right of publicity protection to commensurate levels of California and Tennessee).

51 *See* Harry First, *Controlling the Intellectual Property Grab: Protect Innovation, Not Innovators*, 38 RUTGERS L.J. 365, 369 (2007) (remarking that "[p]roperty rights (and intellectual property rights) are justified only by their social utility").

52 Wendy J. Gordon, *Authors, Publishers, and Public Goods: Trading Gold for Dross*, 36 LOY. L.A. L. REV. 159, 159 (2002).

53 Safrin, *supra* note 42, at 1966–67.

54 Rochelle Cooper Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397, 409 (1990).

55 Jessica Litman, *Breakfast with Batman: The Public Interest in the Advertising Age*, 108 YALE L.J. 1717, 1729 (1999).

The right of publicity has inherently weak theoretical justifications compared to the IP regimes of patent and copyright law. It is said that the "weakness of the rationales generally proffered for the right of publicity undermines the argument that there is a compelling or substantial government interest to limit dissemination of image copies."[56] In the case of patent law—which provides wonderful useful inventions and concomitant products such as Viagra—and copyright law—which results, theoretically, in an expanded array of film, music, theatre, literature, dance, and computer programs (huh?)—the justification seems self-evident. Patent and copyright law both find their basis in the Constitution,[57] and, despite contentions by a few scholars (such as Ray Ku) that copyright has outlived its usefulness in the digital age,[58] scholars for the most part agree that these regimes serve a valuable social function.[59] Trademark law, unlike copyright, patent, and right of publicity, is not based on incentive theory, but rather in theories of economic efficiency in connection with reduced consumer search costs. In contrast, as Professor Stacey Dogan has posited, the theoretical justifications for the right of publicity are far more elusive.[60] Numerous scholars have outlined the fundamentally weak basis of publicity rights in connection with theoretical rationales for intellectual property.[61]

B. Economic Incentive Theory

Incentive theory comprises the main theoretical basis for copyright and patent protection. Incentive theory posits that, if the law did not provide an economic incentive for authors and inventors, society would see less production of artistic creation and scientific invention.[62] In contrast to trademark and copyright, where economic analyses are fruitful and multiply, it has been noted that "few economic analysts of the law have studied the right of publicity."[63] The Supreme Court has only touched upon publicity rights once—in a weird case involving a news station's unauthorized rebroadcast of a cannonball act[64]—setting forth an economic incentive rationale for the right of publicity.[65]

56 F. Jay Dougherty, *All the World's not a Stooge: The "Transformativeness" Test for Analyzing a First Amendment Defense to a Right of Publicity Claim Against Distribution of a Work of Art*, 27 COLUM. J.L. & ARTS 1, 69–70 (2003).

57 *See* U.S. CONST. art. I, § 8, cl. 8.

58 *See* Raymond Shih Ray Ku, *The Creative Destruction of Copyright: Napster and the New Economics of Digital Technology*, 69 U. CHI. L. REV. 263 (2002).

59 *See, e.g.*, Robert P. Merges, *One Hundred Years of Solicitude: Intellectual Property Law, 1900–2000*, 88 CAL. L. REV. 2187 (2000); Tehranian, *supra* note 3.

60 *See* Dogan & Lemley, *supra* note 5, at 1162.

61 *See, e.g.*, Dougherty, *supra* note 56, at 69 (remarking upon the "weakness of the rationales generally proffered for the right of publicity . . .").

62 *See, e.g.*, Carl H. Settlemyer III, Note, *Between Thought and Possession: Artists' "Moral Rights" and Public Access to Creative Works*, 81 GEO. L.J. 2291, 2291 (1993) (noting that economic incentives are a "fundamental assumption of the [U.S.] copyright system . . . .").

63 Vincent M. de Grandpré, *Understanding the Market for Celebrity: An Economic Analysis of the Right of Publicity*, 12 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 73, 77 (2001).

64 *See* Zacchini v. Scripps-Howard Broad. Co., 433 U.S. 562 (1977).

65 *See id.* at 575 (holding that broadcast of plaintiff's cannonball act deprived plaintiff of the eco-

On the one hand, it is hard to argue against incentive theory in the abstract—we have concrete proof that the United States leads the world in creative and technological production.[66] On the other hand, the treatment of a highly creative group—African-American music artists and composers who operated without creative incentives—hints that incentive theory itself might well be fundamentally flawed. There has been little, if any, "systematic study of the effects of such [intellectual property rights] on the hundreds of [IP] industries that they are designed to encourage."[67] Skeptics question the utility of patent and copyright incentives, noting that "other incentive structures exist to stimulate the creation of new works and inventions ...."[68] Putting that aside, the right of publicity hardly seems self-evident at all; there is no tangible end-product and it is difficult to quantify the value of "fame."

Moreover, numerous analysts note that it seems silly to suggest that individuals need an added incentive to become famous. Professor Kwall has argued that "creativity is spurred largely by incentives that are noneconomic [sic] in nature."[69] Analysts have long noted that our society already rewards successful athletes, actors, and entertainers for their contributions with sizable sums of money, amply compensating them for their "sweat equity."[70] Commentators have noted that it might even be possible for a misappropriation to "actually increase the celebrity's market power for future endorsements."[71]

Other commentators posit that "[n]ot a shred of empirical data exists to show that anyone would change her behavior with regard to her primary activity . . . [as a sports star or entertainer] if she knew in advance that, after achieving fame, she would be unable to capture licensing fees from . . [merchandising]."[72] If one becomes a famous rock star, she gets a fat recording contract, a film deal, and a perfume line, *a la* J. Lo. Accordingly, publicity rights in fact do "not provide any meaningful incentives for creativity, and they can be attacked as an unfair redistribution of wealth from

---

nomic value of the act under Ohio right of publicity law). The *Zacchini* court held that the right of publicity "provides an economic incentive" for performers. *Id.* at 576.

66 *See* 142 CONG. REC. S12201, S12207–08 (daily ed. Oct. 2, 1996) (statement of Sen. Specter) ("American business and investors have been extremely successful and creative in developing intellectual property and trade secrets. America leads the nation's [sic] of the world in developing new products and new technologies.").

67 Tussey, *supra* note 17, at 118.

68 Lisa P. Ramsey, *Intellectual Property Rights in Advertising*, 12 MICH. TELECOMM. & TECH. L. REV. 189, 216 (2006).

69 Roberta Rosenthal Kwall, *Inspiration and Innovation: The Intrinsic Dimension of the Artistic Soul*, 81 NOTRE DAME L REV. 1945, 1970 (2006).

70 Fred M. Weiler, Note, *The Right of Publicity Gone Wrong: A Case for Privileged Appropriation of Identity*, 13 CARDOZO ARTS & ENT. L.J. 223, 243 (1993). Weiler notes that the economic incentive argument in connection with the right of publicity "fails to distinguish between the entertainment value generated by celebrities and the value of what is secured by a right of publicity." *Id.* at 244.

71 Matthew Savare, Comment, *The Price of Celebrity: Valuing the Right of Publicity in Calculating Compensatory Damages*, 11 UCLA ENT. L. REV. 129, 171 (2004).

72 Diane Leenheer Zimmerman, *Fitting Publicity Rights into Intellectual Property and Free Speech Theory: Sam, You Made the Pants Too Long!*, 10 DEPAUL J. ART & ENT. L. 283, 306 (2000).

consumers to famous people."[73] Incentive theory is ill-suited to justify the right of publicity.

C. Incentives and "Toxic" Fame

One of the purported benefits of trademark law is that it adds to social utility by encouraging mark-holders to invest in quality product and services. The economic perspective of trademark law posits that trademark "provides incentives to create higher quality products and that consumers will benefit from the higher quality."[74] Assuming that the right of publicity is an analytical cousin of trademark, the economic incentive paradigm of quality can be analogized to the infamous glove in the O.J. Simpson case—it simply does not fit. This is because the right of publicity applies to both the famous and the infamous; that is, to "Einstein as well as Frankenstein."[75]

If celebrities are analogues to trademark producers, in modern society there may in fact be reduced incentives to create a "higher quality product" vis-à-vis persona. We live in the age of "toxic" fame, where celebrities often seem to engage in outlandish and anti-social behavior, which increases value in marketability. In the world of celebrity "hip-hop," for example, it is a badge of honor to be incarcerated, and a badge of shame to testify or "snitch" on unlawful conduct.[76] Professor Paul Butler, in a thoughtful exploration of hip-hop's impact on criminal law, argues that to "say hip-hop destigmatizes incarceration understates the point: Prison, according to the artists, actually stigmatizes the government."[77]

As the careers of MC Hammer and Vanilla Ice both demonstrate, lack of "street cred" can be fatal to a continuing career in the industry. Toxic fame is certainly not limited or generic to the hip-hop nation alone. Celebrities such as Britney Spears, Paris Hilton—whose only talent seems to be the ability to generate attention for being famous—and Lindsay Lohan, have all had well-publicized problems with alcohol and drug addiction.

D. Misappropriation Rationales

This great republic was essentially built upon "takings" from people—land from Native Americans and Mexico, labor from African slaves and Chinese rail workers. However, a bedrock principle of American law dic-

73 Gerard N. Magliocca, *From Ashes to Fire: Trademark and Copyright in Transition*, 82 N.C. L. REV. 1009, 1039 (2004).

74 Chad J. Doellinger, *A New Theory of Trademarks*, 111 PENN. ST. L. REV. 823, 842 (2007) (citing work of William M. Landes and Richard A. Posner). But Doellinger contends that concepts of "property, incentives and the public domain . . have no relevance to trademark jurisprudence." *Id.* at 857.

75 This phrase is borrowed from an Anthony Robins motivational tape.

76 *See* Paul Butler, *Much Respect: Toward A Hip-Hop Theory of Punishment*, 56 STAN. L. REV. 983, 997–98 (2004).

77 *Id.* at 997. He contends that hip-hop culture "justifies rather than excuses some criminal conduct." *Id.* at 998.

tates that we not reward "free-riders"—those who would appropriate value created by others and thus "reap where [they have] not sown . . . "[78] This can be seen in recent debates about the role of welfare in our society and the indelible image of the "welfare queen"—an inner-city black woman who lives lavishly off the government dole.[79] The stereotype of the welfare queen is a classic free-rider metaphor. The misappropriation doctrine is a broad principle that "posit[s] that the inherent wrongfulness of some acts requires intervention by the state to prevent undesirable outcomes and to deter socially reprehensible acts."[80] In intellectual property law there is great concern for "free-riders" who take the benefits established by others.

In the right of publicity context, commercial use of a celebrity's or non-celebrity's image would appear to be a clear-cut case of free-riding. So, for example, where a portable toilet manufacturer decided to call its product, "Here's Johnny, The World's Foremost Commodian," it sought to trade off of the fame of comedian Johnny Carson, reaping a premium off of a fame it had not sown.[81] However, leading scholars are openly disdainful of a broad free-rider metaphor of misappropriation. Richard Posner, for example, has called for jettisoning misappropriation as "the overarching principle that would rationalize intellectual property law as a whole and provide guidance for altering, perhaps expanding, the scope of that law."[82]

Posner calls upon the recognition that "free riding on intellectual property is not always a bad thing[.]"[83] In the right of publicity context, Posner contends that no celebrity expects to fully externalize all gains in the value of image: a celebrity

> is unlikely to invest less than he would otherwise do in becoming a movie star or other type of celebrity merely because he'll be unable to appropriate the entire income [arising from use of name or likeness]; there is free riding but not the type that threatens to kill the goose that lays the golden eggs . . . [84]

Similarly, Professor Lemley openly "disses" the free riding paradigm, arguing that "there is no need to fully internalize benefits in intellectual property" and that such efforts will result in a net loss to society and invite anti-social behavior, such as rent-seeking.[85]

---

78 *See* Int'l News Serv. v. Associated Press, 248 U.S. 215, 239 (1918). This case is the foundational basis for IP misappropriation doctrine.

79 The "Welfare Queen" stereotype arose during Ronald Reagan's 1976 presidential campaign, and was based on the belief in a "sexually irresponsible [person] who bred children just to fatten her welfare check and then wasted the money recklessly on herself." Dorothy E. Roberts, *Privatization and Punishment in the New Age of Reprogenetics*, 54 EMORY L.J. 1343, 1345 (2005). An irony of the stereotype was that "African-Americans have never constituted a majority of those on welfare." Peter Edelman, *Welfare and the Politics of Race: Same Tune, New Lyrics?*, 11 GEO. J. ON POVERTY L. & POL'Y 389, 392 (2004).

80 Greene, *supra* note 7, at 617.

81 Carson v. Here's Johnny Portable Toilets, Inc., 698 F.2d 831, 833 (6th Cir. 1983).

82 Richard A. Posner, *Misappropriation: A Dirge*, 40 HOUS. L. REV. 621, 621 (2003).

83 *Id.* at 625.

84 *Id.* at 634.

85 Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, 83 TEX. L. REV. 1031, 1032 (2005).

E. The "Overexposure" Rationale

Many celebrities carefully guard and limit use of their images; perhaps the greatest in this respect was actress Greta Garbo, who famously wanted "to be let alone."[86] This is in sharp contrast to pop singer Janet Jackson, who in 2004, had an infamous "wardrobe malfunction" on national television—at the Super Bowl, no less.[87] Janet's brother, Michael Jackson, holder of the record for best-selling album, *Thriller*,[88] was also accused of overexposure of a different body part.[89] Overexposure in the celebrity context results in a diminished career; in slang, it is known as being "played out."[90] In economic parlance, "the identity of celebrities may be over- . . . exploited . . . [resulting in] negative externalities."[91] However, the unholy marriage of the entertainment industry and advertising has made it much more likely that we will see the accumulation of profit from greater use of celebrity images.[92] It is noted that

> [a]dvertising executives, in a concerted effort to improve their business, are attempting to reinvent the marriage between advertising and entertainment industries [by] expanding product placements in films and television shows, creating shows around products, becoming sole sponsors of . . . shows . . . [and further exploiting celebrity image].[93]

The over-exposure rationale for publicity rights—sometimes called a theory of allocative efficiency—posits that, if the law allows unlimited use of a celebrity's image, that image will be worth less over time, as the public will grow tired of it.[94] Professor Lemley has noted that the Federal Circuit has endorsed the "overexposure" theory and contends that overexposure theory, "is not only distinct from, but indeed largely at odds with, the classic [economic] incentive story."[95] The overexposure theory is very close, if not identical, to a dilution-by-blurring theory. Under the Lanham Act, a "famous" trademark is entitled to protection against dilution.[96] Blurring occurs "when a third party uses a famous mark to identify its own product

---

86 Peter B. Flint, *Greta Garbo, 84, Screen Icon who Fled her Stardom, Dies*, N.Y. TIMES, Apr. 16, 1990, http://www.nytimes.com/specials/magazine4/articles/garbo1.html.

87 Keith Olbermann, *Countdown with Keith Olbermann: Janet Jackson's Wardrobe Malfunction*, MSNBC.COM, Feb. 3, 2004, http://www.msnbc.msn.com/id/4147857/.

88 MICHAEL JACKSON, THRILLER (Sony Records 1982).

89 *See* Mike Brooks et al., *Jackson Booked on Suspicion of Molestation*, CNN.COM, Nov. 25, 2003, http://www.cnn.com/2003/LAW/11/20/jackson/.

90 UrbanDictionary.com, Played Out, http://www.urbandictionary.com/define.php?term=played+out (last visited Mar. 16, 2008).

91 de Grandpré, *supra* note 63, at 103.

92 *See* Matthew Savare, Comment, *The Price of Celebrity: Valuing the Right of Publicity in Calculating Compensatory Damages*, 11 UCLA ENT. L. REV. 129, 179–80 (2004).

93 *Id.*

94 *See* McKenna, *supra* note 4, at 269–70 (citing Landes and Posner's contention that "overgrazing on identity leads to 'face wearout,' a reduction in the value of one's persona due to declining interest in the person as her persona is increasingly used").

95 Mark A. Lemley, *Ex Ante Versus Ex Post Justifications for Intellectual Property*, 71 U. CHI. L. REV. 129, 142 (2004).

96 15 U.S.C. § 1125(c) (2000).

in a nonderogatory way."[97] The theory underlying dilution is that, if the law permits willy-nilly use of a trademark, even if no consumer confusion is evident, there is still harm to the mark-holder, who has invested goodwill in its mark.

Dilution law, however, has been subject to scathing critique, particularly the theory of dilution-by-blurring, which lacks almost any objective evidence of harm in the trademark context. It is said that the "mismatch between dilution's stated purpose and hidden goal, [of preventing free-riding on famous marks, leaves dilution as] a clumsy and largely incoherent doctrinal device."[98] In *Moseley v. V Secret Catalogue, Inc.*, the Supreme Court attempted to put a limitation on dilution theory by requiring proof of actual dilution.[99] However, Congress soon overturned that decision legislatively at the behest, and for the benefit of, large corporate mark-holders.[100] Analysts have discounted the overexposure theory.

F. Personality Theory

A much stronger candidate as a justification for publicity rights is personality theory, although it was frowned upon in dicta in the *Zacchini* case.[101] Scholars such as Justin Hughes have tied personality theory, of which moral rights doctrine is a subset, to the right of publicity.[102] The philosophical basis of personality theory draws from the works of Hegel and Kant.[103] European regimes, under the auspices of the "droit moral," recognize that there are intangible characteristics of IP that cannot be quantified in pure economic terms.[104]

Professor Roberta Kwall is a leading proponent of the use of moral rights type personality theory in the right of publicity context.[105] Kwall posits that doctrinal similarities exist between moral rights doctrine and the right of publicity—notably, that both doctrines "seek to protect the integrity of texts by rejecting fluidity of interpretation by the public in favor of the

---

97 Clarisa Long, *Dilution*, 106 COLUM. L. REV. 1029, 1058 (2006).

98 David J. Franklyn, *Debunking Dilution Doctrine: Toward a Coherent Theory of the Anti-Free-Rider Principle in American Trademark Law*, 56 HAST L.J. 117, 117 (2005).

99 *See* 537 U.S. 418, 433 (2003).

100 *See* Louis Vuitton Malletier v. Haute Diggity Dog, LLC, 507 F.3d 252 (4th Cir. 2007).

101 *See* Zacchini v. Scripps-Howard Broad. Co., 433 U.S. 562, 573 (1977).

102 Justin Hughes, *"Recoding" Intellectual Property and Overlooked Audience Interests*, 77 TEX. L. REV. 923, 924 (1999). For an interesting critique of Hughes' thesis, see Sarah LaVoi, *The Value of Recoding Within Reason: A Review of Justin Hughes' "Recoding" Intellectual Property and Overlooked Audience Interests*, 14 DEPAUL-LCA J. ART & ENT. L. 171, 172 (2004) (contending that Hughes' work "overlooks the importance of some recoding freedom as a tool necessary for valuable cultural revolution").

103 Linda J. Lacey, *Of Bread and Roses and Copyrights*, 1989 DUKE L.J. 1532, 1541–42.

104 "Droit moral" is French for "moral rights." Two of the main rights consist of the right to be known as the author of the work (paternity), and the right to prevent mutilations or distortions of the work that are prejudicial to the author's honor or reputation (integrity). *See* Roberta Rosenthal Kwall, *Copyright and the Moral Right: Is an American Marriage Possible?*, 38 VAND. L. REV. 1, 5 (1985).

105 Roberta Rosenthal Kwall, *Preserving Personality and Reputational Interests of Constructed Personas Through Moral Rights: A Blueprint for the Twenty-First Century*, 2001 U. ILL. L. REV. 151,

author's interpretation," and that both doctrines "focus on assaults to the author's reputation and personality."[106] Professor Kwall's approach would focus less on distinctions between commercial and non–commercial use, but rather on "misappropriations or mutilations of one's persona in situations where damage to the human spirit, rather than economic harm, is the focus."[107] Right of publicity restrictionists, such as Professor Doughtery, point out that a personality theory of the doctrine "does not provide a rationale for a *property* type right which is assignable and descendible—in other words a right of publicity, as understood in U.S. jurisprudence."[108]

However meritorious personality theory may be in the context of the right of publicity, it carries a double-edged sword for artistic development. For example, conduct that constitutes a "mutilation" might or might not be actionable as defamatory. However, defamation law sets very high standards of proof and injury to prevent conflict with First Amendment principles,[109] and, indeed, the harshest criticism of the right of publicity focuses on the harm it can inflict on free expression.

G. The Right of Publicity as the Cesspool of IP Expansion

The right of publicity might be seen as the cesspool of accumulated "gunk" arising out of the expansion of IP. At its worse, we see rich celebrities, such as Tiger Woods, who sought to enjoin a painter from selling art depicting his image at the historic 1997 Masters tournament,[110] or, more recently, former celebrities, such as the late Evel Kneviel, attempting to enjoin rapper Kanye West from re-enacting Kneviel's 1970's era motorcycle jump across the Colorado River in West's rap video.[111] Another way of looking at the right of publicity, however, is from the perspective of artists' rights. When we think of musical artists, for example, one cannot help but note that, as soon as artists establish a successful music career, they attempt to move out of the music industry.

The music industry is well known for its overreaching and exploitative conduct, with standard contracts described by music artists as "unconscionable, indentured servitudes, and . . impossible . . . "[112] Recent years have witnessed bankruptcies of top-selling artists and royalty disputes that reveal

---

106 *See id.* at 158.

107 *Id.* at 166.

108 *See, e.g.*, F. Jay Dougherty, Foreword, *The Right of Publicity—Towards a Comparative and International Perspective*, 18 LOY. L.A. ENT L.J. 421, 443 (1998).

109 New York Times v. Sullivan, 376 U.S. 254, 279–80 (1963) (holding that the constitution guarantees "a federal rule that prohibits a public official from recovering damages for a defamatory falsehood relating to his official conduct unless he proves that the statement was made with 'actual malice' . . .").

110 ETW Corp. v. Jireh Publ'g, 332 F.3d 915, 918 (6th Cir. 2003).

111 Associated Press, *Evil Knievel Sues Kanye West Over Video*, MSNBC.COM, Dec 12, 2006, http://www.msnbc.msn.com/id/16171599.

112 Tracy C. Gardner, *Expanding the Rights of Recording Artists: An Argument to Repeal Section 2855(b) of the California Labor Code*, 72 BROOK. L. REV. 721, 722 (2007) (internal quotations omitted).

sharp business practices and sham accounting.[113] The same can be said for the film industry, where a recent lawsuit claims that, despite worldwide profits of billions of dollars, the film distributors of the *Lord of the Rings* have failed to pay gross profits to the estate of Tolkien.[114] These cases illustrate that the nature of IP expansion has been to reward entertainment conglomerates, with proportionally little "trickle down" to artists and creators. For example, it is said that while the record label of multi-platinum artist Toni Braxton "is estimated to have received net profits between sixty and seventy million dollars from her record sales . . . . Braxton only received approximately five million dollars, or less than three percent of the gross."[115] The right of publicity, then, ends up being a cesspool where music and other artists suck up the dregs of IP protection.

IP expansion, economic analysts say, also encourages "rent seeking"—opportunistic conduct by actors seeking to extract surplus value from IP protection—often with consequences that add deadweight losses to society, such as frivolous and semi-frivolous litigation, demands for excessive damages, and claims for injunctive relief in the classic "holdover" sense. I call this conduct IP "nihilism." It is a mindset that says, "Let's find a case where we can go after a major studio or record label or TV network for the most trivial violation of IP rights, demand an injunction, and extract a large settlement plus attorney's fees." The film studios, record labels, and RIAA's of the world have made it a priority to pursue every claim of trademark or copyright infringement possible through cease and desist letters and, in the case of RIAA, mass litigation against consumers.[116]

In the trademark context, I characterized this conduct as "abusive trademark litigation."[117] Much right of publicity litigation could similarly be characterized as abusive in nature—plaintiffs bringing claims where there are no real damages or significant non-economic damages, either as rent-seekers or to send a "message" regarding boundary intrusion on a property right. If creators were truly the beneficiaries of their creativity—for example, if we had a copyright and contract system in the music industry that paid fair compensation—perhaps we might not need a "cesspool" of residual right of publicity claims.

---

113 *See, e.g.*, *id.*

114 Janet Shprintz, *Tolkien Estate Sues New Line*, VARIETY, Feb. 11, 2008, http://www.variety.com/article/VR1117980703.html.

115 David C. Norrell, Comment, *The Strong Getting Stronger: Record Labels Benefit from Proposed Changes to the Bankruptcy Code*, 19 LOY. L.A. ENT. L.J. 445, 456 (1999).

116 *See, e.g.*, Ray Beckerman, How the RIAA Litigation Process Works (Jan. 11, 2008), http://info.riaalawsuits.us/howriaa_printable.htm.

117 Greene, *supra* note 7, at 614.

III. RIGHT OF PUBLICITY STORIES

Stories are a way of helping to understand how abstract legal principles work in the "real" world.[118] Right of publicity stories reveal three facets of the publicity rights. Too little protection results in dignitary harms that society should find unacceptable, but too much protection supports restrictionist arguments that the right of publicity dampens creative cultural activity. Individuals at the lower end of the social hierarchy—the non-celebrity and the "Aunt Jemima"—can suffer exploitation with no restriction on the use of image in both expressive and commercial settings. Famous individuals, such as rapper, Chuck D., can show dignitary harm from use of persona. On the other hand, the dignitary interests of a cultural icon, such as Rosa Parks, might need to take a back seat in the context of creative expression. Additionally, the case of 50 Cent reflects ambivalence between those who trade in "toxic" fame and those concerned with dignitary/moral rights.

A. The Under-Protection of Non-Celebrities

Although under a majority view the right of publicity protects both celebrities and non-celebrities alike,[119] it is not often called "the celebrity right of publicity" for nothing. While the right of publicity might be said to overprotect celebrities, it tends to under-protect non-celebrities: non-celebrities merely have a theoretical right of publicity that "is often neglected in practice."[120] Much like federal trademark dilution law,[121] which seems to provide the most protection to the big companies that need it the least, the right of publicity provides little protection to the "little person" who arguably needs protection from well-financed entities, such as film producers and record labels.

This point was brought home to me quite vividly when I did a consultancy project on the right of publicity a few years ago. Our client was a non-celebrity whose photographic image was used fairly extensively in a major Hollywood motion picture without his consent. Under California's right of publicity statute, set forth in Civil Code section 3344,[122] it was unlikely he could assert a claim. This is because the statutory right of publicity in California requires use in advertising or merchandising,[123] and it is

118 *See generally* JANE C. GINSBURG, ROCHELLE COOPER DREYFUS, INTELLECTUAL PROPERTY STORIES 2–4 (2006).

119 *See, e.g.*, Jordan Tabach-Bank, *Missing the Right of Publicity Boat: How* Tyne v. Time Warner Entertainment Co. *Threatens to "Sink" the First Amendment*, 24 LOY. L.A. ENT. L.J. 247, 254 (2004) (noting that a majority of jurisdictions extend "protection to non-celebrities on the theory that fame or notoriety goes to the endgame of commercial damages, not to the existence of the right").

120 Claire E. Gorman, *Publicity and Privacy Rights: Evening Out the Playing Field for Celebrities and Private Citizens in the Modern Game of Mass Media*, 53 DEPAUL L. REV. 1247, 1248 (2004).

121 *See* The Lanham Trademark Act, 15 U.S.C. § 1125(a) (2000).

122 CAL. CIV. CODE § 3344 (West 2008).

123 *Id* (prohibits use of a person's "name, voice, signature, photograph, or likeness . . . on or in

doubtful at best that the Code would include motion picture use as advertising use.

However, California provides the broadest protection to identity appropriation under state common law.[124] The common law right of publicity in California does not require use in advertising, but rather use "to defendant's advantage."[125] Clearly, the motion picture studio's use here was to its advantage—out of a large universe of images, it chose our client's, and developed script around use of the image. However, it is doubtful a non-celebrity could prevail where his photo or likeness is displayed in a motion picture in California. The studio attorneys vehemently and repeatedly cited the case of *Polydoros v. Twentieth Century Fox Film Corp.*[126] in defending the claim.

In *Polydoros*, the plaintiff sued a motion picture studio and its producers for use of his childhood image as "Squints" Palledorous in the hit film "*The Sandlot*."[127] The film's director was a childhood friend of Mr. Polydoros and reconstructed the image of his friend for the fictional character "Squints," which was also plaintiff's childhood nickname.[128] In rejecting plaintiff's right of publicity claims, the *Polydoros* court gave precedence to First Amendment values of free expression for a film producer over the interests of the plaintiff.[129]

Our legal team counter-argued that the display of a photographic image in a motion picture is very different from reconstructing the persona of a childhood friend. The use of Squints Palledorous was transformative in nature; the exhibition of an image in a film is not—nothing was changed in exhibiting the image.[130] If the studio's position is correct, it would mean that the image of any American can be displayed and incorporated as a fictional element in a film without that person's consent. That sounds terribly wrong, at least from a privacy perspective. It is also wrong today to assume that there is always little economic gain in taking the name and likeness of non-famous individuals. The reality television explosion demonstrates the value of non-celebrity images through the use of using unknown

---

products, merchandise, or goods, or for purposes of advertising or selling, or soliciting purchases of, products . . . without . . . prior consent . . . .").

124 *See* Tara B. Mulrooney, *A Critical Examination of New York's Right of Publicity Claim*, 74 ST. JOHN'S L. REV. 1139, 1159 (2000) (noting that California's protection of publicity rights is broader than New York's; it even "adds a person's signature to the list of protected attributes . . . .").

125 Eastwood v. Sup. Ct., 198 Cal. Rptr. 342, 347 (Ct. App. 1983).

126 79 Cal. Rptr. 2d 207 (Ct. App. 1997).

127 *Id.* at 208.

128 *Id.*

129 *Id.* at 210.

130 *See* Comedy III Prods., Inc. v. Gary Saderup, Inc., 21 P.3d 797, 808 (Cal. 2001) (the court grafted the transformative test from copyright's fair use doctrine to uphold an artists rendering of a charcoal drawing of the Three Stooges as protected conduct, noting expression that is "a literal depiction or imitation of a celebrity for commercial gain" is a violation of publicity rights). The use of copyright standards in right of publicity cases has been harshly criticized. *See* Dogan & Lemley, *supra* note 5, at 1187 (contending that drawing analogies between copyright law and the right of publicity "is both misleading and dangerous").

"actors" in their shows.

Even had the client been able to establish liability on the claim in the face of *Polydoros*, his damages—due to lack of commercial value to his identity—would have been negligible, if cognizable at all. A non-celebrity's harms will be wholly non-economic in nature, given the lack of any marketable value for image. Here an interesting doctrinal conundrum occurs. Typically, where harms cannot be quantified, courts often grant injunctive relief. However, injunctive relief in the expressive context of film carries severe free speech dangers. Notwithstanding those dangers, courts do not hesitate to grant injunctive relief as a matter of course in both the copyright and trademark context—it is axiomatic that copyright infringement triggers an automatic presumption of irreparable harm.[131] In contrast, in the right of publicity context and expressive use, courts rarely grant preliminary injunctions, and there is no automatic presumption of harm as in the copyright and trademark context.[132]

For non-celebrities then, the right of publicity is essentially a "right without a remedy."[133] Even where a non-celebrity plaintiff can establish a claim, problems in establishing damages will foreclose an effective cause of action. For some analysts, this is considered a good thing, as they deem it "folly . . [to] exten[d] the right of publicity to noncelebrities [sic] who cannot demonstrate that their identity has any significant commercial value."[134] However, denying a publicity claim to a non-celebrity discounts personality rationales of personhood. Even if good reasons exist to restrict publicity claims in the non-celebrity conduct—and, some exist, particularly threats to free expression—the reasons for providing some protection to non-celebrities seem compelling. Arguments against non-celebrity right of publicity claims,[135] regardless of merit, in effect value commercial speech over rights of personhood.[136]

B. MC Hammer: The Tale of Overexposure

Perhaps no artist was hotter in the early 1990's on the hip-hop scene than MC Hammer. From around 1990 through 1991, he produced a string of hits, including "Let's Get It Started"[137] and "U Can't Touch This."[138]

131 For an overview of preliminary injunctive relief in the copyright context, see *Motion Picture*, *supra* note 22.

132 *See, e.g.*, Michaels v. Internet Entm't Group, 5 F. Supp. 2d 823 (C.D. Cal. 1998) (limiting injunctive relief of TV star Pamela Anderson for use of name and likeness in the context of a self-made sex tape marketed by defendants, but granting full injunctive relief under copyright claim).

133 There is a "common law principle, recognized by the Supreme Court as early as *Marbury v. Madison*, that a right without a remedy is not a right at all." Doe v. County of Ctr., Pa., 242 F.3d 437, 456 (3d Cir. 2001).

134 *See* Alicia M. Hunt, Comment, *Everyone Wants to be a Star: Extensive Publicity Rights for Noncelebrities Unduly Restrict Commercial Speech*, 95 NW. U. L. REV. 1605, 1610 (2001).

135 *See id.* at 1611.

136 *Id.* at 1610.

137 M.C. HAMMER, *Let's Get it Started*, *on* LET'S GET IT STARTED (Capitol Records 1988).

138 M.C. HAMMER, *U Can't Touch This*, *on* PLEASE HAMMER, DON'T HURT 'EM (Capitol Records

Along the way he generated millions of dollars in album sales, as well as allegations of copyright infringement.[139] He might be most famous—not for the catchy music and amazing dance moves he created—but for blowing millions of dollars with extravagant spending and a huge "posse," which was reputed to have cost him around $500,000 per month.[140] By 1992, his career had flamed out, and he declared bankruptcy in 1996.[141] He lost pretty much everything, perhaps most tragically, the catalog and copyright ownership of his songs.[142]

Hammer is an example of an artist who was overexposed. In addition to recording songs and touring, he performed in television commercials for Taco Bell,[143] and even had a Saturday morning cartoon for children featuring his image.[144] We could probably find other examples of artists whose careers suffered due to overexposure. My short list would include the Spice Girls, Pee Wee Herman, and Vanilla Ice. A warning sign of overexposure is the proliferation of parodies about an artist or individual. In the case of Vanilla Ice and Hammer, the parodies could be particularly vicious.[145] As a result, it becomes "uncool" to buy records or attend performances of the artist. Clearly, there is something intuitively attractive about an overexposure theory. Even skeptics of overexposure concede that tedium with a persona "may be accelerated, at least in terms of chronological time, as a result of overexposure."[146]

However, attempting to prove causation between decline of the value of persona and overexposure is likely a fruitless task. Moreover, the examples of overexposure result not from publicity right violations, but from overuse by celebrities themselves. Still, if a link could be established between overexposure and decline of value of persona, it would perversely lend credence to the much-maligned theory of dilution by blurring.

C. Aunt Jemima: The Tale of Misappropriation/Unjust Enrichment

Aunt Jemima is a seminal figure in trademark law. One of the early leading cases on a core trademark doctrine (the related goods doctrine) involved the question of whether a defendant could use the mark "Aunt Je-

---

1990); *see also* Steve Huey, MC Hammer Biography, All Music Guide, http://www.allmusic.com/cg/amg.dll?p=amg&sql=11:kifrxq95ld6e~T1 (last visited Mar. 18, 2008) [hereinafter Hammer Biography].

139 Hammer Biography, *supra* note 138.

140 *See id.*; *see also* Norrell, *supra* note 115, at 455–56.

141 Hammer Biography, *supra* note 138.

142 *MC Hammer Sells Back Catalog*, YAHOO! MUSIC, July 21, 2006, http://music.yahoo.com/read/news/34343748.

143 IMDB.com, M.C. Hammer, http://www.imdb.com/name/nm0358479/otherworks (last visited Mar. 12, 2008).

144 Hammer Biography, *supra* note 138.

145 *See, e.g.*, Vanilla Ice Parody with Jim Carrey, http://www.youtube.com/watch?v=XoWdYYKdbLI; MC Hammer Parody, http://www.youtube.com/watch?v=plkyqmck9B8; WEIRD AL YANKOVIC, *I Can't Watch This*, *on* OFF THE DEEP END (Volcano Ent. 1992) (parody of M.C. Hammer's song, *U Can't Touch This*).

146 McKenna, *supra* note 4, at 270.

mima" for pancake syrup, in light of the fact that the complainants had, to that point, limited their production to self-rising flour.[147] The Second Circuit held that it could not, spawning the "Aunt Jemina" doctrine, as it is known, to this day.[148] The right of publicity story, like much of the history of blacks in IP law, is less well known. In the late 1800's, the R.T. Davis Mill and Manufacturing Company was looking for a "mammy" type black woman to be the marketing face for its pancake mix. Reputedly, the first Aunt Jemima was a woman named Nancy Green, who assigned her rights to the use of her image for $5.00.[149] How much is the image of Aunt Jemima worth? By way of example, we could look to a recent case involving "Taster's Choice" Coffee. In *Christoff v. Nestle USA, Inc.*,[150] a former model named Christoff sued Nestle USA for misappropriation of his likeness on the Taster's Choice line of coffee products. At trial, the jury awarded Christoff $330,000 in damages and over $15,000,000 in profits.[151] On appeal, the judgment was reversed.[152] The case is currently being reviewed by the California Supreme Court.[153]

D. Chuck D: The Tale of Personality/Moral Rights

Hip-hop music, also known as "rap," is an African-American art form that has been subject to legal analysis in the IP context, primarily for controversies over digital sound sampling. One of the pioneer rap groups that emerged in the late 1980's was Public Enemy.[154] As a lawyer at a New York law firm, I had the privilege of representing Public Enemy in the early/mid 1990's. The lead rapper, Chuck D., was involved in a lawsuit that arose when McKenzie River Corporation—at the time, maker of the forty ounce malt liquor, St. Ides—used a snippet of Chuck D's voice in one of its beer commercials.[155] Chuck D. had long vehemently denounced the sale of the "40" in black communities and was outraged over the use. He sued the brewer for copyright infringement, trademark infringement, and violation of the right of publicity.[156] At the time of suit, California had a more favor-

147 Aunt Jemima Mills Co. v. Rigney & Co., 247 F. 407, 408 (2d Cir. 1917), *cert. denied*, 245 U.S. 672 (1918).

148 *Id.* at 412; *see also, e.g.*, Triumph Hosiery Mills, Inc. v. Triumph Int'l Corp., 308 F.2d 196, 199 (2d Cir. 1962) (referring to the "Aunt Jemima Doctrine"); S. C. Johnson & Son, Inc. v. Johnson, 175 F.2d 176, 179 (2d Cir. 1949) (same); Quality Inns Int'l v. McDonald's Corp., 695 F. Supp. 198, 211 (D. Md. 1988) (same); Ann Bartow, *Likelihood of Confusion*, 41 SAN DIEGO L. REV. 721, 780 (2004) (same).

149 MARILYN KERN-FOXWORTH, AUNT JEMIMA, UNCLE BEN, AND RASTUS: BLACKS IN ADVERTISING, YESTERDAY, TODAY, AND TOMORROW (1994).

150 Christoff v. Nestle USA, Inc., No. B182880, 2007 Cal. App. LEXIS 1137 (Ct. App. June 29, 2007), *rev. granted*, No. S155242, 2007 Cal. LEXIS 12762 (Oct. 31, 2007).

151 *Id.* at *1.

152 *Id.* at *58.

153 *Christoff*, No. S155242, 2007 Cal. LEXIS 12762.

154 Steven Thomas Erlewine, Public Enemy Biography, All Music Guide, http://www.allmusic.com/cg/amg.dll?p=amg&sql=11:kifixq95ld6e~T1 (last visited Mar. 19, 2008).

155 *Chuck D: 'This One's Not For You': Battling Malt Liquor*, ENT. WKLY, Sept. 27, 1991, *available at* http://www.ew.com/ew/article/0,,315630,00.html.

156 *Id.*

able right of publicity law than New York. The New York right of publicity statute, set forth in sections 50 and 51 of the New York Civil Rights Law, provided a claim for commercial appropriation of name, likeness, portrait, and picture.[157] In contrast, California has both a common law right of publicity, which merely requires a use to "defendant's advantage" and a statutory right of publicity that prohibits use in adverting or merchandising.[158] Moreover, at the time of the Chuck D. suit, California provided protection to voice, a protection not available in New York until 1995.[159] The Chuck D. lawsuit against the malt liquor company shows the personality rationale for the right of publicity at its nadir. The harm to the artist is not primarily economic, but personal in nature. It is doubtful, for example, that Chuck D. actually lost record sales as a result of the advertisement, yet the overall harm to reputation and dignity was significant. The flip side of this case is the misappropriation facet—the malt liquor company was clearly using the artist's voice as a form of free-riding. However, even if one does not believe the free-rider rationale holds weight, the dignitary harm is undeniable.

E. Cultural Lockdown

The right of publicity, like other forms of IP, has the capacity to chill expression and reduce the public domain. Like trademark law—which "removes certain uses of . words, phrases, images, and product designs from the public domain, leaving other uses available to the public"—the right of publicity limits access to cultural icons of celebrity and can remove "certain uses of the person's name or likeness from the public domain."[160] It falls into that category of law that facilitates the great lockdown of culture excoriated by commentators, such as Larry Lessig.[161] A range of conduct, from fan web sites to music production that appear socially beneficial and consistent with the "marketplace of ideas," is suddenly transformed into illegal conduct.

F 50 Cent: Free-riding and Misappropriation

Rapper Curtis Jackson, better known as "50 Cent," is perhaps the anti-Chuck D. Whereas Public Enemy had a vibrant and controversial message of black empowerment and eschewed materialism, 50 Cent was a street thug living in the Jamaica, Queens section of New York City, reputedly

---

157 N.Y. CIV. RIGHTS LAW §§ 50–51 (1992).

158 Gionfriddo v. Major League Baseball, 114 Cal. Rptr. 2d 307, 313 (Ct. App. 2001) (explaining that the common law right of publicity is recognized in California and provides protection against the "'appropriation' of a plaintiff's name or likeness for the defendant's advantage").

159 Joseph J. Beard, *Clones, Bones and Twilight Zones: Protecting the Digital Persona of the Quick, the Dead and the Imaginary*, 16 BERKELEY TECH. L.J. 1165, 1231–32 (2001).

160 Tyler T. Ochoa, *Origins and Meanings of the Public Domain*, 28 U. DAYTON L. REV. 215, 220 (2002) (emphasis omitted).

161 *See generally* LAWRENCE LESSIG, THE FUTURE OF IDEAS: THE FATE OF THE COMMONS IN A CONNECTED WORLD (2001).

selling drugs for a living.[162] In 2000, he was involved in a drug deal gone bad that resulted in him being shot nine times.[163] "Fiddy" survived, signed a record deal with Columbia Records, and then moved on to Universal Music Group.[164] In 2003, 50 Cent became a household name and an international rap superstar with release of his album, "*Get Rich or Die Tryin'*."[165] Jackson did indeed "get rich" and famous, although one might question if his success falls into the category of "toxic fame" elucidated above.

With success in the entertainment business come lawsuits; Jackson has been on both the giving and receiving end of litigation. In the right of publicity context, Jackson sued an auto dealer in 2004 for a print ad that featured the rapper's picture, a reference to a Dodge Magnum, and the phrase, "Just Like 50 Says!"[166] The car dealer's use of Jackson's image would, no doubt, fall into the category of misappropriation on a theoretical level. It is a classic example of a defendant "reaping where it has not sown." There is nothing derogatory about the ad, ruling out a "personality" based theory of recovery, nor could it be said that the use would depress any economic incentive of Jackson to cultivate his fame.

On the other end of the spectrum, an online advertising company decided to run a pop-up banner ad on the Internet that featured Jackson's likeness and was entitled "Shoot the Rapper" and "win $5,000 or five free ringtones GUARANTEED."[167] Users were directed to aim and click their mouse to shoot the image. Jackson filed suit for trademark and right of publicity appropriation and sought damages for $1 million plus punitive damages. There is some irony in the notion that Jackson claimed he was personally offended by the ad,[168] given his graphic lyrics which glorify violence and the "player-pimp" lifestyle. Unlike the print ad using "Fiddy"'s image to promote car sales, the pop-ad here could arguably be deemed a form of social commentary or satire.

Should the case of 50 Cent be treated the same as that of Chuck D.? I think not. 50 Cent trades in violence, which is, by definition, what "gangsta" rappers do. He can hardly claim serious dignitary harm in his image being used in a pop-up ad. That is not to say he should not be entitled to some damages; but these should be proven, not assumed.

---

162 Jason Birchmeier, 50 Cent Biography, All Music Guide, http://www.allmusic.com/cg/amg.dll?p=amg&sql=11:wbfpxqqjldse (last visited Mar. 19, 2008) [hereinafter 50 Cent Biography].

163 *See* Natalie Finn, *50 Cent Takes Aim at Shooting Game*, E! ONLINE NEWS, July 20, 2007, http://www.eonline.com/news/article/index.jsp?uuid=b6b5dfa2-fb8a-4e87-8dfe-7535de774aac.

164 *Id.* Jackson was subsequently sued by the doctor who treated him for his gunshot wounds; according to the suit, Jackson failed to pay over $30,000 in medical bills due and owing. *Doctor Sues Rapper 50 Cent*, BBC NEWS ONLINE, May 7, 2003, http://news.bbc.co.uk/1/hi/entertainment/music/3006357.stm.

165 50 CENT, GET RICH OR DIE TRYIN' (Interscope Records 2003); *see also* 50 Cent Biography, *supra* note 162.

166 Sarah Hall, *50 Cent In Da Court*, YAHOO! MUSIC, Aug. 23, 2005, http://music.yahoo.com/read/news/23168868.

167 Finn, *supra* note 163.

168 *Id*

CONCLUSION

The right of publicity, for the most part, lacks substantial analytical support among the universe of intellectual property rationales and reflects what is bad, and even ugly, among the breakneck expansion of intellectual property rights. Those favoring a restrictive approach to IP expansion express legitimate concerns about the threat of IP to a robust public domain, creative outputs, and freedom of expression. Those concerns however, must be tempered by recognition of personhood interests of a dignitary nature and the impact of restriction on a society that is stratified along race, gender, and economic lines. Aunt Jemima is not similar to Tiger Woods. Further, IP restrictionists should also be sensitive to stratification within the world of artists, who often find their performance undervalued and appropriated without redress. The same concern applies to non-celebrities, who often find they have a "right" with no true remedy.

Deciding Who Cashes in on the Deceased Celebrity Business

Kathy Heller[*]

INTRODUCTION

According to the annual list published by Forbes.com, the thirteen "Top Earning Dead Celebrities" grossed a combined total of $232 million in twelve months ending October, 2007.[1] The Forbes list is topped by the estate of Elvis Presley, which generated $49 million, and includes familiar names like Albert Einstein and John Lennon, as well as relative newcomers, such as the rapper, Tupac Shakur, and the "Godfather of Soul," James Brown.[2] According to industry estimates, "after Mr. Presley, Ms. Monroe and James Dean are the most valuable dead-celebrity brands."[3]

The licensing of postmortem publicity rights—the commercial use of a deceased celebrity's name and image—is one of the most valuable sources of income for a celebrity's estate.[4] Although the lucrative licenses are carefully marketed, and unlicensed users are often rigorously pursued, postmortem publicity rights are currently not recognized by federal law.[5] Furthermore, the right does not exist in common law, and only a few states have enacted postmortem publicity rights legislation.[6]

---

* Kathy Heller is a Visiting Assistant Professor at Chapman University School of Law. She is also in private practice in Beverly Hills, California, specializing in entertainment law. The author would like to thank Serra Aladag for her valuable research assistance and thoughtful comments, as well as Jeremy Katz of the *Chapman Law Review* for his diligent editing of this article.

1 Jake Paine, *Top-Earning Dead Celebrities* (Lea Goldman & David M. Ewalt eds.), FORBES.COM, Oct. 29, 2007, http://www.forbes.com/2007/10/29/dead-celebrity-earning-biz-media-deadcelebs07_cz_lg_1029celeb_land.html.

2 *Id.*

3 Nathan Koppel, *Blonde Ambitions: A Battle Erupts Over the Right to Market Marilyn*, WALL ST. J., Apr. 10, 2006, at A1.

4 *Id.* ("In 2004, Robert F.X. Sillerman paid Lisa Marie Presley $100 million for an 85% stake in Elvis Presley Enterprises Inc., which licenses Mr. Presley's image and music.").

5 Unauthorized use of a deceased celebrity's name, voice or likeness may give rise to a false endorsement claim under Section 43(a) of the Lanham Act if it causes consumers to be deceived or confused as to whether the celebrity is associated with the goods or services, much like a trademark. *See, e.g*, Waits v. Frito-Lay, Inc., 978 F.2d 1093, 1110 (9th Cir. 1992); White v. Samsung Elecs. Am., 971 F.2d 1395, 1400 (9th Cir. 1992) ("In cases involving confusion over endorsement by a celebrity plaintiff, 'mark' means the celebrity's persona."). However, a right of publicity claim does not require evidence of likely consumer confusion. The United States Supreme Court considered the right of publicity in *Zacchini v. Scripps-Howard Broad. Co.*, 433 U.S. 562 (1977) and found that the First Amendment rights of a television news program were outweighed by an entertainer's right to earn a living when the program aired the entertainer's entire performance without his consent.

6 *See, e.g.*, CAL. CIV. CODE § 3344.1 (West 2008); IND. CODE ANN. § 32-36-1-8 (West 2002); TENN. CODE ANN. § 47-25-1105 (Supp. 2001).

California created a personal publicity right for living persons in 1971 and thirteen years later recognized a postmortem publicity right.[7] The courts have struggled to interpret California's postmortem publicity law and have been reluctant to expand postmortem rights without clear legislative intent. When courts have ruled contrary to the claims of a celebrity's heirs, residuary heirs, and most recently the heir of a residuary heir,[8] the California legislature has responded by amending or "clarifying" California law, each time expressing its clear intent to identify exactly who controls a celebrity's postmortem publicity rights.[9]

The impact of California's law on the rights and remedies available to claimants reaches well beyond its borders. Courts generally look to the last domicile of the deceased to determine applicable law,[10] and California is the current home and last domicile of many celebrities. The California legislature crafted its law to achieve jurisdiction whenever a deceased celebrity's image is used "on or in products, merchandise, or goods, or for purposes of advertising or selling, or soliciting purchases of, products, merchandise, goods, or services."[11]

I. EVOLUTION OF THE RIGHT OF PUBLICITY

The right of publicity has its origins in the common law tort of invasion of the right of privacy, which includes a cause of action for appropriation of the plaintiff's name or likeness.[12]

> The gist of the cause of action in a privacy case is . . . a direct wrong of a personal character resulting in injury to the feelings . . . of the individual . [that] is mental and . . . subjective . . . [and] impairs the mental peace and comfort of the person and may cause suffering much more acute than that caused by a bodily injury.[13]

---

7 *See* CAL. CIV. CODE §§ 3344, 3344.1 (West Supp. 2008); *see also* Comedy III Prods., Inc. v. Gary Saderup, Inc., 21 P.3d 797, 799–800 (Cal. 2001).

8 *See* Milton H. Greene Archives, Inc. v. CMG Worldwide, Inc., No. CV 05-02200 MMM (MCx), 2008 U.S. Dist. LEXIS 22213 (C.D. Cal. Jan. 7, 2008).

9 *See, e.g., Comedy III Prods.*, 21 P.3d at 799 (noting that the California legislature responded in 1984 with section 3344.1 after the court's holding in *Lugosi v. Universal Pictures*, 603 P.2d 425 (Cal. 1979)).

10 *See* Cairns v. Franklin Mint Co., 292 F.3d 1139, 1146 n.5, 1147 (9th Cir. 2002). Pursuant to California Civil Code section 946, the decedent must be a resident of California or a resident of another jurisdiction that has similar postmortem rights. The trustee of the Diana Princess of Wales Memorial Fund sued a California-based business that was selling a broad range of memorabilia without permission. The court determined that, regardless of the location of the violation, the law of the forum where the rights-holder resides controls, unless there is a local law to the contrary. Since the Trust and deceased person (Princess Diana) were not California residents, and the UK did not have a similar right of postmortem publicity, there was no violation of California's post-mortem publicity rights. *Id.* at 1146–47.

11 CAL. CIV. CODE § 3344.1 (West 2008).

12 *See* Eastwood v. Superior Court, 198 Cal. Rptr. 342 (Ct. App. 1983) (stating that "California has long recognized a common law right of privacy."); *see also* William L. Prosser, *Privacy*, 48 CAL. L. REV. 383, 389 (1960) (identifies and defines appropriation under common law torts and the privacy rubric).

13 Fairfield v. Am. Photocopy Equip. Co., 291 P.2d 194, 197 (Cal. Dist. Ct. App. 1955); *see also*

A. Origins of the Right of Publicity

The common law right of privacy was first recognized in California in 1931,[14] and the Ninth Circuit identified a common law cause of action for the right of publicity—distinct from the right of privacy in 1974.[15] The right of publicity was first recognized in 1953 by the Second Circuit when the New York Giants' catcher, Wes Westrum, signed contracts giving two rival bubble-gum firms the exclusive right to put his image on their baseball cards.[16] The two companies turned to federal court, which recognized an enforceable right of publicity entitling celebrities to a portion of the profits derived from merchandise which displays their likeness.[17] The court found that the right of publicity would only have value if it could be the subject of an exclusive grant—unlike the right of privacy, which cannot be assigned or transferred.[18]

B. Right of Publicity is Descendible to Heirs Regardless of whether the Celebrity Exploited the Right while Alive

More than twenty years later, the widows of Stanley Laurel and Oliver Hardy sued Hal Roach Studios, which owned the copyright to the Laurel and Hardy films, alleging misappropriation of the names and likeness of the two deceased comedians for commercial merchandising purposes.[19] The *Price* court held that Laurel and Hardy had a property right in their names and likeness during their lifetime and that the right descended to their heirs whether or not they exploited the right during their lifetimes.[20] This was the first expansion of the right of publicity beyond the celebrities' lifetime.

C. Early Judicial Limitations on Descendible Rights of Publicity

Four years after the district court in New York decided *Price*, which recognized a descendible right of publicity for heirs regardless of whether the celebrity exploited the right while alive, the California Supreme Court reached a very different conclusion.[21] In 1966, the son and widow of Bela Lugosi filed a complaint against Universal Studios, claiming that Lugosi had a protectable property or proprietary right in his likeness of the Count

---

Samuel D. Warren & Louis D. Brandeis, *The Right to Privacy*, 4 HARV. L. REV. 193 (1890).

14 Melvin v. Reid, 297 P. 91, 92 (Cal. Ct. App. 1931). In 1972, California added privacy to the inalienable rights granted to all people under the California Constitution. "All people are by nature free and independent and have inalienable rights. Among these are enjoying and defending life and liberty, acquiring, possessing, and protecting property, and pursuing and obtaining safety, happiness, and privacy." CAL. CONST. art. I, § 1 (amended Nov. 7, 1972, to add the word, "privacy").

15 Motschenbacher v. R. J. Reynolds Tobacco Co., 498 F.2d 821, 826 n.15 (9th Cir. 1974).

16 Haelan Labs., Inc. v. Topps Chewing Gum, Inc., 202 F.2d 866 (2d Cir. 1953), *cert. denied*, 346 U.S. 816 (1953).

17 *Id.* at 868.

18 *Id.*

19 Price v. Hal Roach Studios, Inc., 400 F. Supp. 836, 839 (S.D.N.Y. 1975).

20 *Id* at 844, 846–47.

21 Lugosi v. Universal Pictures, 603 P.2d 425 (Cal. 1979).

Dracula character which descended to his heirs under his will.[22] Lugosi portrayed Count Dracula in a Broadway production and in the Universal films, *Dracula*,[23] *Dracula's Daughter*,[24] and *Abbott and Costello Meet Frankenstein*.[25] Lugosi's heirs sought a share of the profits from Universal's licensing of Lugosi's image as the character Count Dracula.[26]

In 1960, four years after his death, Universal began to license the use of Lugosi's image as the Count Dracula character.[27] Universal granted more than fifty licenses over the next decade for the use of the character's image in the sale of a wide variety of products, including: "plastic toy pencil sharpeners, plastic model figures, T-shirts and sweat shirts, card games, soap and detergent products, picture puzzles, candy dispensers, masks, kites, belts and belt buckles, and beverage stirring rods."[28]

The California Supreme Court denied the claims of Lugosi's heirs, not because Lugosi had contracted with Universal to exploit his Dracula image, but because "the right to exploit name and likeness is personal to the artist and must be exercised, if at all, by him during his lifetime."[29] Lugosi's heirs may have received a descendible right of publicity "if [the right] had been crystallized into a business by Lugosi during his lifetime" such that his name or likeness was used "in connection with any business, product, or service so as to impress a secondary meaning of such business, product, or service."[30]

Four days after the *Lugosi* decision, the California Supreme Court again concluded that rights of publicity were not descendible under California law unless exploited during the celebrity's lifetime.[31] Rudolph "Rudolpho" Valentino's nephew and legal heir, Jean Guglielmi, filed suit seeking damages and injunctive relief claiming that defendant Spelling-Goldberg Productions misappropriated Valentino's right of publicity by producing a biographical film.[32] *Guglielmi*, citing *Lugosi* as controlling, held that "the right of publicity protects against the unauthorized use of one's name, likeness or personality, but that the right is not descendible and expires upon the death of the person so protected."[33]

22 *Id.* at 427.

23 DRACULA (Universal Pictures 1931).

24 DRACULA'S DAUGHTER (Universal Pictures 1936). It should be noted that Bela Lugosi did not play an actual role in the film, however he gave permission to display in the film a wax image of his face and head as Count Dracula. *Lugosi*, 603 P.2d at 434.

25 BUD ABBOTT & LOU COSTELLO MEET FRANKENSTEIN (Universal International Pictures 1948).

26 *Lugosi*, 603 P.2d at 427.

27 *Id.* at 435.

28 *Id.*

29 *Id.* at 431.

30 *Id.* at 428 & n.5.

31 Guglielmi v. Spelling-Goldberg Prods., 603 P.2d 454 (Cal. 1979).

32 *Id.* at 455.

33 *Id.*

II. CODIFICATION OF PUBLICITY RIGHTS

A. California Creates a Statutory Right of Publicity for the Living

While the *Lugosi* case was moving through the courts at glacial speed, the California legislature created a statutory right of publicity, available to everyone, regardless of celebrity status, which terminates upon death.[34] The statute, California Civil Code section 3344, prohibits "knowingly" using a person's "name, voice, signature, photograph, or likeness, in any manner, on or in products, merchandise, or goods, or for purposes of advertising or selling, or soliciting purchases of, products, merchandise, goods or services," without prior consent.[35] The statute created an exemption for "news, public affairs, or sports broadcast or account, or any political campaign,"[36] and provides for both monetary damages and attorney fees.[37]

The *Lugosi* court explained that section 3344 "fills a gap which exists in the common law tort of *invasion of privacy* in the state of California[,]"[38] adding that "it is consistent with the common law limitation on the right to privacy for the statute not to provide for an action by one's heirs."[39]

B. New York Federal Courts Follow California's Lead

The District Court in New York looked to the *Lugosi* case when Groucho Marx Productions—assignee of the Marx Brothers—sued the producers of a Broadway play for interference with their publicity rights.[40] The play, *A Day in Hollywood/A Night in the Ukraine*, included three principal performers reproducing the appearance and comedy style of the Marx Brothers'.[41] Following the holding of *Lugosi*, the District Court concluded that the Marx Brothers' right of publicity was properly asserted because they had exploited their rights in their self-created characters during their lifetime.[42]

C. California Reacts to *Lugosi* by Creating a Statutory Right of Publicity for the Dead

In response to *Lugosi* and *Groucho Marx Productions*, the California legislature—prompted by the Screen Actors Guild, celebrities, and heirs of deceased celebrities—vested a right of publicity in celebrities' heirs by

---

34 CAL. CIV. CODE § 3344 (West 2008).

35 *Id.* § 3344(a).

36 *Id.* § 3344(d).

37 *Id.* § 3344(a).

38 Lugosi v. Universal Pictures, 603 P.2d 425, 443 n.23 (Cal. 1979) (emphasis in original) (quoting Letter from John Vasconcellos, Cal. State Assembly, to Ronald Reagan, Governor, Cal. (Nov. 10, 1971)).

39 *Id.*

40 Groucho Marx Prods., Inc. v. Day & Night Co., 523 F. Supp. 485 (S.D.N.Y. 1981).

41 *Id.* at 486.

42 *Id.* at 491–92 (further holding that commercial exploitation does not necessarily require connection with the operation of a business or the sale of a particular product or service).

enacting Civil Code section 990.[43] With automatically vesting rights, heirs no longer needed to overcome the *Lugosi* requirement of showing that publicity rights were exploited during the decedent's lifetime. This new statute was opposed by the American Civil Liberties Union, as well as copyright holders, including the Motion Picture Association of America, the Alliance of Motion Picture and Television Producers, CBS, NBC, and Ron Smith's Celebrity Look-Alikes.[44]

Section 990 granted the heirs and transferees of a "deceased personality" the right to consent to the use of the name, photograph, or likeness on or in products, or in advertisements for products for fifty years after the individual's death.[45] "Deceased personality" is defined as someone who died after 1935 and whose name or personality had commercial value at the time of his death.[46] The law retroactively created "property rights," freely transferable, in whole or in part, by contract or by means of trust or testamentary documents.[47] If the decedent did not sign a will or other transfer document, section 990 clarified the order in which surviving heirs—including spouse, children, grandchildren, and parents—inherit the rights.[48] If none of the specified heirs remain, the publicity rights permanently enter the public domain.[49]

While section 990 reflected the legislature's narrow focus on preventing courts from following the *Lugosi* and *Groucho Marx* decisions, it left courts to face the difficulty of interpreting section 990's language.[50]

III. Comparing Section 990's Postmortem Rights to Section 3344's Publicity Rights for the Living

When section 990 was enacted, deceased celebrities enjoyed a broader set of publicity rights than afforded to the living. In some aspects, the differences were distinct: Heirs of deceased celebrities possessed a "freely transferable and enforceable property right" in the use of the deceased personality's likeness,[51] while section 3344 contains no language granting transferable property rights to living celebrities. A living celebrity is required to prove that a defendant "knowingly" used the living person's

43 CAL. CIV. CODE § 990 (West 2008) (renumbered 3344.1 in 1999).

44 Stephen F. Rohde, *Dracula: Still Undead*, CAL. LAW., Apr. 1985, at 51, 53.

45 *Id.*

46 *Id.*

47 *Id.*

48 *Id.*

49 CAL. CIV. CODE § 990(h) (West 2008) (superceded by section 3344.1). Section 990 was amended in 1999 and renumbered as § 3344.1. *See infra* Part VI.B.

50 Heirs were granted postmortem publicity rights under Section 990 if the deceased personality's "name, voice, signature, photograph, or likeness has commercial value at the time of his or her death." CAL. CIV. CODE § 990(h) (West 2008). The statute provides no further direction on how "commercial value" is to be determined, nor did it suggest how to determine the existence of unused commercial value.

51 *Id.* § 990.

name, voice, signature, photograph, or likeness,[52] while section 990 provided liability without proof of knowledge regarding the unlicensed use.[53]

The difference in scope of protection—for the living in section 3344 and the deceased in section 990—allows heirs to enforce publicity rights that the living celebrity would not have possessed. For example, a living person whose image is captured as part of a photograph cannot seek damages under section 3344 unless they are represented in the photograph as an individual "rather than solely as members of a definable group" such as a "crowd at any sporting event, a crowd in any street or public building, the audience at any theatrical or stage production, a glee club, or a baseball team."[54] But section 990 merely required that the deceased personality is "readily identifiable from a photograph when one who views the photograph with the naked eye can reasonably determine who the person depicted in the photograph is."[55]

A living baseball player could not prohibit the commercial use of his image in a team photograph under section 3344, nor could a well-known celebrity prohibit the commercial use of his image depicting him in a crowd at a sporting event.[56] But their heirs would be able to deny commercial use of the same photograph by withholding consent under section 990.

IV. REFINEMENT OF PUBLICITY RIGHTS AFTER SECTION 3344 AND SECTION 990

After the California legislature enacted postmortem publicity rights in section 990, still-living celebrities continued to pursue their publicity rights in court. But the courts looked to the common law, rather than section 3344, as the source of publicity rights for the living. As a result, California common law publicity rights continued to expand in scope and became more clearly defined.[57]

---

52 If a plaintiff is unable to prove a "knowing" use of name or likeness, the court will not find a violation of California Civil Code section 3344. *See* White v Samsung, 971 F.2d 1395, 1397 (9th Cir. 1992). Without a section 3344 violation, the living must look to a common law right of publicity for relief. *See* Stacey L. Dogan, *An Exclusive Right to Evoke*, 44 B.C. L. REV. 291, 306 n.97 (2003).

53 CAL. CIV. CODE § 3344.1(a)(1) (West 2008).

54 *Id.* § 3344(b)(2).

55 *Id.* § 990.

56 *See, e.g.*, Tim Buckley, *Jazz Run Out of Gas in L.A.*, DESERET MORNING NEWS, Nov. 5, 2007, http://deseretnews.com/article/1,5143,695224968,00.html (depicting Jack Nicholson in the crowd at a basketball game).

57 Alain J. Lapter, *How the Other Half Lives (Revisited): Twenty Years Since* Midler v. Ford, 15 TEX. INTELL. PROP. L.J. 239, 260 (2007) ("Unlike the traits enumerated under § 3344(a), the common law right of publicity embraces an expansive, yet ultimately ambiguous, set of indicia. It is precisely the court's plaintiff-generous extension of protectable indicia that has significantly expanded a celebrity's exclusive right to control the commercial use of his identity.").

A. Distinguishing Between Common Law and Statutory Rights of Publicity

The actor, Clint Eastwood sued *The National Enquirer* for commercial appropriation of his name, photograph and likeness under both California common law and section 3344.[58] Because section 3344(a) "requires a *knowing* use [of the celebrity's likeness] whereas under case law, mistake and inadvertence are not a defense against commercial appropriation. . .and section 3344(g) expressly provides that its remedies are cumulative and in addition to any provided for by law[,]" the *Eastwood* court viewed section 3344 as the legislative compliment to—and not the source of—the right of publicity.[59] The *Eastwood* court also noted that a section 3344 claim required allegations of a "direct . . connection . . . between the [infringing] use and the commercial purpose."[60]

B. Further Expansion of the Right of Publicity

Courts further expanded common law publicity rights to include imitations of a professional singer's distinctive voice for commercial purposes,[61] as well as any symbols that might "evoke" a celebrity's identity for commercial gain, such as a futuristic robot version of a game show hostess in an advertising context.[62] Although a person may have abandoned his birth name by legally changing it, and commercial use of the previous name was abandoned, the courts still recognized a right of publicity in the use of the name.[63] Courts also expanded the meaning of "name and likeness" to encompass "attributes" which suggest a celebrity's identity.[64]

Not all celebrities were successful in persuading the court that common law or section 3344 afforded them a remedy when their likeness was commercially exploited.[65] The "public affairs" exemption of section 3344(d) permitted the use of an individual's name and image in a commercial video about famous surfers,[66] as well as the use of a singer's voice in a

---

58 Eastwood v. Superior Court, 198 Cal. Rptr. 342, 344 (Ct. App. 1983).

59 *Id.* at 346 & n.6 (emphasis in original) (citation omitted).

60 *Id.* at 347 (internal quotations omitted).

61 *See, e.g.*, Midler v. Ford Motor Co., 849 F.2d 460, 463 (9th Cir. 1988); Waits v. Frito-Lay, Inc., 978 F.2d 1093 (9th Cir. 1992).

62 White v. Samsung, 971 F.2d 1395 (9th Cir. 1992).

63 Abdul-Jabbar v. Gen. Motors Corp., 85 F.3d 407 (9th Cir. 1996).

64 *See, e.g.*, Motschenbacher v. R. J. Reynolds Tobacco Co., 498 F.2d 821 (9th Cir. 1974) (held print advertisement featuring race car identifiable as the plaintiff's as a use of his identity, even though the plaintiff himself was not visible in the ad); Carson v. Here's Johnny Portable Toilets, Inc., 698 F.2d 831 (6th Cir. 1983) (held that a phrase commonly used to introduce a specific celebrity was protected).

65 *See, e.g.*, Montana v. San Jose Mercury News, Inc., 40 Cal Rptr. 2d 639 (Ct. App. 1995) (celebrity's image originally used for newsworthy purposes, may be used to advertise the periodical itself); Newton v. Thomason, 22 F.3d 1455 (9th Cir. 1994) (use of a celebrity's name for a character in a Television series was an acceptable use); Hoffman v. Capital Cities/ABC., Inc., 255 F.3d 1180 (9th Cir. 2001) (picture in magazine was not pure commercial speech, and thus was protected by the First Amendment).

66 Dora v. Frontline Video, Inc., 18 Cal. Rptr. 2d 790 (Ct. App. 1993).

pay-per-call opinion poll.[67]

The California Legislature largely ignored these judicial refinements of publicity rights for the living. But, when the publicity rights of the deceased were called into question, the legislature acted quickly by amending section 990.[68]

V THE CASE OF FRED ASTAIRE'S IMAGE

A. The Courts Limit Postmortem Publicity Rights by Recognizing an Exception to Section 990 for Non-Abusive Video

In 1969, Fred Astaire granted the Ronby Corporation an exclusive license to use his name, pictures, and likeness in connection with the operation of dance studios, schools, and related activities.[69] Fred Astaire died in 1987, leaving control over the rights to his film clips to his widow.[70] Two years later, Ronby entered into an agreement with Best Film & Video Corp. to manufacture and distribute a series of dance videos using the Fred Astaire Dance Studios name and licenses.[71] The "Fred Astaire Dance Series" videos began with ninety second clips from two of Astaire's films and contained still photographs of Astaire.[72] Astaire's widow sued Best, claiming that the ninety second film clips violated her rights under section 990.[73]

The Ninth Circuit Court of Appeals considered the "fairly convoluted statutory scheme" of section 990, reasoning that "to exempt a film or television program but not a videotape creates an absurd result . . ."[74] The court concluded that "the only interpretation of [section 990's] plain language which is internally consistent and gives effect to each phrase and clause of the provisions leads to the conclusion that Best's use of the Astaire film clips is exempt."[75] After reviewing the legislative history of section 990, the court determined that "Best's use in no possible way subjects Fred Astaire to abuse or ridicule. Best's use is also nothing like the exploitative marketing uses described in these legislative staff reports."[76]

It took less than two years for the California legislature to express its disapproval of *Astaire*. The response, SB 209, was unambiguously titled the Astaire Celebrity Image Protection Act.[77]

67 New Kids on the Block v. News Am. Publ'g, Inc., 971 F.2d 302 (9th Cir. 1992).
68 Astaire v. Best Film & Video Corp., 116 F.3d 1297 (9th Cir. 1997).
69 *Id.* at 1299.
70 *Id.*
71 *Id.*
72 *Id*
73 *Id.*
74 *Id.* at 1301.
75 *Id.* at 1302.
76 *Id.* at 1303.
77 S.B. 209, 1999–2000 Reg. Sess. (Cal. 1999).

B. The Legislature Responds to the Judicial Limitation on Postmortem Publicity Rights

According to its author, the Astaire Celebrity Protection Act ("Astaire Act") was necessary "to correct [an] inappropriate application of the current law[,]"[78] to close "loopholes[,]"[79] and "to provide greater protections to the heirs of deceased celebrities by broadening the right to publicity that is descendible to them."[80] The source of the legislation was the Screen Actors Guild,[81] and the same cast of characters from the section 990 debate, returned to lobby over the Astaire Act.[82]

Proponents reiterated the state goals of section 990, stating that the amendments were necessary "to correct inappropriate application of the current law to help prevent the improper use of celebrities' hard-earned images once they are no longer here to protect them themselves."[83] The proponents also emphasized the Astaire Act's goal of protecting celebrities' images and concern for the widows, children and dependants:

> We are living in an era when images of prominent artists, living and deceased, are used to sell and promote an increasing variety of products in every conceivable medium at a time when advancing technology provides the means for virtually unlimited manipulation of images and their instantaneous distribution. When image thieves step in, there is no limit to the extent of the damage that can be done to the integrity of (an artist's) career and vision. . . . Not only do authorized users suffer by this theft, but owners of the rights lose important compensation, on which many heirs—widows, children and others—depend on to live.[84]

Despite such lofty goals, the Astaire Act made only four changes in section 990. First it amended section 990(n)—used by the *Astaire* court to determine that the dance video fell within the excluded category of "film"[85]—by adding that films are not excluded from liability "if the claimant proves that the use is so directly connected with a product, article of merchandise, good, or service as to constitute an act of advertising, selling, or soliciting purchase of that product, article of merchandise, good, or service by the deceased personality."[86]

Second, the Astaire Act added twenty years of additional protection, extending control over postmortem publicity rights to seventy years beyond the date of death.[87] On the front end, the Astaire Act extended the reach of

78 S.B. 209, 1999–2000 Reg. Sess. (Cal.) (as amended and reported on Sept. 1, 1999).

79 *Id.* (mentioning Astaire v. Best Film & Video Corp. as an example of the need for the Bill).

80 *Id.*

81 S.B. 209, 1999–2000 Reg. Sess. (Cal.) (as amended and reported by S. Rules Comm. on Mar. 3, 1999).

82 *See id.*

83 S.B. 209, 1999–2000 Reg. Sess. (Cal.) (as amended and reported on Sept. 1, 1999).

84 *Id.*

85 Astaire v. Best Film & Video Corp. 116 F.3d 1297, 1303 (9th Cir. 1997).

86 S.B. 209, 1999–2000 Reg. Sess. (Cal) (as amended and reported on Sept. 1, 1999); *see also* CAL. CIV. CODE ANN. § 3344.1(n) (West Supp. 2008).

87 *See* CAL. CIV. CODE ANN. § 3344.1(f)(3) (West Supp. 2008).

its protection to include celebrities who died at any time after 1915.[88]

Third, it extended California law, permitting plaintiffs to sue when "the liability, damages, and other remedies arise from acts occurring directly in [California,]"[89] or for a prohibited "use, on or in products, merchandise, goods, or services, or the advertising or selling, or soliciting purchases of, products, merchandise, goods, or services . . . ."[90]

Fourth, the Astaire Act renumbered and moved section 990 to section 3344.1 so that the postmortem publicity statute would immediately follow the statute granting publicity rights to living persons.[91]

Although the Astaire Act was enacted in California with very little opposition, similar legislation introduced in New York engendered criticism. The attorney for Time, Inc. argued that "the wrong that these bills appear to redress is that the heirs of celebrities evidently do not feel that they are getting enough money for the use of the persona of their famous ancestors, . . . the name of the game here is money."[92] Opponents of the legislation acknowledged that Astaire's estate prevented the unlicensed commercial use of Astaire's image on products such as jewelry, cologne, and tuxedos.[93] But they derided the estate's granting of a license to digitally remove Fred Astaire's dance partner, Ginger Rogers, from a film clip and to replace her with a Dirt Devil vacuum cleaner in a commercial.[94] This commercial exploitation raised particular ire because the estate had previously prevented the Kennedy Center for the Performing Arts from using Fred Astaire clips for its televised tribute to Ginger Rogers in 1992.[95] Filmmakers who create documentaries and anthologies also complained about the difficulty involved with obtaining permission from the Astaire estate, despite their position that their work was not "commercial" and therefore exempt.[96] Though never enacted, critics of the New York legislation raised the concern that new postmortem protections would create "impossible restrictions for photographers or artists selling their work."[97]

---

88 *Id.* § 3344.1(h). Previously postmortem protection only reached celebrities who had died after 1935. *See supra* text accompanying note 46.

89 CAL. CIV. CODE ANN. § 3344.1(n) (West Supp. 2008).

90 *Id.*

91 S.B. 209, 1999–2000 Reg. Sess. (Cal.) (as amended and reported by S. Rules Comm. on Mar. 3, 1999).

92 Adam Z. Horvath, *Heirs Dispute Rights to Celebrity*, NEWSDAY (New York), May 16, 1989, at N8.

93 Irene Lacher, *Fred is Her Co-Pilot*, L.A. TIMES, Aug. 17, 1997, at C1.

94 *See* Eileen, Clarke, *The Last Dance: When Fred Astaire, Died 12 Years Ago, The Battle over his Work Began*, ENT. WKLY., June 18, 1999, at 88, *available at* http://www.ew.com/ew/article/0,,273770,00.html.

95 *Id.* "The licensing and use of dead celebrities' images has been controversial for decades. There was a public debate in the late 1990s when movie images of John Wayne were digitally inserted into a Coors beer commercial after his death." Patrick McGreevy, *A Bid to Protect Stars' Images*, L.A. TIMES, July 23, 2007, at B1.

96 Lacher, *supra* note 93.

97 Adam Z. Horvath, *Heirs Dispute Rights to Celebrity*, NEWSDAY (New York), May 16, 1989, at N8.

VI. THE CASE OF MARILYN MONROE'S IMAGES

Marilyn Monroe's image was captured by some of the greatest photographers of her time, including Milton Greene, Tom Kelley, and Sam Shaw. Those images remain part of popular culture more than forty-five years after her death. During her life, Monroe transferred her rights in the photos to the photographers by signing a modeling release. The copyright to these images currently belongs to the photographers' estates, and the estates license the use of the Monroe photographs. But the holders of Monroe's postmortem publicity rights require the payment of an additional license fee—a second rent—whenever Monroe's photographs are commercially used.[98]

When Marilyn Monroe died in August 1962, she left a 623-word will which provided for her mother and a few others.[99] The will then included the following residuary clause:

> All the rest, residue and remainder of my estate, both real and personal of whatsoever nature and whatsoever situate, of which I shall die seized or possessed or to which I shall be in any way entitled, or over which I shall possess any power of appointment by Will at the time of my death, including any lapsed legacies, I give, devise and bequeath as follows:
>
> (a) To MAY REIS the sum of $40,000 or 25% of the total remainder of my estate, whichever shall be the lesser.
>
> (b) To DR. MARIANNE KRIS 25% of the balance thereof, to be used by her as set forth in ARTICLE FIFTH (d) of this my Last Will and Testament.
>
> (c) To LEE STRASBERG the entire remaining balance.[100]

Six years after Monroe's death, her acting coach, Lee Strasberg, married Anna Strasberg—who was left as the sole beneficiary under Strasberg's will when he died in 1982.[101] Monroe's will was subject to probate in New York County Surrogate's Court, which appointed Anna Strasberg, a woman Monroe likely never even knew, as the administratrix of her estate.[102] In 2001, the court authorized Anna Strasberg to close the estate and transfer the residuary assets to Marilyn Monroe, LLC—a Delaware company formed by Ms. Strasberg to hold and manage the intellectual property assets of the residuary beneficiaries of Monroe's will.[103]

---

98 *See* Nathan Koppel, *Blonde Ambitions: A Battle Erupts Over the Right to Market Marilyn*, WALL ST. J., Apr. 10, 2006, at A1.

99 Strasberg v. Odyssey Group, Inc., 59 Cal. Rptr. 2d 474, 475 (Ct. App. 1996).

100 *See infra*, Appendix A.

101 *Id.*

102 *Id.* After her husband, Lee's death, Anna Strasberg promptly auctioned the bulk of the items Monroe willed to Lee –for about $13.4 million dollars. *See* Koppel, *supra* note 98 ("In 1999, Ms. Strasberg commissioned auction house Christie's to sell many famous items Ms. Monroe left behind, including the sequined gown she wore when she sang 'Happy Birthday' to President John Kennedy in 1962 The auction raised $13.4 million, but the sale irked many of Ms. Monroe's fans and friends.").

103 *See id* ("[Ms. Strasberg] has a controlling interest in [Marilyn Monroe, LLC]; the Anna Freud Centre, a London psychiatric institute that inherited Dr. Kris's stake [in the Monroe's estate] owns the rest.")

A. Courts in New York Limit the Extent of Postmortem Rights

Marilyn Monroe, LLC and its licensing agent, CMG Worldwide, claim the postmortem right of publicity to Monroe's image and have asserted that right in connection with the licenses granted by the photographer's estates.[104] In 2005, Marilyn Monroe, LLC and CMG Worldwide brought action against certain photographers, their estates, and their agents in the Southern District of Indiana.[105] Indiana, home to CMG, "creates a descendible and freely transferable right of publicity that survives for 100 years after a personality's death."[106] Indiana jurisdiction is established when the deceased's likeness is used in any "act or event that occurs within Indiana, regardless of a personality's domicile, residence, or citizenship."[107]

Shortly thereafter, the Shaw Family Archives brought suit in the Southern District of New York "seeking a declaratory judgment on whether there is any postmortem right of privacy or publicity in the name, likeness, and image of Marilyn Monroe . . . ."[108] The Archives also sought damages for copyright violations, tortious interference with contractual relations, and tortious interference with prospective economic advantage.[109]

The two cases were consolidated in the Southern District of New York, which held that a postmortem right of publicity could not have been passed by will in 1962 because "only property actually owned by a testator at the time of her death can be devised by will."[110] While Indiana recognized postmortem publicity rights by the time of trial, neither Indiana nor Monroe's two possible states of domicile[111] "recognized descendible postmortem publicity rights at the time of Ms. Monroe's death in 1962 . . ."[112]

Because "the majority rule that the law of the domicile of the testator at his or her death applies to all questions of a will's construction[,]"[113] and neither California nor New York allowed for the transfer of postmortem publicity rights inherited through wills of personalities who were already deceased prior to the statute's enactment, the *Shaw Family Archives* court concluded that, although state law might grant Monroe's postmortem right of publicity to her statutorily specified heirs, the purported transferees

104 *Shaw Family Archives*, 486 F. Supp. 2d 309.
105 *Id.* at 310.
106 *Id.* at 313.
107 *Id.*
108 *Id.* at 310. New York law does not recognize any common law right of publicity and limits its statutory publicity rights to living persons. *Id.* at 314.
109 *Id.* at 310–11.
110 *Id* at 313–14.
111 *See id.* at 314–15 ("There are disputed issues of fact concerning whether Ms. Monroe was domiciled in New York or California at the time of her death. (There is absolutely no doubt that she was *not* domiciled in Indiana.)").
112 *Id.* at 314.
113 *Id.*

could not, and did not, hold such a right.[114]

B. Courts in California Limit the Extent of Postmortem Rights

The estate of a second Monroe photographer, Milton H. Greene Archives, Inc. ("MHG"), filed a contemporaneous action against CMG Worldwide, Marilyn Monroe, LLC, and Anna Strasberg in the Central District Court of California.[115] The court granted MHG's motion for summary judgment, concluding that "under either California or New York law, Marilyn Monroe had no testamentary capacity to devise, through the residual clause of her will, statutory rights of publicity that were not created until decades after her death . . ."[116] The court further concluded that, "even if Marilyn Monroe's estate was open at the time the statutory rights of publicity were created, it 'was not [an] entity capable of holding title to the rights.'"[117]

To reach this decision, the court examined California Civil Code section 3344.1, finding that "[g]iven the clear common law prescription that a testator cannot devise property not owned at the time of death, and the presumption that the California legislature knew of this . prescription . . [with respect to] personalities who died before its enactment, the California right of publicity statute vested the posthumous publicity right in designated heirs rather than in the 'personality' himself or herself."[118] Because section 3344.1 "did not reveal a legislative intent that was contrary to general principles of property and probate law," Marilyn Monroe, LLC and CMG Worldwide lacked standing to assert postmortem publicity rights.[119]While limiting the extent of postmortem publicity rights, the *Milton Greene* court noted that the California and Indiana legislatures were in no way prohibited "from enacting a right of publicity statute that vested the right directly in the residuary beneficiaries of a deceased personality's estate, or in the successors-in-interest of those residuary beneficiaries."[120]

C. Legislative Response to the Monroe Limitation on Postmortem Rights

A scant six weeks after the Central District's ruling, California State Senator Sheila Kuehl fast-tracked Senate Bill 771.[121] The bill, sponsored by the Screen Actors Guild, was meant to amend section 3344.1 in re-

---

114 *Id.* at 315–20.

115 Milton H. Greene Archives, Inc. v. CMG Worldwide, Inc., No. CV 05-02200 MMM (MCx), 2008 U.S. Dist. LEXIS 22213 (C.D. Cal. Jan. 7, 2008).

116 *Id* at *10.

117 *Id* (brackets in original).

118 *Id* at *6–7.

119 *Id.* at *7.

120 *Id.* at *9

121 *Id.* State Senator Sheila Kuehl (D-Santa Monica) also starred in the 1959–63 CBS Series, *The Many Loves of Dobie Gillis*. Matthew Belloni, *Marilyn's Image Fuels Right-of-Publicity Row*, HOLLYWOOD REP., Sept. 14–16, 2007, at 90.

sponse to the recent Monroe cases.[122] In September 2007, Senate Bill 771 passed both houses of the California legislature and was signed by Governor Schwarzenegger on October 10, 2007.[123]

According to the proponents of SB 771, it *clarifies* that the rights to "a deceased personality's name, voice, signature, photograph or likeness in a commercial product is freely descendible by means of trust or any other testamentary instrument executed before or after January 1, 1985."[124] The Bill also *specifies* that the publicity rights are deemed to have existed at the time of death of any person who died prior to 1985, and that such property rights vest in the persons entitled to them under a trust or other testamentary instrument of the deceased personality.[125] A provision in the testamentary instrument disposing of the residue of the deceased personality's assets shall be effective to transfer those assets—including publicity rights—as of the date of death.[126]

SB 771 amended section 3344.1(b)—which vested postmortem publicity rights in the family members identified in the statute—and substituted the following:

> The rights recognized under this section are property rights, freely transferable or descendible, in whole or in part, by contract or by means of any trust or any other testamentary instrument, executed before or after January 1, 1985. The rights recognized under this section shall be deemed to have existed at the time of death of any deceased personality who died prior to January 1, 1985, and, except as provided in subdivision (o), shall vest in the persons entitled to these property rights under the testamentary instrument of the deceased personality effective as of the date of his or her death. In the absence of an express transfer in a testamentary instrument of the deceased personality's rights in his or her name, voice, signature, photograph, or likeness, a provision in the testamentary instrument that provides for the disposition of the residue of the deceased personality's assets shall be effective to transfer the rights recognized under this section in accordance with the terms of that provision. The rights established by this section shall also be freely transferable or descendible by contract, trust, or any other testamentary instrument by any subsequent owner of the deceased personality's rights as recognized by this section. Nothing in this section shall be construed to render invalid or unenforceable any contract entered into by a deceased personality during his or her lifetime by which the deceased personality assigned the rights, in whole or in part, to use his or her name, voice, signature, photograph or likeness, regardless of whether the contract was entered into before or after Janu-

---

122 *Post-Mortem Publicity Rights of Deceased Celebrities: Hearing on S.B. 771 Before the S. Rules Comm. Assemb.*, 2007–08 Reg. Sess. 4 (Cal. Sept. 4, 2007). In addition to the Screen Actors Guild, the bill was supported by California Labor Federation, AFSCME, Motion Picture and Television Fund, and about a dozen celebrity heirs and their foundations. The only opposition came from photographers and their estates. *Id.* at 5–6.

123 *Milton Greene*, 2008 U.S. Dist. LEXIS at *9.

124 *Id.* at 2.

125 *Id.*

126 *Id*

ary 1, 1985.[127]

SB 771 also added the following subsection to section 3344.1:

> (*o*) Notwithstanding any provision of this section to the contrary, if an action was taken prior to May 1, 2007, to exercise rights recognized under this section relating to a deceased personality who died prior to January 1, 1985, by a person described in subdivision (d), other than a person who was disinherited by the deceased personality in a testamentary instrument, and the exercise of those rights was not challenged successfully in a court action by a person described in subdivision (b), that exercise shall not be affected by subdivision (b). In such a case, the rights that would otherwise vest in one or more persons described in subdivision (b) shall vest solely in the person or persons described in subdivision (d), other than a person disinherited by the deceased personality in a testamentary instrument, for all future purposes.
>
> (p) The rights recognized by this section are expressly made retroactive, including to those deceased personalities who died before January 1, 1985.[128]

Individual photographers, their estates, and photography organizations opposed the bill. They argued that, prior to SB 771, publicity rights descend to designated heirs, and that SB 771 "strips those family members of deceased personalities of the rights they have owned and enjoyed for 22 years, without notice, compensation or justification. The Amendment is therefore unconstitutional both because of its attempted retroactive effect and because it deprives persons of their property ex post facto without compensation."[129] Opponents also argued that SB 771 vests rights in residuary beneficiaries which, under the previous law, would have fallen into the public domain upon death unless the statutory heirs were alive.[130]

D. Courts Apply the New Legislation

Following the passage of SB 771, the U.S District Court for the Central District of California granted a motion for reconsideration of the *Milton Greene* decision.[131] Citing SB 771 and its legislative history, the court stated that "[i]t is the intent of the Legislature to abrogate the summary judgment orders" in *Milton Greene* and *Shaw Family Archives*.[132] The court agreed with statements by Senator Kuehl that SB 771 was a legislative "clarification" rather than a change or modification in existing law.[133] The court concluded that Marilyn Monroe, LLC has standing to assert the right of publicity under the "clarified" California law.[134] As of January

127 CAL. CIV. CODE § 3344.1(b) (West 2008) (asterisks and underlining omitted).

128 *Id.* § 3344.1(o)–(p).

129 Letter from The Soni Law Firm, representing The Milton H. Greene Archives, Inc. & Tom Kellery Studios, Inc., to Senator Bob Margett, California Senate 2 (Sept. 7, 2007) (on file with author) [hereinafter Soni Letter] (emphasis omitted).

130 *Id.* at 3.

131 Milton H. Greene Archives, Inc. v. CMG Worldwide, Inc., No. CV 05-02200 MMM (MCx), 2008 U.S. Dist. LEXIS 22213 (D. Cal. 2008).

132 *Id.* at *18 (brackets in original).

133 *Id.* at *14, *29.

134 *Id.* at *57–58.

2008, the only remaining issue before the court was the location of Marilyn Monroe's domicile at time of death. If Monroe was domiciled in California, SB 771 granted her the retroactive testamentary power to bequeath a posthumous right of publicity through her will.[135] If domiciled in New York, her publicity rights would derive exclusively from statute—personal to the individual and extinguishing at death.[136]

VII. POSTMORTEM PUBLICITY RIGHTS: A GROWTH INDUSTRY

A. Legislative Intent Behind the Enactment of Postmortem Publicity Rights

The sponsors and proponents of California's postmortem publicity legislation have repeatedly stated that its purpose is to create a means of protecting a deceased celebrity's name or likeness from unseemly uses. The sponsors of the Astaire Celebrity Protection Act and SB 771 quoted the legislative history from the enactment of California's first postmortem publicity rights statute in 1984, which declared:

> [This] bill is intended to address circumstances in . which . a celebrity or public figure is subjected to abuse or ridicule in the form of a marketed product. Such goods or services typically involve[ ] the use of a deceased celebrity's name or likeness, e.g., on posters, T-shirts, porcelain plates, and other collectibles; in toys, gadgets, and other merchandise; [or] in look-alike services.[137]

California's first postmortem publicity law, enacted in 1984, vested postmortem publicity rights in specified family members, because the legislature determined that close family members are most likely to be sensitive to protecting a deceased celebrity's name and likeness from "abuse or ridicule."[138] Under this version of the law, if no close family members remained, due to death, or the passage of fifty years, the rights fell into the public domain.[139]

---

135 *Id.* at *59–60; *cf.* Cairns v. Franklin Mint Co., 292 F.3d 1139 (9th Cir. 2002). Pursuant to California Civil Code section 946, the *Cairns* court determined that postmortem publicity rights would exist if the decedent was resident of California or a resident of another jurisdiction that has similar postmortem rights. In *Cairns*, the trustee of the Diana Princess of Wales Memorial Fund sued a California based business that was selling a broad range of Princess Diana memorabilia without permission. The *Cairns* court determined that, absent any contrary law in the local forum, the rights are based on the location of the rights-holder's residence, and not based on the location of the claimed violation. Since neither the plaintiff trust nor the deceased person were California residents, and because the United Kingdom did not have a similar right of postmortem publicity, the court determined that section 3344.1 was not violated. *Cairns*, 292 F.3d at 1147.

136 *Milton Greene*, 2008 U.S. Dist. LEXIS 22213 at *59–60.

137 Astaire v. Best Film & Video Corp., 116 F.3d 1297, 1303 (9th Cir. 1997) (emphasis omitted) (quoting *Report on S.B. 613 Before the Assemb. Comm. on Judiciary*, 1983–84 Reg. Sess. (Cal. 1984) (statement of Cal. Sen. John Campbell) (as amended June 12, 1984), at 3–4 [hereinafter *Report on S.B. 613*]).

138 *See Commercial Appropriation of Image: Deceased Celebrities, Hearing on S B. 209 Before S. Judiciary Comm.*, 1999–2000 Reg. Sess. (Cal. 1999) (statements of Cal. Sen. John Burton) [hereinafter Burton *Hearing*].

139 *See* Comedy III Prods. v. Gary Saderup, Inc., 21 P.3d 797, 800 (Cal. 2001) (describing the original fifty-year consent period following the death of a personality). Under the current revised sta-

Subsequent legislation vested publicity rights in the residuary clause of a celebrity's will unless a contrary intent is expressly stated in the will.[140] Since an inheritable right of publicity did not even exist prior to 1984, it is highly unlikely that it would be specifically bequeathed in wills drafted prior to that date, and therefore the rights will almost always pass to the residuary heirs. By granting control of a celebrity's postmortem rights to the residuary heirs, assignees, and transferees for seventy years,[141] the legislation almost ensures that the rights are eventually owned and controlled by an individual or entity with very limited sensitivity to "abuse or ridicule" of the celebrity's name and likeness.

According to the Screen Actors Guild, "In recent years, it has become increasingly important to protect [postmortem publicity] rights in the face of increasing avenues of commercial exploitation, while still taking care not to hamper the creative process. The passage of SB 771 will help to protect these public figures while still allowing for creative expression."[142] Representatives of Marilyn Monroe, LLC assert that they have "carefully guarded the publicity rights of Marilyn Monroe's image in order to maintain her legacy as she intended. However, due to recent court decisions, Ms. Monroe's publicity rights could be released into the public domain only to result in offensive and exploitive uses of her image."[143] The legislative sponsor of SB 771 noted that "[d]igital technology now permits advertisers to manipulate the images of dead people, like the infamous 1997 commercial in which Fred Astaire danced with a vacuum cleaner."[144]

B. Practical Effects of Granting Postmortem Publicity Rights

While licensors have sued to prevent unlicensed (and therefore unpaid) uses, they have also sold licenses for a wide variety of goods and services, including all of the items listed by legislative sponsors as *typically* subjecting a celebrity or public figure to "abuse or ridicule."[145] Legislators have specifically listed "posters, T-shirts, porcelain plates," "toys, gadgets," and "other collectibles" as well as "look alike services" as items with high potential for ridicule.[146]

Perhaps the swift passage of SB 771 left little time for the legislature to look closely at the currently licensed uses of Monroe's image. The web-

---

tute, the consent period lasts seventy years beyond the death of the personality. *See* CAL. CIV. CODE § 3344.1(g) (West 2008).

140 *Id.* § 3344.1(b).

141 *Id* § 3344.1(g).

142 *Deceased Personalities' Transfer of Publicity Rights by Testamentary Instrument: Hearing on SB 771 Before the S. Judiciary Comm.*, 2007–08 Reg. Sess. (Cal. 2007) (statement of Cal. Sen. Sheila Kuehl) [hereinafter Kuehl *Hearing*], *available at* http://info.sen.ca.gov/pub/07-08/bill/sen/sb_0751-0800/sb_771_cfa_20070906_123814_sen_comm.html.

143 *Id*

144 Jim Zarroli, *Law Decides Who Owns a Dead Star's Image*, NAT'L PUB. RADIO, Oct. 11, 2007, http://www.npr.org/templates/story/story.php?storyId=15198298.

145 *See supra* text accompanying note 137.

146 Astaire v. Best Film & Video Corp., 116 F.3d 1297, 1303 (9th Cir. 1997).

site of Marilyn Monroe, LLC includes an "official online store" which offers a wide array of products containing her image, including: stemware, purses, candles, jewelry, T-Shirts, costumes, refrigerator magnets, stickers, swim suits, and a 5'7" stand-up featur[ing] a famous 1950s image of Marilyn wearing net stockings, black heels and fitted bodice, leaning back on a table."[147] The website's "Licensing Resource Center" encourages prospective licensees to "[b]uild your brand with Marilyn Monroe and maximize the appeal and demand for your product or service by incorporating the most famous Hollywood icon of all time."[148]

According to CMG Worldwide's website, the company represents "over 200 diverse clients from all realms of stardom"[149] and offers to "develop successful licensing programs in a variety of categories including Apparel, Collectibles, Jewelry, Sporting Goods, Gourmet food, Gaming and Electronics, Restaurants and Toys just to name a few."[150] While the postmortem publicity rights were intended to protect against abuse or ridicule, it appears that Marilyn Monroe, LLC has considered licensing celebrity images for the very products and services that carry high potential for ridicule or abuse.

Marilyn Monroe, LLC and its licensing company, CMG Worldwide, Inc., were before the California and New York courts as a result of their efforts to prevent professional photographers and their estates from licensing the use of their copyrighted photographs without an additional license for the postmortem publicity rights.[151] These cases involved the sale of a second license by the postmortem publicity rights holder, not prevention of abuse or ridicule.

C. Alternate Goals of Postmortem Publicity Rights: Protecting Charities

Another stated purpose of the law is to protect the income—in the form of licensing fees—of charities when a celebrity's will names the charity as a residual beneficiary.[152] The *Milton Greene* court expressed a similar concern, stating that it "reached [its] conclusion with reluctance because some personalities who died before passage of the California and Indiana right of publicity statutes had left their residuary estates to charities[,] . . [who] assumed that they controlled the personality's right of publicity . . . "[153] Denying the right would have the effect of divesting the charity

147 Marilyn Monroe's Official Website, http://www.marilynmonroe.com (describing the stand-up as "[a]n unforgettable addition to any Marilyn collection!") (last visited Mar. 27, 2008).

148 MarilynMonroe.com, http://business.marilynmonroe.com/licensing/index.htm (last visited Mar. 27, 2008).

149 CMG Woldwide Services, http://services.cmgww.com (last visited Mar. 30, 2008).

150 CMG Woldwide Services, http://services.cmgww.com/marketing/merchandise.htm (last visited Mar. 30, 2008).

151 *See supra* Part VII.A–B.

152 "Kuehl also says that over the years, many celebrities have left their estates to nonprofit foundations; the law ensures that they were within their rights to do so." Zarroli, *supra* note 144.

153 Milton H. Greene Archives v. CMG Worldwide, No. CV 05-02200 MMM (MCx), 2008 U.S.

of the celebrity's posthumous right of publicity.[154]

But neither the legislature nor the court provided examples of potentially affected charities. SB 771 addressed a similar concern with respect to family members—that they would retroactively lose rights—by carving out an exception for statutory heirs who have exercised a celebrity's right of publicity and who were never successfully challenged in court.[155] The legislature does not appear to have considered carving out a similar exception for charities or any other exculpatory measures like a grandfather clause.

There appears to be one remaining goal for California's postmortem publicity laws. This goal has become the primary, and arguably, the only, focus of its sponsors and proponents: "to address circumstances in which . . . commercial gain is had through the exploitation of the name, voice, signature, photograph, or likeness of a celebrity or public figure in the marketing of goods or services . . . ."[156]

D. Unresolved Issues Arising out of Publicity Rights

In its rush to protect deceased celebrities, the California legislature ignored or dismissed critics of the legislation and of existing law, and therefore missed an opportunity to address concerns and resolve issues.

Courts repeatedly struggle with balancing the right of publicity and the First Amendment. While some find that an artist's First Amendment right to paint a picture of Tiger Woods outweighs the right of publicity,[157] other courts have used a transformative test to find that an artist's charcoal drawing of the Three Stooges violated their postmortem publicity rights.[158] The Ninth Circuit has found that the publications are protected from right of publicity claims unless the "publishers knew that their statements were false or published them in reckless disregard of the truth."[159] Courts and commentators have repeatedly wrestled with the balance between the right to expressive speech that incorporates a celebrity's likeness and the right of publicity that grants control over the use of a celebrity's likeness.[160]

Dist. LEXIS 22213, at *9 (C.D. Cal. Jan. 7, 2008).

154 *Id.*

155 *See* CAL CIV. CODE § 3344.1(o) (West 2008).

156 Burton *Hearing*, *supra* note 138 (quoting *Report on SB 613*, *supra* note 137).

157 *See* ETW Corp. v. Jireh Publ'g, Inc., 332 F.3d 915 (6th Cir. 2003) (held that artist's First Amendment right of expression in painting of Tiger Woods outweighed the golfer's publicity rights).

158 *See* Comedy III Prods., Inc. v. Gary Saderup, Inc., 21 P.3d 797 (Cal. 2001). Artist Gary Saderup drew the Three Stooges on canvass with charcoal and sold lithographs and T-shirts bearing reproductions of his drawing. The court looked to whether the new work was "transformative" of the original photograph, finding that if a work "adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message;" then it is sufficiently transformative to garner its own protection. *Id.* at 808. In this case, the court found that Saderup's artwork was not transformative and therefore a violation of the right of publicity. *Id.* at 811.

159 Cher v. Forum Int'l, Ltd., 692 F.2d 634, 637 (9th Cir. 1982) *cert. denied*, 462 U.S. 1120 (1983).

160 *See, e.g.*, Jordan Tabach-Bank, Note, *Missing the Right of Publicity Boat: How* Tyne v. Time Warner Entertainment Co. *Threatens to "Sink" The First Amendment*, 24 LOY. L.A. ENT. L. REV. 247

Some commentators have cautioned against expanding publicity rights,[161] and others have argued against postmortem publicity rights because the information—the likeness of the deceased celebrity—should be in the public domain.[162] Other commentators have raised questions about the intersection of publicity rights and copyrights.[163]

Another issue involves publicity rights in the context of the Internet. California's postmortem publicity rights statute does not clearly state what publicity rights exist online.[164] A substantial number of Internet images are not involved in the advertising or sale of goods or services, and those that are, may fall into the excluded category of audiovisual work.[165]

In enacting SB 771, California granted extended publicity rights protection retroactively by an additional twenty years. But this new protection may affect pre-existing contracts and licenses. Licensees of copyrighted material will presumably be required to obtain a second license. If the licensee has invested in production and marketing, another publicity rights license could prove very costly.[166] Finally, publicity rights that may have entered the public domain under the old laws may be resurrected as private property because of SB 771's retroactive grant. Anyone utilizing such rights may be required to obtain a license.

The California Legislature's rush to "abrogate" the Monroe cases is not the first time a state legislature came to the rescue of celebrity estates. When the estate of Elvis Presley lost in court, the Tennessee Legislature responded by passing broad protections that last longer than in any other state—theoretically in perpetuity—so long as the publicity right is not abandoned.[167]

Indiana, "which is often considered the most aggressive and well-defined statutory scheme in the United States,"[168] is home to CMG Worldwide, Inc. The Indiana statute provides for a cause of action without regard for the plaintiff's or defendant's domicile if any infringing material is lo-

---

(2004); W. Mack Webner & Leigh Ann Lindquist, *Transformation: The Bright Line Between Commercial Publicity Rights and the First Amendment*, 37 AKRON L. REV. 171 (2004).

161 *See, e.g.*, Dogan, *supra* note 52, at 296–97.

162 *See, e.g.*, Jeremy T. Marr, *Constitutional Restraints on State Right of Publicity Laws*, 44 B.C. L. REV. 863, 864–65 (2003).

163 *See, e.g.*, Aaron A. Bartz, *...And Where It Stops, Nobody Knows: California's Expansive Publicity Rights Threaten the Federal Copyright System*, 27 SW. U. L. REV. 299 (1997); Brown v. Ames, 201 F.3d 654, 658–60 (5th Cir. 2000) (finding that Congress did not intend to preempt); Toney v. L'Oreal U.S.A., Inc., 384 F.3d 486 (7th Cir. 2004) (finding publicity right preempted by copyright law).

164 *See* Pamela Lynn Kunath, *Lights, Camera, Animate! The Right of Publicity's Effect on Computer-Animated Celebrities*, 29 LOY. L.A. L. REV. 863, 883 (1996).

165 *See, e.g.*, *id.*; Joseph D. Schleimer, *Problems Encountered in Protecting Living and Deceased Actors' 'Virtual Rights'*, 16 ENT. L. & FIN., Oct. 2000, at 1; Thomas Glenn Martin Jr., Comment, *Rebirth and Rejuvenation in a Digital Hollywood: The Challenge Computer-Simulated Celebrities Present for California's Antiquated Right of Publicity*, 4 UCLA ENT. L. REV. 99, 101 (1996); Perfect 10, Inc. v. Cybernet Ventures, Inc., 213 F. Supp. 2d 1146 (C.D. Cal. 2002).

166 *See* Soni Letter, *supra* note 129.

167 TENN. CODE ANN. § 47-25-1104(b)(2) (Supp. 2001).

168 Lapter, *supra* note 57, at 259.

cated within Indiana,[169] a provision used by CMG Worldwide to gain jurisdiction for the Monroe cases in Indiana. California's statute affords plaintiffs similar reach, applying whenever

> the liability, damages, and other remedies arise from acts occurring directly in this state. [A]cts giving rise to liability shall be limited to the use, on or in products, merchandise, goods, or services, or the advertising or selling, or soliciting purchases of, products, merchandise, goods, or services . . . .[170]

Perhaps, not surprisingly, as SB 771 was zipping through the legislative process in California, legislation was introduced in New York to create postmortem publicity rights for the first time.[171] The bill would create rights for any person who died after 1938, and like Tennessee's law, continue unless abandoned.[172] A pending New York bill would immediately make unlawful uses of a person's "portrait, name, voice, signature or picture that are currently legal[,]" and prohibit use of a name or likeness even if it was authorized by the person before death.[173]

CONCLUSION

The owners and licensors of postmortem publicity rights have enjoyed legislative victories in key states, as each victory broadened the scope of their rights and strengthened available enforcement mechanisms. While Indiana and California may become a plaintiff's venue of choice, some courts will continue to struggle with diverse and ambiguous state laws. As a result, some, including the American Bar Association, recommend enactment of a federal publicity rights statute "in order to curb significant forum shopping and to provide advertisers and celebrities with the precise boundaries of protection."[174] The Internet, satellite television, and the growth of a global economy have called for an international copyright protection scheme within international intellectual property treaties.[175]

If the postmortem publicity rights industry is as successful in a national and international arena as it has been in California, the $232 million earned by the thirteen top grossing dead celebrities in 2007 is only the beginning of a very lucrative future.

---

169 IND. CODE ANN. § 32-36-1-1 (West 2006).

170 CAL. CIV. CODE ANN. § 3344.1(n) (West Supp. 2008).

171 Mitchell M. Gans et al., *Postmortem Rights of Publicity: The Federal Estate Tax Consequences of New State-Law Property Rights*, YALE L.J. ONLINE POCKET PART, Apr. 1, 2008, http://www.thepocketpart.org/2008/04/01/ganscrawfordblattmachr.html ("California recently passed legislation that creates retroactive, descendible rights of publicity. The New York State Assembly is poised to enact similar legislation.").

172 Tennessee's right of publicity terminates upon proof of non-use in two of any ten years after the person's death. TENN. CODE ANN. § 47-25-1104(b)(2) (Supp. 2001).

173 Sara L. Edelman, *Death Pays: The Fight Over Marilyn Monroe's Publicity Rights*, METROPOLITAN CORP. COUNSEL, July 2007, at 39.

174 Lapter, *supra* note 57, at 243; *see also* Marr, *supra* note 162, at 864; Symposium, *Rights of Publicity: An In-depth Analysis of the New Legislative Proposals to Congress*, 16 CARDOZO ARTS & ENT. L.J. 209 (1998).

175 Lapter, *supra* note 57, at 244.

APPENDIX A:

LAST WILL & TESTAMENT OF MARILYN MONROE*

I, MARILYN MONROE, do make, publish and declare this to be my Last Will and Testament.

FIRST: I hereby revoke all former Wills and Codicils by me made.

SECOND: I direct my Executor, hereinafter named, to pay all of my just debts, funeral expenses and testamentary charges as soon after my death as can conveniently be done.

THIRD: I direct that all succession, estate or inheritance taxes which may be levied against my estate and/or against any legacies and/or devises hereinafter set forth shall be paid out of my residuary estate.

FOURTH:

(a) I give and bequeath to BERNICE MIRACLE, should she survive me, the sum of $10,000.00.

(b) I give and bequeath to MAY REIS, should she survive me, the sum of $10,000.00.

(c) I give and bequeath to NORMAN and HEDDA ROSTEN, or to the survivor of them, or if they should both predecease me, then to their daughter, PATRICIA ROSTEN, the sum of $5,000.00, it being my wish that such sum be used for the education of PATRICIA ROSTEN.

(d) I give and bequeath all of my personal effects and clothing to LEE STRASBERG, or if he should predecease me, then to my Executor hereinafter named, it being my desire that he distribute these, in his sole discretion, among my friends, colleagues and those to whom I am devoted.

FIFTH; I give and bequeath to my Trustee, hereinafter named, the sum of $100,000.00, in Trust, for the following uses and purposes:

(a) To hold, manage, invest and reinvest the said property and to receive and collect the income therefrom.

(b) To pay the net income therefrom, together with such amounts of principal as shall be necessary to provide $5,000.00 per annum, in equal quarterly installments, for the maintenance and support of my mother, GLADYS BAKER, during her lifetime.

(c) To pay the net income therefrom, together with such amounts of principal as shall be necessary to provide $2,500.00 per annum, in equal quarterly installments, for the maintenance and support of MRS.

* On file with N.Y. Surr. Ct., 4th Dist., *available at* http://www.courts.state.ny.us/courts/4jd/warren/surrogates_will_monroe.shtml.

MICHAEL CHEKHOV during her lifetime.

(d) Upon the death of the survivor between my mother, GLADYS BAKER, and MRS. MICHAEL CHEKHOV to pay over the principal remaining in the Trust, together with any accumulated income, to DR. MARIANNE KRIS to be used by her for the furtherance of the work of such psychiatric institutions or groups as she shall elect.

SIXTH: All the rest, residue and remainder of my estate, both real and personal, of whatsoever nature and wheresoever situate, of which I shall die seized or possessed or to which I shall be in any way entitled, or over which I shall possess any power of appointment by Will at the time of my death, including any lapsed legacies, I give, devise and bequeath as follows:

(a) to MAY REIS the sum of $40,000.00 or 25% of the total remainder of my estate, whichever shall be the lesser,

(b) To DR. MARIANNE KRIS 25% of the balance thereof, to be used by her as set forth in ARTICLE FIFTH (d) of this my Last Will and Testament.

(c) To LEE STRASBERG the entire remaining balance.

SEVENTH: I nominate, constitute and appoint AARON R. FROSCH Executor of this my Last Will and Testament. In the event that he should die or fail to qualify, or resign or for any other reason be unable to act, I nominate, constitute and appoint L. ARNOLD WEISSBERGER in his place and stead.

EIGHTH: I nominate, constitute and appoint AARON R. FROSCH Trustee under this my Last Will and Testament. In the event he should die or fail to qualify, or resign or for any other reason be unable to act, I nominate, constitute and appoint L. Arnold Weissberger in his place and stead.

Marilyn Monroe (L.S.)

SIGNED, SEALED, PUBLISHED and DECLARED by MARILYN MONROE, the Testatrix above named, as and for her Last Will and Testament, in our presence and we, at her request and in her presence and in the presence of each other, have hereunto subscribed our names as witnesses this 14th day of January, One Thousand Nine Hundred Sixty-One

Aaron R. Frosch residing at 10 West 86th St. NYC
Louise H. White residing at 709 E. 56 St., New York, NY

A Triple Play for the Public Domain: *Delaware Lottery* to *Motorola* to *C.B.C.*[*]

Matthew J. Mitten[**]

A trilogy of cases decided by federal courts over the past thirty years correctly holds that game scores, real-time game accounts, and player statistics are in the public domain. There is a consistent thread in these federal cases, based on sound legal, public policy and economic analysis, which justifies judicial rejection of state law claims by sports leagues and players asserting exclusive rights to this purely factual information. The creation of a collateral product incorporating merely public domain information about a sports event or athletes' performances, including fantasy league games, is not (and should not be) infringing—absent copyright or patent infringement in violation of federal law, or a likelihood of consumer confusion regarding its origin, endorsement, or sponsorship in violation of the Lanham Act.[1] These courts implicitly recognize the need for a uniform national standard to determine the nature and scope of one's rights to use this nationally distributed and available public information for commercial purposes without authorization.

In 1977, in *National Football League v. Governor of Delaware* ("*Delaware Lottery*"),[2] a federal district court held that game scores are not sub-

[*] The consistency of these three cases evokes memories of the Baseball Hall of Fame trio of Joe Tinker, Johnny Evers, and Frank Chance, who led the Chicago Cubs to their last World Series championship in 1908. The Official Site of the Chicago Cubs, History: Cubs Timeline, http://chicago.cubs.mlb.com/chc/history/timeline02.jsp (last visited Mar. 20, 2008). This double-play combination inspired the 1910 poem, *Baseball's Sad Lexicon*, written by Franklin Pierce Adams, a *New York Evening Mail* sports writer, with its famous refrain:

These are the saddest of possible words:
"Tinker to Evers to Chance."
Trio of bear cubs and fleeter than birds,
Tinker and Evers and Chance.
Ruthlessly pricking our gonfalon bubble,
Making a Giant hit into a double—
Words that are heavy with nothing but trouble:
"Tinker to Evers to Chance."

Baseball Almanac, Baseball's Sad Lexicon by Franklin Pierce Adams, http://www.baseball-almanac.com/poetry/po_sad.shtml (last visited Mar. 20, 2008).

[**] Professor of Law and Director, National Sports Law Institute, Marquette University Law School.

1 The Lanham Act provides a federal statutory right to prevent trademark infringement and unfair competition. 15 U.S.C. §§ 1051–1141n (2000).

2 435 F. Supp. 1372 (D. Del. 1977).

ject to exclusive commercial use by the professional sports league that produced the games and voluntarily disseminated this information. Without the National Football League's ("NFL") authorization, the Delaware State Lottery conducted a "Scoreboard" lottery in which players made bets ranging from one to ten dollars based on the results of weekly NFL games. Scoreboard tickets listed the teams by their respective city names (for example, Green Bay) rather than their nicknames (for example, Packers). Players won cash prizes for correctly selecting the winning teams.[3]

Rejecting its state law misappropriation claim, the court held that the NFL has no legal right to prevent third parties from producing collateral products, the demand for which is created by the public popularity of the underlying games and athletic performances. Although the NFL's "popularity and reputation played a major role in defendants' choice of NFL games as the subject matter of its lottery[,]" the court refused to broadly define the NFL's "product" or exclusive property rights as encompassing "the total 'end result' of their labors, including the public interest which has been generated."[4]

Even though defendants profited from the popularity of NFL football, the court found no misappropriation of the NFL's property rights, explaining:

> It is true that Delaware is thus making profits it would not make but for the existence of the NFL, but I find this difficult to distinguish from the multitude of charter bus companies who generate profit from servicing those of plaintiffs' fans who want to go to the stadium or, indeed, the sidewalk popcorn salesman who services the crowd as it surges towards the gate.
>
> While courts have recognized that one has a right to one's own harvest, this proposition has not been construed to preclude others from profiting from demands for collateral services generated by the success of one's business venture.[5]

Because the schedule of NFL games and scores was obtained by defendants from public sources, this purely factual information could be used by defendants (and others) to create a collateral product, but not in a manner that otherwise infringed on the NFL's rights. The "Scoreboard" lottery did not violate federal[6] or state[7] anti-gambling laws, and defendants did not infringe on the NFL's trademarks simply by informing the public that its lottery offered the opportunity to play a betting game based on the results of NFL games.[8] However, defendants' conduct violated the Lanham Act by creating the false impression that their lottery was approved or spon-

---

3 *Id* at 1376.

4 *Id.* at 1377.

5 *Id.* at 1378. The court also observed: "The NFL undoubtedly would not be in the position it is today if college football and the fan interest that it generated had not preceded the NFL's organization." *Id.*

6 *Id.* at 1388–89.

7 *Id.* at 1382–88.

8 *Id.* at 1380.

sored by the NFL.[9] To prevent continuing public confusion and resulting harm to the NFL from an undesirable association with an unauthorized collateral product, the court required the defendants to include a clear and conspicuous statement disclaiming any association with, or approval by, the NFL on all future publicly distributed materials regarding the "Scoreboard" lottery.[10]

Similarly, in 1997, in *National Basketball Ass'n v. Motorola, Inc.*,[11] the Second Circuit relied on federal copyright law to preempt state misappropriation law from prohibiting the unauthorized commercial use of real-time accounts of NBA games derived from their public broadcast. Defendants manufactured and sold a handheld pager, "SportsTrax," that displayed periodically updated information (usually every two to three minutes) regarding NBA games in progress, including the teams playing, score changes, team possession, free-throw bonus situation, and the game's quarter and remaining time. The NBA game scores and other information displayed on the SportsTrax pager were gathered by paid personnel who watched games broadcast on television or listened to games on the radio and typed the data into their personal computers. This information was then compiled by a centralized host computer and transmitted via satellite and radio networks.[12]

The Second Circuit held that defendants' unauthorized usage of real-time game accounts does not constitute copyright infringement. The underlying NBA basketball games (the source of this factual information) were not protected by federal copyright law because athletic events and performances do not constitute 'original works of authorship' under the 1976 Copyright Act.[13] The court held the defendants did not infringe on the NBA's copyrighted game broadcasts because "they reproduced only facts from the broadcasts, not the expression or description of the game that constitutes the broadcast."[14]

Construing 17 U.S.C. section 301 of the Copyright Act, the court held that the NBA's state law misappropriation claim was preempted because "Congress, in extending copyright protection only to the broadcasts and not to the underlying events, intended that the latter be in the public domain."[15] In other words, factual accounts of games obtained from publicly available sources—such as broadcasts—are in the public domain rather than the exclusive property of the game's producer.[16] Thus, subject to some limita-

---

9 *Id.* at 1380–81.

10 *Id* at 1381.

11 105 F.3d 841 (2d Cir. 1997).

12 *Id* at 843–44.

13 *Id.* at 846–47.

14 *Id.* at 847.

15 *Id.* at 849. Therefore, the court found it unnecessary to address defendants' First Amendment defense to this claim. *Id.* at 854 n.10.

16 The Second Circuit observed that its ruling is consistent with *Delaware Lottery*. *Id.* at 853 n.8. *See also* Morris Commc'ns Corp. v. PGA Tour, Inc., 235 F. Supp. 2d 1269 (M.D. Fla. 2002) (although

tions to prevent consumer confusion or unfair competition that would inhibit a sports league's economic incentive to produce or license a similar competing product, this information may be used commercially to create collateral products without the sports league's authorization.

The Second Circuit ruled that defendants did not violate the Lanham Act because there was no false advertising of any material facts regarding the SportsTrax pager that confused consumers or influenced their purchasing decisions.[17] At the time suit was filed, the NBA did not offer its own pager similar to SportsTrax, but it planned to offer a competing product in the future. Although it held that a narrow "hot news" misappropriation claim is not preempted, the court concluded that all three elements of this claim (the time-sensitive value of factual information; free-riding by defendants; and a threat to the very existence of the NBA's product) were not established.[18] The real-time factual information provided by the SportsTrax pager is time-sensitive, but defendants paid the costs of its collection, compilation, and transmission, rather than free-riding on the NBA's efforts to produce a similar product.[19] Observing that the NBA's primary business is "producing basketball games for live attendance and licensing copyrighted broadcasts of those games[,]"[20] the court found "no evidence that anyone regards . . SportsTrax as a substitute for attending NBA games or watching them on television."[21] The court also found that the mere existence of the SportsTrax pager would not provide an economic disincentive for the NBA to produce its own pager. In fact, the NBA may have a competitive edge that will enable it to produce a more desirable superior product because it has a "temporal advantage in collecting and transmitting official statistics."[22]

In 2007, the Eighth Circuit decided *C.B.C. Distribution and Marketing, Inc. v. Major League Baseball Advanced Media, L.P.*[23] Its holding is consistent with *Delaware Lottery* and *Motorola*, although neither case is mentioned in the court's opinion. The court held that the First Amendment trumped Missouri's common law right of publicity and permitted the operator of an on-line fantasy baseball league to use Major League Baseball players' names to identify statistics generated by their respective game per-

PGA Tour has a "property right" in real-time tournament golf scores compiled by its own efforts and expense, it "vanishes when the scores are in the public domain."), *aff'd*, 364 F.3d 1288 (11th Cir. 2004), *cert. denied*, 534 U.S. 919 (2004).

17 *Nat'l Basketball Ass'n*, 105 F.3d at 854–55.

18 *Id.* at 853–54.

19 However, the court noted if defendants "in the future were to collect facts from an enhanced Gamestats pager [produced by the NBA] to retransmit them to SportsTrax pagers, that would constitute free-riding and might well cause Gamestats to be unprofitable because it had to bear costs to collect facts that SportsTrax did not." *Id.* at 854.

20 *Id.* at 853.

21 *Id* at 853–54.

22 *Id.* at 854 n.9.

23 505 F.3d 818 (8th Cir. 2007).

formances.[24] It observed that "the information used in C.B.C.'s fantasy baseball games is all readily available in the public domain, and it would be strange law that a person would not have a first amendment right to use information that is available to everyone."[25] In support of its conclusion, the Eighth Circuit relied on its own precedent, holding that the expressive content of video games is protected speech under the First Amendment,[26] as well as a California appellate court case holding that incorporating former players' names, bios, and statistics into Major League Baseball's official website and several All-Star Game and World Series programs is similarly protected.[27]

This case arose out of a declaratory judgment action filed by C.B.C. against Major League Baseball Advanced Media ("MLBAM"), the interactive media and Internet arm of Major League Baseball.[28] C.B.C. alleged that MLBAM maintained "exclusive ownership of statistics associated with players' names and that it can, therefore, preclude all fantasy sports league providers from using this statistical information to provide fantasy baseball games to the consuming public."[29] In 2005, MLBAM had acquired the right to use and license Major League Baseball players' publicity rights from the Major League Baseball Players Association ("MLBPA") for interactive media and Internet products.[30] From July 1995 through December 2004, MLBPA licensed C.B.C. to use its players' publicity rights as part of its fantasy baseball league.[31] The parties' final agreement contained provisions pursuant to which C.B.C. agreed not to challenge the validity of the rights licensed by MLBPA during or after its expiration and to discontinue using these rights after its expiration or termination,[32] which MLBPA asserted as an intervening party in a breach of contract claim against C.B.C..[33] Without determining whether these no-challenge and no-use provisions were unenforceable on First Amendment grounds, the Eighth Circuit ruled that they were invalid because MLBPA misrepresented that it owned the players' publicity rights that were determined to be in the public domain.[34]

Like the "Scoreboard" lottery and a SportsTrax pager, an on-line fantasy baseball league is a lawful collateral product that incorporates infor-

24 *Id.* at 823.

25 *Id.* In light of its holding, the court did not address C.B.C.'s alternative argument that the Copyright Act preempted the state law publicity rights. *Id.* at 824.

26 *Id.* at 823 (relying on Interactive Digital Software Ass'n v. St. Louis County, Mo., 329 F.3d 954, 957 (8th Cir. 2003)).

27 *Id.* at 823–24 (citing Gionfriddo v. Major League Baseball, 94 Cal. App. 4th 400, 411 (Cal. Ct. App. 2001)).

28 C.B.C. Distribution & Mktg. v. Major League Baseball Advanced Media, L.P., 443 F. Supp. 2d 1077 (E.D. Mo. 2006).

29 *Id.* at 1081.

30 *Id.*

31 *Id.* at 1080.

32 *C.B.C.*, 505 F.3d at 824.

33 *Id.* at 820.

34 *Id.* at 825.

mation (like baseball statistics) readily available in the public domain.[35] *Delaware Lottery*, *Motorola*, and *C.B.C.* recognize that there should be a uniform national right to use sports scores, game accounts, and statistics that are in the public domain, which should not be limited by individual state law rights.[36] In all three cases, publicly available information has been collected and incorporated into a new product without violating any copyright, patent, trademark, or contract rights—or otherwise constituting unfair competition that threatens to reduce the production of sports events and athletic performances. Collectively, these cases reflect a consistent underlying economic principle that appropriately balances the nature and scope of the exclusive rights of sports leagues and athletes with those of the public to create collateral sports-related products desired by consumers.

The law must establish an economic incentive to create intellectual property and reward those who produce it, as our federal copyright and patent statutes do. However, state misappropriation and publicity rights laws should not confer monopoly power on sports leagues and athletes that prevents others from producing collateral products that incorporate information in the public domain. Allowing free access to game scores, real-time game accounts, and player statistics will stimulate the development of new collateral products desired by consumers, without discouraging the production of "officially licensed or authorized" products by sports leagues and athletes or their licensees. For example, consumers now have the option of playing C.B.C.'s on-line fantasy league game or others officially licensed by MLBAM that may provide attractive enhancements not available as part of unauthorized games.

Unlike the unauthorized broadcast of an entire athletic performance, as occurred in *Zacchini v. Scripps-Howard Broadcasting Co.*[37]—which the Supreme Court ruled may be prohibited under state publicity rights laws without violating the First Amendment[38]—an unauthorized fantasy league game does not create an economic disincentive for players to perform to the best of their abilities or to develop their respective reputations and fame. Even without the exclusive rights and legal protection conferred by state publicity rights laws, athletes have sufficient economic incentives to produce high quality, creative athletic performances and market their identities.[39] Athletes would still be able to derive income (likely to be substan-

---

35 Humphrey v. Viacom, Inc., No. 06-2768 (DMC), 2007 WL 1797648, at *11 (D.N.J. June 20, 2007) (fantasy sports leagues do not violate the federal Unlawful Internet Gambling Enforcement Act of 2006 or state *qui tam* laws).

36 For similar reasons, courts have refused to use state antitrust and labor law to regulate national professional sports leagues. Partee v. San Diego Chargers Football Co., 668 P.2d 674, 679 (Cal. 1983); State v. Milwaukee Braves, Inc., 144 N.W.2d 1, 18 (Wis. 1966).

37 433 U.S. 562 (1977).

38 *Id* at 578–79.

39 Michael Madow, *Private Ownership of Public Image: Popular Culture and Publicity Rights*, 81 CAL. L. REV 125, 210 (1993) (observing that "even without the right of publicity the rate of return to stardom in the entertainment and sports fields is probably high enough to bring forth a more than 'adequate' supply of creative effort and achievement.").

tial) from the licensed or authorized use of their identities in connection with fantasy league games.[40]

In *C.B.C.*, the Eighth Circuit correctly concluded that MLBAM did not have the legal right to prevent the names of baseball players and their playing statistics from being used in connection with unauthorized fantasy baseball products. However, by holding that this conduct violated the players' publicity rights,[41] it failed to recognize that public domain baseball statistics in the form of a fantasy league game—not player identities or personas—is the collateral product offered to the public. Those playing online fantasy league games pay a fee to the league's operator, "draft" actual Major League Baseball players prior to the start of the season, and compete against others who have drafted their own teams for prizes and/or bragging rights. As the *C.B.C.* district court explained, "[t]he success of one's fantasy team over the course of the baseball season is dependent on one's chosen players' actual performances on their respective actual teams."[42] The players' names are used merely to identify the source of particular baseball statistics.

Merely incidental or descriptive use of players' names to identify collateral products is permissible unless it creates a likelihood of consumer confusion regarding endorsement or sponsorship.[43] Observing that "mere use of a name as a name is not tortious[,]"[44] the *C.B.C.* district court correctly held that "CBC's mere use of Major League baseball players' names in conjunction with their playing records does not establish a violation of the players' right of publicity."[45] The court found that C.B.C. was not using the players' names or identities to advertise its fantasy league games[46] and "there is nothing about CBC's fantasy games which suggests that any Major League baseball player is associated with CBC's games or that any player endorses or sponsors the games in any way."[47] Agreeing with the district court, the Eighth Circuit held, "[n]or is there any danger here that consumers will be misled, because the fantasy baseball games depend on the inclusion of all players and thus cannot create a false impression that

---

40 *See id.* at 211–12.

41 C.B.C. Distribution & Mktg, Inc. v. Major League Baseball Advanced Media, L.P., 505 F.3d 818, 822-23 (8th Cir. 2007).

42 C.B.C. Distribution & Mktg. v. Major League Baseball Advanced Media, L.P., 443 F. Supp. 2d 1077, 1080 (E.D. Mo. 2006).

43 ETW Corp. v. Jireh Publ'g, Inc., 332 F.3d 915, 937 (6th Cir. 2003) (holding that artist may use "Tiger Woods" on painting's packaging and in narrative description of painting because doing so does not falsely suggest that the famous golfer sponsors or approves the painting). *See also* Romantics v. Activision Publ'g, Inc., 532 F. Supp. 2d 884 (E.D. Mich. 2008) (concluding that "[d]efendants have made no trademark use of the name of 'The Romantics,' using the name merely in the body of the Game to accurately identify the group that made the song famous," and that there is no "evidence that a substantial number of ordinarily prudent customers of the Game were deceived about whether The Romantics or Plaintiffs sponsored the Game.").

44 *C.B.C. Distribution & Mktg.*, 443 F. Supp. 2d at 1089.

45 *Id.*

46 *Id.* at 1098.

47 *Id.* at 1086.

some particular player with 'star power' is endorsing CBC's products."[48]

Courts initially refused to characterize the names and identities of celebrities as protectable property rights. For example, in *Hanna Manufacturing Co. v. Hillerich & Bradsby Co.*,[49] the Fifth Circuit held: "*Fame is not merchandise.* It would help neither sportsmanship nor business to uphold the sale of a famous name to the highest bidder as *property*."[50] It concluded that an athlete has a valid claim for unauthorized commercial use of his name only if such usage falsely suggests that he uses or endorses the product.

A common law right of publicity was first judicially recognized as a property right in *Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc.*,[51] a 1953 case that arose out of litigation regarding the rights to use baseball players' images on trading cards. Their names and photos were being used on trading cards without authorization to sell a variety of products, including bubble gum, candy, soda, peanut butter, bread, ice cream, and desserts.[52] In *Haelan*, the Second Circuit held that "a man has a right in the publicity value of his photograph, i.e., the right to grant the exclusive privilege of publishing his picture[.]"[53] Thus, the court created a property right in the marketing and advertising value of one's identity, which, for example, may be enforced to prohibit the unauthorized commercial use of a baseball player's name or likeness to advertise and sell products.

Today, a narrow majority of states recognize the right of publicity.[54] As one scholar explained:

> Relief for the celebrity whose persona has been appropriated for a commercial endorsement is supported by the proposition that the celebrity, by dint of effort or luck, has created in his or her personality a marketable economic value distinguishable from the emotional value of identity. The concept of value is intuitively satisfying. Our society does recognize that certain people, whom we call celebrities, specifically affect the marketability of goods, services, and creative works.[55]

Other scholars, however, are more skeptical and assert that publicity

---

48 C.B.C. Distribution & Mktg. v. Major League Baseball Advanced Media, L.P., 505 F.3d 818, 824 (8th Cir. 2007).

49 78 F.2d 763 (5th Cir. 1935).

50 *Id* at 766 (emphasis added).

51 202 F.2d 866 (2d. Cir. 1953), *cert. denied*, 346 U.S. 816 (1953); *see generally* J. Gordon Hylton, *Baseball Cards and the Birth of the Right of Publicity: The Curious Case of* Haelan Laboratories v. Topps Chewing Gum, 12 MARQ. SPORTS L. REV. 273 (2001).

52 *See* GeoCities.com, Chris Stufflestreet, A Somewhat Thorough History of Baseball Cards (1876–1980), http://www.geocities.com/chrisstufflestreet/history.html (last visited Mar. 14, 2008).

53 *Haelan*, 202 F.2d at 868.

54 *See* John Grady, Steve McKelvey, & Annie Clement, *A New "Twist" for "The Home Guys"?: An Analysis of the Right of Publicity Versus Parody*, 15 J. LEGAL ASPECTS SPORT, 267, 271 (2005) (observing that twenty-eight states recognize the right of publicity).

55 Sheldon W. Halpern, *The Right of Publicity: Commercial Exploitation of the Associative Value of Personality*, 39 VAND. L. REV. 1199, 1239 (1986); *see also* Mark F. Grady, *A Positive Economic Theory of the Right of Publicity*, 1 UCLA ENT. L. REV. 97, 103 (1994) ("The legal right of publicity can be understood as a fishing license designed to avoid races that would use up reputations too quickly.").

rights should not be recognized. For example, Professor Madlow argues that "a right of publicity . . . reflects . . . the triumph of a market-oriented, instrumentalist, individualistic understanding of fame over an older, more communitarian conception."[56] He concludes that moral, economic, and consumer protection arguments made in support of recognizing publicity rights "individually and cumulatively, are not nearly as compelling as is commonly supposed, nor as compelling as we have reason to demand."[57]

In light of the conflicting policy concerns raised by this scholarly debate—which may explain why Congress and more than twenty states have not created a property right in the commercial value of one's identity—the nature and scope of an individual's publicity rights should not be defined too broadly to the detriment of the public. It is necessary to consider "whether the particular use of the persona evokes a broader concept that is properly a part of the public domain and therefore not within the right of publicity."[58] This is a particularly important inquiry in the context of collateral products such as fantasy league games, which incorporate the results of athletic performances and playing statistics therein and use players' names only to identify their source without creating any likelihood of consumer confusion regarding approval or sponsorship.

Abdul-Jabbar v. General Motors Corp.[59] draws the proper line between unauthorized commercial use of an athlete's identity that violates the right of publicity, and fair use of an athlete's name for descriptive purposes that does not. In this case a General Motors ("GM") television commercial was shown during the 1993 NCAA men's basketball tournament:

> A disembodied voice asks, "How 'bout some trivia?" This question is followed by the appearance of a screen bearing the printed words, "You're Talking to the Champ." The voice then asks, "Who holds the record for being voted the most outstanding player of this tournament?" In the screen appear the printed words, "Lew Alcindor, UCLA, '67, '68, '69." Next, the voice asks, "Has any car made the 'Consumer Digest's Best Buy' list more than once? [and responds:] The Oldsmobile Eighty-Eight has." A seven-second film clip of the automobile, with its price, follows. During the clip, the voice says, "In fact, it's made that list three years in a row. And now you can get this Eighty-Eight special edition for just $18,995." At the end of the clip, a message appears in print on the screen: "A Definite First Round Pick," accompanied by the voice saying, "it's your money." A final printed message appears: "Demand Better, 88 by Oldsmobile."[60]

Kareem Abdul-Jabbar, who changed his name from Lew Alcindor when he converted to the Islamic faith, alleged that this advertisement violated his right of publicity because he did not consent to the use of his

56 Madow, *supra* note 39, at 135.
57 *Id.*
58 Halpern, *supra* note 55, at 1255.
59 85 F.3d 407 (9th Cir. 1996).
60 *Id.* at 409.

former name therein.[61] GM argued that "its use of the name 'Lew Alcindor' was 'incidental' and therefore not actionable"[62] because it merely described his playing accomplishments. "While Lew Alcindor's basketball record may be said to be 'newsworthy,'"[63] the Ninth Circuit rejected this defense because it was used in an advertisement to sell GM's automobile. Regarding GM's analogous "nominative fair use defense"[64] to Abdul-Jabbar's Lanham Act false endorsement claim, which it also rejected, the court concluded:

> Had GMC limited itself to the "trivia" portion of its ad, GMC could likely defend the reference to Lew Alcindor as a nominative fair use. But by using Alcindor's record to make a claim for its car—like the basketball star, the Olds 88 won an "award" three years in a row, and like the star, the car is a "champ" and a "first round pick"—GMC has arguably attempted to "appropriate the cachet of one product for another," if not also to "capitalize on consumer confusion."[65]

Like an unauthorized biography of a famous professional athlete, questions about his sports records in a Trivial Pursuit or Jeopardy game, or a board game incorporating his playing statistics, a fantasy sports league is based on facts in the public domain and uses his name only for descriptive purposes. Prior to the Eighth Circuit's *C.B.C.* holding that the First Amendment protects the incorporation of players' statistics in fantasy baseball games, some courts incorrectly concluded that the unauthorized use of a professional athlete's name and playing statistics in a board game violated the right of publicity, while inconsistently acknowledging that such usage in a book would not do so.[66] As one scholar explains:

> Right-of-publicity plaintiffs do not have a property interest in information about themselves. The appropriation by a defendant of playing statistics and other facts in the public domain is very different from the appropriation of an individual's name, likeness, or other attributes protected by the right of publicity. Balanced against a publicity plaintiff's virtually nonexistent property interest in such information is society's substantial interest in public dissemination of information. This societal interest is equally compelling regardless of the particular vehicle in which the information is disseminated. Moreover, these situations lack the element of unjust enrichment because the users are not appropriating something to which they have no right.[67]

---

61 *Id.*

62 *Id.* at 416.

63 *Id.*

64 *Id* at 412. This defense has three required elements: "First, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder." *Id.*

65 *Id.* at 413.

66 *See, e.g.*, Uhlaender v. Henricksen, 316 F. Supp. 1277 (D. Minn. 1970); Palmer v. Schonhorn Enters., Inc., 232 A.2d 458 (N.J. Super. Ct. Ch. Div. 1967); *see also* Rosemont Enters., Inc. v. Urban Sys., Inc., 340 N.Y.S.2d 144 (N.Y. Sup. Ct. 1973) (unauthorized board game violated Howard Hughes' publicity rights).

67 Roberta Rosenthal Kwall, *The Right of Publicity vs. the First Amendment: A Property and Liability Rule Analysis*, 70 IND. L.J. 47, 91 (1994). Professor Kwall asserts that "the use of athletes' play-

On the other hand, another scholar asserts that the "distinction between Trivial Pursuit and fantasy sports leagues lies in the extent of the commercial advantage obtained."[68] Professor Karcher argues that "the players are providing the content for the fantasy sports league industry which is a huge profit-making service industry, and the players should be compensated for the use of that content by fantasy league operators."[69] He concludes that C.B.C. is unjustly enriched because it derives revenues from fantasy leagues based on results of their athletic performances and that players are entitled to royalties based on the fair market value of a license.[70]

However, the commercial benefit that C.B.C. derives from its fantasy baseball league is irrelevant when public domain facts (*i.e.*, baseball statistics), which may be freely used by the public, are the essence of its game.[71] Extending the right of publicity to require C.B.C. to pay a licensing fee would create an exclusive property right that precludes, or severely limits, the commercial use of public domain information, reduces the availability of collateral products, and/or increases the costs to consumers.[72] Such a broad state-created "right of publicity on steroids" is legally and economically unjustified.

---

ing statistics should be completely approved when they appear in either books or board games." *Id.* at 51.

68 Richard T. Karcher, *The Use of Players' Identities in Fantasy Sports Leagues: Developing Workable Standards for Right of Publicity Claims*, 111 PENN. ST. L. REV. 557, 570 (2007).

69 *Id.* at 572.

70 *Id.* at 579. He notes that there are some "fantasy league operators currently paying a licensing fee in the range of two to three million dollars." *Id.*

71 Detailed consideration of the complex fact-specific issue of how to appropriately balance the right of publicity with the First Amendment when the player's *identity* is the product itself or an integral part thereof, is outside the scope of this article. Depending on the nature of the unauthorized use of a player's identity—in either a photo or drawing on products such as T-shirts, trading cards, or bobble heads, or in a video game—it may be artistic expression or parody protected by the First Amendment. *See, e.g.*, ETW Corp. v. Jireh Publ'g, Inc., 332 F.3d 915 (6th Cir. 2003); Cardtoons, L.C., v. Major League Baseball Players Ass'n, 95 F.3d 959 (10th Cir. 1996); Romantics v. Activision Publ'g, Inc., 532 F. Supp. 2d 884 (E.D. Mich. 2008); Kirby v. Sega of Am., Inc., 144 Cal. App. 4th 47 (Ct. App. 2006).

72 The *C.B.C.* district court suggested that "CBC would be out of business if it were precluded from using in its fantasy games either players' names or their names in conjunction with their playing records." C.B.C. Distrib. & Mktg. v. Major League Baseball Advanced Media, L.P., 443 F. Supp. 2d 1077, 1099 (E.D. Mo. 2006).

The Fantasy of Athlete Publicity Rights: Public Fascination and Fantasy Sports' Assertion of Free Use Place Athlete Publicity Rights on an Uncertain Playing Field

Maureen C. Weston[*]

INTRODUCTION

When Hugo Zacchini shot himself out of a cannon, the television station which broadcasted the performer's entire fifteen second cannonball performance without permission was held to have violated the performer's right to publicity.[1] Despite the station's claim that its broadcast was protected as a newsworthy event under the First Amendment, the U.S. Supreme Court ruled that broadcast of the act effectively deprived the performer of the act's commercial value and constituted unjust enrichment on behalf of the station by receiving for free what others had paid to view.[2] Baseball players' right to publicity in the value of their photograph precluded Topps Chewing Gum, Inc. from including trading cards in its chewing gum packets without compensation and permission of the players.[3] Other athletes have also restricted the commercial use of their name, image, or distinctive references by third parties without authorization. In the sports and entertainment arenas, violations of publicity rights have been adjudged in a number of settings, including the use of the name of a professional hockey player as a character in a comic book,[4] the use of an athlete's recognized nickname in a shaving cream commercial,[5] and even a drawing which contained distinctive characteristics resembling a popular athlete.[6]

Athletes make tremendous investments in developing their competitive skills, achievements, and reputations. Sports teams and leagues are al-

---

* Professor of Law, Pepperdine University School of Law. The Author would like to thank Katherine Burris, law student at Pepperdine University School of Law, for outstanding research assistance, and Chapman School of Law and the Chapman Law Review for their support and hosting of the Symposium on Publicity Rights in Bytes, at which an early version of this paper was presented.

1 Zacchini v. Scripps-Howard Broad. Co., 433 U.S. 562, 573 (1977) (recognizing that the right of publicity protects the proprietary interest of an "individual to 'reap the reward of his endeavors.'").

2 *Id.* at 578.

3 Haelan Labs., Inc. v. Topps Chewing Gum, Inc., 202 F.2d 866 (2nd Cir. 1953) (holding that New York's common law protected a baseball player's right in the publicity value of his photograph).

4 Doe v. TCI Cablevision, 110 S.W.3d 363 (Mo. 2003) (en banc).

5 Hirsch v. S.C. Johnson & Son, Inc., 280 N.W.2d 129 (Wis. 1979) (finding that Elroy Hirsch possessed publicity rights in the "Crazylegs" nickname).

6 Ali v. Playgirl, Inc., 447 F. Supp. 723 (S.D.N.Y. 1978).

so in the business of promoting their sport/product and developing brand recognition, goodwill, and customer loyalty. Granted, athletes may be compensated handsomely to play,[7] and ticket sales and broadcasting revenues may be lucrative. But much of what athletes and sport leagues own is intangible, yet extremely valuable, and derives from the infrastructure of organized competition that generates an insatiable public interest in sports and the players themselves. The proprietary value of an athlete's identity is evident by the endorsement opportunities he or she can procure.[8] Intellectual property rights, which encompass copyrights, trademarks, and rights of publicity, protect the rights of the owners, teams, leagues, and players to control and profit from their investments and the commercial use of their identity. Yet, in a society which holds dear free speech, free enterprise, innovation, and, increasingly, free and instant access to online information, be it news, sports, or entertainment, the state of athletes' publicity rights is uncertain. A debate ensues in determining the appropriate boundaries for players' publicity rights against the right of commerce and the interests of the public under the First Amendment.

The right to publicity is defined as the "inherent right of every human being to control the commercial use of his or her identity."[9] The recognition of an athlete or celebrity's right to publicity is justified by the right to control and protect one's image, reputation, and proprietary interests. Traditionally, a company that intended to use the name or identity of an athlete or celebrity in a sports-themed product, advertisement, or commercial service, obtained permission and acquired licensing rights to do so. Thus, entities in the business of selling sports-related trading cards, apparel, board games, video games, and other commercial products that used player identities secured licenses from players to do so.[10] However, when the union for Major League Baseball players decided to terminate licensing rights to player identities in fantasy baseball, the producers sought to use player names and statistics in online fantasy sports *for free*. They won.[11]

While the "Human Cannonball" act remains impressive under any standard of technology, the variety of ways an athlete's performance, identity, or persona can be used has multiplied. As new media continues to de-

---

7 College athletes also may garner significant publicity, yet these athletes are restricted from capitalizing on individual rights of publicity due to restrictions set out in NCAA regulations. *See, e.g.*, Kristine Mueller, *No Control Over Their Rights of Publicity: College Athletes Left Sitting the Bench*, 2 DEPAUL J. SPORTS L. & CONTEMP. PROBS. 70 (2004); Bloom v. Nat'l Collegiate Athletic Ass'n, 93 P.3d 621, 627 (Colo. Ct. App. 2004).

8 For some athletes, endorsement income exceeds the pay received for playing.

9 1 J. THOMAS MCCARTHY, THE RIGHTS OF PUBLICITY AND PRIVACY § 1:3 (2d ed. 2007); Miller v Glenn Miller Prods., Inc., 454 F.3d 975, 988 n.6 (9th Cir. 2006).

10 *See* Matthew G. Massari, *When Fantasy Meets Reality: The Clash Between On-line Fantasy Sports Providers and Intellectual Property Rights*, 19 HARV. J.L. & TECH. 443, 457 (2006); Julie A. Garcia, *The Future of Sports Merchandise Licensing*, 18 HASTINGS COMM. & ENT. L.J. 219 (1995) (describing licensing processes in various sports leagues).

11 C.B.C. Distribution & Mktg, Inc. v. Major League Baseball Advanced Media, L.P., 505 F.3d 818 (8th Cir. 2007).

velop, the landscape of the sports industry also shifts. In this age of instantaneous digital communication, Internet downloading, file sharing, and online commerce, discerning what constitutes the public domain while circumscribing the right to publicity is increasingly complicated.

Although "[t]he one constant through all the years . . . has been baseball,"[12] much has changed since baseball's nineteenth century origins. What began simply enough as clubs coming together to give exhibitions of baseball[13] is now a multi-million dollar industry where the average salary of participants is nearly $3 million, yearly revenue of teams exceed $100 million, and the costs of stadiums and franchises are in the hundreds of millions of dollars.[14] Much of this revenue comes from broadcasting contracts, licenses, and endorsements.[15] The market for sports-related products and services continues to expand. Others want to get in the game by engaging in commercial enterprises that involve sports and player identities. While the hot dog vendor and neighborhood bar outside the baseball stadium have long profited indirectly from the public's attention to organized games, the stakes and potential profits for outside enterprises to capitalize on the league brand are enormous. The market for fantasy sports generates millions in revenue to its producers.[16] The uses and potential abuses of sports intellectual property outside traditional jurisdictional boundaries are considerable. Where does the right to publicity begin, end, and public rights to commercial use of the same emerge?

This Comment examines the treatment of athlete publicity rights in the context of fantasy sports as well as new media uses. Part I examines cases where athlete publicity rights have been recognized and rejected. Part II focuses upon fantasy sports' challenge to player publicity rights in *C.B.C. Distribution & Marketing, Inc. v. Major League Baseball Advanced Media, L.P.*[17] In *C.B.C*, both the federal district court and Eighth Circuit Court of Appeals upheld, albeit for different reasons, the unlicensed use of player names and statistics by a fantasy sports provider in the online games that

---

12 FIELD OF DREAMS (Universal Studios 1989); *see also* ESPN.com, Readers: Best Movie Quotes, *available at* http://espn.go.com/page2/s/list/readers/moviequotes/best.html (last visited Apr. 8, 2008).

13 *See* Fed. Baseball v. Nat'l League of Prof'l Baseball Clubs, 259 U.S. 200, 209 (1922).

14 Kurt Badenhausen et al, *Baseball's Big Bucks* (Mar. 19, 2007), http://www.forbes.com/2007/04/19/baseball-team-valuations-07mlb-cz_kb_0419baseballintro.html (last visited Feb. 24, 2008) (noting that MLB's revenues totaled $5.1 billion in 2006). Following the 2007 season, the New York Yankees had a value of $1.2 billion dollars. This number includes stadium income and brand management. *#1 New York Yankees*, FORBES.COM, Apr. 19, 2007, http://www.forbes.com/lists/2007/33/07mlb_New-York-Yankees_334613.html [hereinafter *Yankees*].

15 *See, e.g.*, *Yankees*, *supra* note 14; Howard Bloom, *Going Inside MLB's Latest $3 Billion TV Agreements*, SPORTS BUSINESS NEWS, July 13, 2006, www.sportsbusinessnews.com/_news/news_347260.php.

16 *See* Brandon T. Moonier, Comment, *The Legal Game Behind Fantasy Sports: Copyright Protection and the Right of Publicity in Professional Performance Statistics*, 26 ST. LOUIS U. PUB. L. REV. 129 (2007) (estimating that fantasy baseball users annual expenditures of $175 million and that fantasy baseball is a $1 billion industry).

17 443 F. Supp. 2d 1077 (E.D. Mo. 2006), *aff'd*, 505 F.3d 818 (8th Cir. 2007), *cert. denied*, 2008 U.S. LEXIS 4574 (June 2, 2008).

CBC sells to the public.[18] Part III analyzes the impact of *C.B.C.* on the future of athlete publicity rights in the expanding commercial market for online sports content, gaming, and media. Part IV reflects upon the policy considerations underlying athletes' rights to control use of their names against what appears to be an overriding regard for free use based on public interest and proposes explicit legislative and judicial articulation of such.

I. THE RIGHT OF PUBLICITY VERSUS FIRST AMENDMENT RIGHTS OF FAIR USE

A. The Right of Publicity

The right of publicity is among a group of laws of intellectual property addressing unfair competition.[19] The right is based in state law and, to date, recognized in over half the states by common law or statute.[20] The right of publicity developed judicially as one aspect of the right of privacy, defined as an appropriation of one's name or likeness.[21] The rights are distinct, however, in that the right of privacy implies a right to be left alone. In contrast, the publicity right capitalizes on the spotlight but asserts a property right in that fame, which has commercial value that can be sold or licensed.[22] The right recognizes the value in intangible assets, such as name, identity, brand, and goodwill or reputation, and the right to control the commercial uses of one's identity.[23]

An action based on right to publicity, a state law claim, must generally establish (1) the validity of one's right of publicity; and (2) that this right has been infringed.[24] Under Missouri law, for example, infringement is demonstrated by showing "(1) [t]hat defendant used plaintiff's name as a symbol of his identity (2) without consent (3) and with the intent to obtain a commercial advantage."[25] Other states have adopted a narrower test, modifying the commercial advantage element and requiring a plaintiff to prove that: "(A) Defendant, without permission, has used some aspect of

---

18 *See infra* Section III.

19 1 MCCARTHY, *supra* note 9, at § 1:3.

20 *See* Joshua Nelson, *State Right to Publicity Laws*, NATIONAL CONFERENCE OF STATE LEGISLATURES, Jan. 20, 2006, http://www.ncsl.org/programs/lis/privacy/publicity04.htm (identifying thirty states recognizing right of publicity by statutes or common law). These states have adopted varying definitions and scopes of the right. Thus, the judicial interpretations of how the right is defined are varied and, frankly, often convoluted. *See* Richard T. Karcher, *The Use of Player's Identities in Fantasy Sports Leagues: Developing Workable Standards for Right of Publicity Claims*, 111 PENN. ST. L. REV. 557, 558 (2007) (noting that, "[i]n many states, the parameters or even the existence of the right of publicity remains [sic] undetermined.") (citing RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 46, cmt. b (2005)).

21 *See* Pavesich v. New England Life Ins. Co., 50 S.E. 68 (Ga. 1905).

22 Hirsch v. S.C. Johnson & Son, Inc., 280 N.W.2d 129, 134 (Wis. 1979) (distinguishing right to be let alone from a right to be compensated for the use of one's name for commercial purposes).

23 *See* 1 MCCARTHY, *supra* note 9, at §§ 5:63–5:67.

24 *Id.* at § 3:2.

25 Doe v. TCI Cablevision, 110 S.W.3d 363, 369 (Mo. 2003) (en banc). Missouri law was at issue in *CBC*. *See infra* Part II.

identity or persona in such a way that plaintiff is identifiable from defendant's use; and (B) defendant's use is likely to cause damage to the commercial value of that persona."[26]

With respect to the essential element of identity, a plaintiff must establish that the defendant used some aspect of the plaintiff's identity or persona in such a way that the plaintiff is identifiable. It is important to recognize that the test for infringement is "identifiability" and not confusion as to endorsement by the person.[27] Deception and false endorsement are separate claims and not necessary for a publicity violation. As Professor McCarthy notes:

> Identity can be stolen and used to attract attention to an advertisement or product without giving rise to a valid claim of false endorsement. The identity of a famous person is used to cut through the clutter of advertising and to merely draw attention to the advertisement. It is common in advertising just to use the picture or name of a celebrity or a person prominent in a certain field without any hint of endorsement.[28]

As a form of intellectual property, the right of publicity serves certain important economic interests.[29] Among these interests are the encouragement of creative activities and works, the preservation of the commercial value of goodwill, the prevention of unjust enrichment, dilution or exploitation of such by others, as well as protecting against false suggestions of endorsement or sponsorship.[30]

B. Related But Distinct Claims

One might reasonably question whether the right of publicity is necessary as a distinct claim.[31] The fact that just over half of the U.S. states recognize the right by statute or common law suggests that not all believe a separate right of publicity is needed.[32] Other forms of intellectual property protect similar proprietary interests as the right of publicity, yet apply to distinct areas. For example, the federal Copyright Act protects "[o]riginal

---

26 1 MCCARTHY, *supra* note 9, at § 3:2.

27 Some courts conflate the two, as the district court did in *C.B.C. See infra* notes 76–79 and accompanying text.

28 J. Thomas McCarthy, *The Human Persona as Commercial Property: The Right of Publicity*, 19 COLUM.-VLA J.L. & ARTS 129, 135 (1995).

29 Cardtoons, L.C. v. Major League Baseball Players Ass'n, 95 F.3d 959, 967 (10th Cir. 1996).

30 RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 46, cmt. c (2005); *see also* Zacchini v. Scripps-Howard Broad. Co., 433 U.S. 562, 576–77 (1977) (recognizing that the right of publicity encourages creativity and economic incentives to individuals); Carson v. Here's Johnny Portable Toilets, Inc., 698 F.2d 831, 837 (6th Cir. 1983) ("Vindication of the right [of publicity] will also tend to prevent unjust enrichment by persons . . . who seek commercially to exploit the identity of celebrities without their consent).

31 *See* Eugene Volokh, *Freedom of Speech and the Right of Publicity*, 40 HOUS. L. REV. 903, 929–930 (2003) (although the right of publicity may be appealing, it creates too many First Amendment problems as to non-commercial speech).

32 *See supra* note 25; *see also* McCarthy, *supra* note 28, at 19 (noting that twenty-five states have recognized the right of publicity).

works of authorship fixed in any tangible medium of expression."[33] Although player names and statistics may be reported in various media, the athletes themselves do not have a claim for copyright protection because their "identities" are not works that are fixed in a medium.[34]

Federal trademark protection under the Lanham Act[35] is also distinguishable. The Lanham Act does recognize the marketable property rights in licensed merchandise and the value of brand recognition.[36] It restricts the unauthorized commercial use, reproduction, imitation, or sale of a distinctive "mark" or "trade name" in connection with the sale of goods or services which is likely to cause consumer confusion or to deceive as to the origin, sponsorship or approval.[37] Although team names and logos may qualify, trademarks generally cannot be used to protect a name identifying a particular living individual.[38]

Defamation law is available to protect against false statements about a person that are injurious to the individual's reputation.[39] Interestingly, well-known persons, such as celebrities or athletes, have a higher burden, as "public figures," to sustain a defamation action;[40] yet, these same celebrities have more name recognition value to prevail on publicity rights. Tort false endorsement claims are distinct from publicity claims, which, by definition, do not require proof of consumer confusion. Publicity rights are a form of unfair competition and misappropriation law, which perhaps most closely track publicity rights, yet contain elements beyond the unauthorized commercial use of identity.[41] Although the foregoing laws address distinct situations, courts noticeably conflate many of the considerations and fair use defenses recognized under statute in analyzing liability for a publicity rights violation.[42]

---

33 17 U.S.C. § 102 (2000). Congress' authority to enact copyright laws is derived from the U.S. Constitution, article I, section 8 (providing Congress the power "to promote the progress of science and useful arts, by securing, for limited times, to authors and inventors, the exclusive right to their respective writings and discoveries . . . .").

34 *See* Nat'l Basketball Ass'n v. Motorola, Inc., 105 F.3d 841, 846–47 (2d Cir. 1997) (rejecting claims that game statistics or athletic events were works of authorship within copyright protection, and stating, even if they were, "no author may copyright facts or ideas.") (citation omitted).

35 Lanham Act, 15 U.S.C. §§ 1051-1141n (2000).

36 *See* RAY YASSER, JAMES R. MCCURDY, C. PETER GOPLERUD & MAUREEN A. WESTON, SPORTS LAW: CASES & MATERIALS 825 (6th ed. 2006).

37 15 U.S.C. § 1114 (2000).

38 15 U.S.C. § 1052(c) (2000).

39 RESTATEMENT (SECOND) OF TORTS § 559 (2000).

40 *Id.* at § 580A.

> Under current constitutional standards, however, in defamation actions the nature or status of the parties involved is a significant factor in determining the applicable legal standards. The test for liability in a defamation action depends on whether the libeled figure is a public or private figure and on whether the defamatory publication addresses a matter of public or private concern.

Margaret E. O'Neill, *Civil Liability for the Defamation of Persons*, 50 AM. JUR. 2D *Libel and Slander* § 31 (2008); *see also* New York Times v. Sullivan, 376 U.S. 254, 279 (1964).

41 *See* 1 MCCARTHY, *supra* note 9, at § 5:48.

42 *See infra* Section III.A.2.

C. Examples of Cases Recognizing an Athlete's Right of Publicity

In the sports and entertainment arenas, publicity rights have been recognized in a number of contexts. Among these are: (1) a player's rights to preclude the use of his photograph on trading cards in a chewing gum packet;[43] (2) the use of a look-alike in a commercial drawing which contained characteristics of a popular athlete;[44] and (3) imitations of a distinctive voice.[45]

The unauthorized use of a recognized name, nickname, or biographical information on unrelated commercial products has also been adjudged an illegal use of identity.[46] In *Uhlaender v. Henricksen*,[47] major league baseball players successfully enjoined the use of their names and statistical information contained in a baseball board game without royalties or a license agreement.[48] The court held that the plaintiffs had a proprietary interest in their names and sporting accomplishments sufficient to enable them to enjoy use thereof for commercial purposes.[49] Professional golfers obtained a similar result regarding the unauthorized use of their names and statistics on a golfing board game.[50] More recently, the Missouri Supreme Court ruled illegal the usage of the name of a professional hockey player as a character in a comic book.[51]

In short, where an entity seeks to use a recognizable form of an athlete's identity on an unrelated commercial product or service, it risks infringing upon athlete publicity rights. Whether these cases were correctly decided or whether a publicity right attaches when a name is used, arguably incidentally or in connection with other factual information such as player statistics, became central issues in *C.B.C.* Where the rights of publicity essentially can provide one person a monopoly over a name, do competing

---

43 *See generally* Haelan Labs., Inc., v. Topps Chewing Gum, Inc., 202 F.2d 866 (2d Cir. 1953).

44 Ali v. Playgirl, Inc., 447 F. Supp. 723, 728–29 (S.D.N.Y. 1978) (violation by unauthorized Playgirl representation of boxer, Muhammad Ali).

45 *See, e.g.*, Waits v. Frito-Lay, Inc., 978 F.2d 1093 (9th Cir. 1992) (involving singer, Tom Waits' objections to the commercial use of his identity which he considered offensive to his musical integrity); Midler v. Ford Motor Co., 849 F.2d 460 (9th Cir. 1988) (concerning singer in car commercial imitated Bette Midler's singing style and voice); *see also* White v. Samsung Elecs. Am., Inc., 971 F.2d 1395 (9th Cir. 1992) (discussing Vanna White robot turning letters).

46 *See, e.g.*, Abdul-Jabbar v. General Motors Corp., 75 F.3d 1391 (9th Cir. 1996) (using name "Lew Alcindor" in commercial aired during NCAA tournament); Hirsch v. S.C. Johnson & Son, Inc., 280 N.W.2d 129 (Wis. 1979) (ruling that football players' publicity rights in "Crazylegs" nickname precluded use of name on shaving cream product); Carson v. Here's Johnny Portable Toilets, Inc., 698 F.2d 831, 835–37 (6th Cir. 1983).

47 316 F. Supp. 1277 (D. Minn. 1970).

48 *Id.* at 1282–83.

49 *Id.* at 1279, 1282 (distinguishing the right of publicity from privacy or misappropriation); *see also* Palmer v. Schonhorn Enters., Inc., 232 A.2d 458 (N.J. Super. Ct. Ch. Div. 1967) (holding defendant violated right of publicity with golf game); Shamksy v. Garan, 632 N.Y.S.2d 930 (Sup. Ct. 1995) (holding that the sale of clothing/jerseys emblazoned with a group portrait of a legendary 1969 Mets MLB team, without the permission of the individual players, violated their right to publicity).

50 *See Palmer*, 232 A.2d at 458 (holding defendant use of golfers' names and statistics in connection with golfing board game violated publicity rights).

51 Doe v. TCI Cablevision, 110 S.W.3d 363 (Mo. 2003) (en banc).

policies favoring public use and access preempt individual rights?

D. Defenses and Fair Use

Claims of publicity rights violations fail where either the identity or commercial use elements are not established.[52] Freedom of speech protected under the First Amendment of the U.S. Constitution also limits enforcement of publicity rights.[53] Nearly absolute Constitutional protection is accorded truthful speech, which is considered "communicative." By contrast, "commercial" speech must yield to publicity rights. The distinction is not always evident:

> A "communicative" use is one in which the policy of free speech predominates over the right of a person to his identity, and no infringement of the right of publicity takes place. A "commercial" use is one in which the right of publicity is infringed because, while there are overtones of ideas being communicated, the use is primarily commercial.[54]

As Professor McCarthy notes, the medium used often determines the result, and, for example, "[t]he unpermitted use of a person's identity on a product such as a coffee mug or a T-shirt will be 'commercial' and require a license." By contrast, using a person's identity or picture in a newspaper, magazine, or television news program is considered 'communicative' and thus immune.[55]

Examples of communicative speech entitled to broad First Amendment protections include use of "publicity rights" for newsworthy, political, artistic or creative purposes. Thus, use of a celebrity's name for purposes of conveying news or use in artistic expressions, including biographies, is protected. The artistic and creative use exception has immunized use of publicity rights. For example, baseball cards that contained caricatures of prominent professional baseball players were considered within a form of free speech known as parody. The court in *Cardtoons*[56] thus held that parody trading cards "are not commercial speech—they do not merely advertise another unrelated product."[57] Even Tiger Woods could not stop the sale of "Masters of Augusta" prints in which artist Rick Rush depicted Woods on the greens at the famous tournament.[58] A use that is transformative may also come within First Amendment purview. Thus, *Kirby v. Sega of America*[59] upheld the use of the plaintiff's likeness where the video game

---

52 C.B.C. Distribution & Mktg., Inc. v. Major League Baseball Advanced Media, L.P., 443 F. Supp. 2d 1077, 1088-1089 (E.D. Mo. 2006), *aff'd*, 505 F.3d 818 (8th Cir. 2007).

53 U.S. CONST. amend I.; *see also* 1 MCCARTHY, *supra* note 9, at § 3:1.

54 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 28:4 (4th ed. 2007).

55 *Id.*

56 Cardtoons, L.C. v. Major League Baseball Players Ass'n, 95 F.3d 959 (10th Cir. 1996).

57 *Id.* at 970

58 ETW Corp. v. Jireh Publ'g, Inc., 332 F.3d 915 (6th Cir. 2003) (holding that First Amendment protections for artistic and creative use outweighed famous golfer's publicity rights).

59 144 Cal. App. 4th 47 (Ct. App. 2006).

character that used a celebrity's likeness was transformative.[60]

Courts have ruled the use of facts or information about a person, which are considered in "the public domain," "historical facts," or "in the public interest" as within First Amendment protection.[61] These courts have not adequately explained, however, whether information that is reported in the news can be then exploited for commercial use and stay within the communicative exception because it was obtained from the news. For example, when historical facts constitute a person's "identity," is subsequent commercial use unfettered?

Similarly, the justification for permitting the use of publicity rights under a "public interest" exception is dubious. Particularly if publicity rights are based in property, a claim of a "public interest" exception can seemingly swallow the rule.[62] Much of the public may be interested in a host of private or proprietary information, yet this appetite should not necessarily convert to a right to free commercial use or to deprive a holder of intellectual property rights. Significantly, the commercial use of identity sets the right of publicity apart from the newsworthy and creative communicative free use principles protected under the First Amendment.

II. THE USE OF ATHLETE IDENTITIES IN FANTASY SPORTS: FAIR USE OR UNFAIR APPROPRIATION?

A. Fantasy Sports' Challenge to Player Publicity Rights

Developments in technology, such as through the Internet, video games, CD-ROMs, online information, fantasy sports, and interactive games, present opportunities for emerging and lucrative markets for sports-themed products. Although fantasy sports is not a new concept, the internet's broad proliferation and accessibility have made fantasy sports into a multi-million dollar industry.[63] Inherent in these uses are expectations for rampant access to and use of player identities. Fantasy sports' assertion of free use of player identities in *C.B.C.* posed the challenge of identifying the boundaries or effective regulation for player publicity rights in new media.

---

60 *Id.*

61 C.B.C. Distrib. & Mktg., Inc. v. Major League Baseball Advanced Media, L.P., 443 F. Supp. 2d 1077, 1092 (E.D. Mo. 2006), *aff'd*, 505 F.3d 818 (8th Cir. 2007).

62 Dean Erwin Chemerinksy has criticized the vagueness of the "public interest" exception as within the First Amendment and proposed that only truthful speech that poses safety threat should be actionable. *See* Erwin Chemerinsky, *Protecting Truthful Speech: Narrowing the Tort of Public Disclosure of Private Facts*, 11 CHAP. L. REV. 423, 423 (2008).

63 Formerly relying on newspapers and weekly compilations of statistics, Karcher notes that:

> The advent of the Internet transformed the fantasy league industry from one of 'mom and pop' into a commercial enterprise, and provided every fantasy league with up-to-the-minute updates of all player statistics. The increased efficiencies brought millions of new participants along with it, as well as new fantasy league operators to capitalize.

Karcher, *supra* note 20, at 561–62.

1. Case Background

C.B.C. is a Missouri corporation that offers fantasy sports products and games over the internet to its paying users.[64] C.B.C.'s website, *www.CDMsports.com*, allows its users to fashion their own fantasy teams to play in online leagues.[65] Users act as team owners, participating in a draft and later trading fantasy players, if they like. The success of a user's fantasy teams corresponds to the chosen players' actual performances. The website uses the names and current statistics of actual Major League Baseball ("MLB") players and also employs journalists to write interest stories, including player profiles and reports for its users to read.[66] The C.B.C. website contains current and actual statistics of the MLB players. These statistics include "box score" information, such as players' "batting averages, at bats, hits, runs, doubles, triples, home runs, etc."[67]

From 1995 until 2004, C.B.C. had a licensing agreement with the Major League Baseball Players' Association ("MLBPA"), granting C.B.C. the rights to use "the names, nicknames, likenesses, signatures, pictures, playing records, and/or biographical data of each player," identified as the 'Player's Rights' on C.B.C. website.[68] The Agreement also included a "no-challenge" provision, which provided, *inter alia,* that C.B.C. refrain from using the Player Rights upon termination of the Agreement.[69]

In 2000, MLB team owners formed Advanced Media to act as the "interactive media and internet arm of Major League Baseball" and to operate *MLB.com*.[70] In 2005, Advanced Media entered into a licensing agreement with the MLBPA, giving Advanced Media exclusive authority to negotiate and sub-license rights of the players in conjunction with interactive media.[71] Thereafter, Advanced Media refused to extend C.B.C.'s license. In response, C.B.C. filed a preemptive suit, seeking declaratory and injunctive relief to enjoin Advanced Media from any interference it may have in C.B.C.'s interactive industry.[72] Advanced Media counterclaimed, alleging breach of contract and challenging C.B.C.'s use of player names and statistics as a violation of the players' publicity rights.[73]

64 *C.B.C.*, 443 F. Supp. 2d at 1080. C.B.C. uses the trade name, CDM Fantasy Sports. *Id.*

65 *Id.*

66 *Id*

67 *Id.*

68 *Id.* at 1080-81.

69 *Id.* at 1081.

70 *Id.*

71 Brandon T. Moonier, Comment, *The Legal Game Behind Fantasy Sports: Copyright Protection and the Right of Publicity in Professional Performance Statistics*, 26 ST. LOUIS U. PUB. L. REV. 129, 130 (2007) (commenting that the effect of this was to narrow the market for fantasy games to a handful of websites with licensing agreements).

72 *See C.B.C.*, 443 F. Supp. 2d at 1081.

73 *Id.* at 1082. Advanced Media's allegation of violation of the right of publicity was based on CBC's use of "names, nicknames, likenesses, signatures, jersey numbers, pictures, playing records and biographical data . . . ." *Id.*

2. The District Court Holds no Identity, no Commercial Use, and no Injury

The district court first examined whether the players had a right of publicity in their names and statistics as used by C.B.C.[74] The court rejected the Players' claim that fantasy baseball's use of name and statistical data involved players' character, personality, reputation, physical appearance, or other factors shaping identity.[75] The court concluded that the identity element was absent, stating that the manner in which a players' name was used mattered, not just the fact that it was used.[76] Here, the court determined that C.B.C.'s use "simply involv[ed] historical facts about the baseball players such as their batting averages, home runs, doubles, triples, etc."[77]

The district court also held that C.B.C. did not appropriate names of players for its commercial advantage.[78] The court stated that the use of names and associated statistical records was in conjunction with the playing of games, rather than for independent benefit to be derived from names and statistics.[79] It stated that C.B.C.'s use did not imply players' endorsement of C.B.C.'s games, assessing commercial use by whether "a defendant *intended to create an impression that a plaintiff is associated* with the defendant's product . . . ."[80] Use had to be more than merely incidental.[81] The court declared that the evidence did not suggest player association or endorsement of C.B.C. fantasy games or that the players' names and statistics were used with an intention to draw customers from other fantasy websites, as all the websites use the same statistics.[82] It distinguished the use of the players' names and statistics from a situation where a person's likeness was used to convey endorsement of a product, noting that the claim focused on use of the players' names, not their pictures.[83]

---

74 *Id.* at 1084–85 (reiterating the elements of a right of publicity claim as set forth in Doe v. TCI Cablevision, 110 S.W.3d 363, 369 (Mo. 2003) (en banc), that "(1) [the] defendant used plaintiff's name as a symbol of his identity (2) without consent (3) and with the intent to obtain a commercial advantage.").

75 *Id.* at 1089.

76 *Id.* To determine commercial use, the court considered "the nature and extent of the identifying characteristics used by the defendant, the defendant's intent, the fame of the plaintiff, evidence of actual identification made by third persons, and surveys or other evidence indicating the perceptions of the audience." *Id.*

77 *Id.*

78 *Id.* at 1088.

79 *Id.* at 1085.

80 *Id.* (citing Doe v. TCI Cablevision, 110 S.W.3d 363, 371 (Mo. 2003) (en banc)).

81 *Id.* at 1085 n.9.

82 *Id.* at 1086. "Using a plaintiff's name 'to attract attention to [a] product' is evidence supporting a conclusion that a defendant sought to obtain a commercial advantage." *Id.* at 1085.

83 *Id.* at 1086–87. The court responded to Advanced Media's attempt to analogize the present case to *Palmer* where the commercial element was satisfied, when golfer Arnold Palmer's picture, name and playing records appeared in a board game made by Schonhorn Enterprises. Palmer v. Schonhorn Enters., Inc., 232 A.2d 458 (N.J. Super. Ct. Ch. 1967). In comparing the two cases the court remarked: "Unlike cases where there was an appropriation of a *likeness* to create the impression that a famous person endorsed a product, C.B.C.'s use of players' names in no way creates an impression that players endorse CBC's fantasy games." *C.B.C.*, 443 F. Supp. 2d at 1087. The court suggested that

The district court also denied the players' claim of injury. According to the court, C.B.C.'s use did not pose any real damage to the players' value in their identities and the use did not "go to the heart of the players' ability to earn a living as baseball players."[84] The court also deemed the statistics as part of the public domain and offered that the existence of fantasy games perhaps made actual games more lucrative and enhanced a players' marketability and the popularity of baseball as a sport.[85]

Despite finding no right of player publicity, the court continued in categorizing the players' names and statistics as *factual data and historical facts*, akin to "bits of baseball's history," and declaring C.B.C.'s use protected under the First Amendment.[86] The court acknowledged that C.B.C. may profit in its use of the player names and statistics. Yet, the court declined to rule that this use constituted commercial speech.[87] In a footnote, the court acknowledged the Missouri Supreme Court's statement that "*the use of a persons's* [sic] *identity* for purely commercial purposes, like *advertising* goods or services or the use of a person's name or likeness on merchandise, is rarely protected."[88] In what appeared to be analogous precedent, the Missouri Supreme Court held that the First Amendment did not protect a comic book publisher's unauthorized use of a former athlete's name and identity.[89] The district court avoided *TCI* by treating C.B.C.'s use of player names and statistics as a form of interactive expression and which had entertainment value, noting that "entertainment itself can be important news," and thus within First Amendment protection.[90]

The court ruled that the First Amendment rights to expression and the public's interest in fantasy sports outweighed the players' publicity rights.[91] It found that C.B.C.'s use serves an important public interest by informing and entertaining the public about the history of baseball. The court distinguished between cases considering the economic value of a person's identity from cases where the issue centers on the value of the performance, finding the latter more compelling and inapplicable to C.B.C.'s use.[92]

As to the Players' breach of contract claim, the court ruled the no-use and no-challenge provisions of the parties' prior agreement was unenforce-

---

Palmer itself may be outdated. *Id.*

84 *Id.* at 1091.

85 *Id.* The court further noted that it is the players' skill and not the resulting statistics that support the player's livelihood. *Id.*

86 *Id.* at 1092.

87 *Id.* at 1093 (noting that merely because a product is sold for profit does not automatically mean that commercial speech is present).

88 *Id* at 1094 (citing Doe v. TCI Cablevision, 110 S.W.3d 363, 373 (Mo. 2003) (en banc)).

89 *TCI*, 110 S W.3d at 374.

90 *C.B.C.*, 443 F. Supp. 2d at 1093 (citing Zacchini v. Scripps-Howard Broad. Co., 433 U.S 562, 578 (1977)).

91 *Id.* at 1095-99 ("After balancing the interests at issue regarding CBC's First Amendment right to freedom of expression and those involved in the players' claimed right of publicity the court finds . . . that CBC's First Amendment right to freedom of expression prevails over the player's claimed right of publicity.").

92 *Id* at 1098

able due to public policy concerns.[93] The court concluded that the theory of licensee estoppel (where a licensee is estopped from questioning the validity of its license) and contract principles collapsed when balanced against a "strong federal policy favoring the full and free use of ideas in the public domain."[94] Thus, the no-challenge contractual provision was ineffective in prohibiting C.B.C. from using player names and statistics, which the court held to be within the public domain.

3. The Eighth Circuit Acknowledges Publicity Rights but Holds that the First Amendment Trumps

The Eighth Circuit affirmed the district court's decision in favor of C.B.C.'s use of the players' names and statistics, but on different grounds. Unlike the lower court, the circuit court acknowledged that the Players satisfied all three elements of a right of publicity.[95] First, the statistics had been used without consent.[96] Secondly, the court recognized that a name alone could be sufficient to establish identity. As here, the names used were identifiable by C.B.C.'s target audience as representing Major League baseball players.[97] This was more than "mere use" of a name and sufficient to establish a symbol of their identity.[98] The court also ruled that the commercial advantage element was satisfied.[99] The court correctly noted that the plaintiff does not have to show that users felt any endorsement was intended. Rather, Missouri law looks to a defendant's intent to gain a profit from the use of the identity.[100] Thus, the court found that C.B.C. was using the names and statistics commercially.[101]

Although the appeals court reversed the lower court in finding a violation of the right of publicity, it upheld the ruling that the publicity claims must yield under the First Amendment. The court regarded C.B.C.'s use of player names and statistics as a form of speech, which has entertainment value but also informs, within public domain.[102] It stated that restricting such use would amount to incongruous law.[103]

The appeals court also invoked the theme (of dubious legal significance) that a certain reverence has been given to baseball as the "national

93 *Id.* at 1106–07.

94 *Id.* at 1104.

95 C.B.C. Distribution & Mktg. v. Major League Baseball Advanced Media, L.P., 505 F.3d 818, 822–23 (8th Cir. 2007).

96 *Id.* at 822.

97 *Id.*

98 *Id.*

99 *Id.* (following the standard under the RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 47 cmt. a, b, (2005) and *Doe v. TCI Cablevision*, 110 S.W.3d 363, 371 (Mo. 2003) (en banc), where the commercial advantage element can be found "in connection with services rendered by the user.").

100 *Id.*

101 *Id.* at 823.

102 *Id.* (noting that "[t]he line between the informing and the entertaining is too elusive for the protection of that basic right.'") (quoting Cardtoons, L.C. v. Major League Baseball Players Ass'n, 95 F.3d 959, 969 (10th Cir. 1996)).

103 *Id.* (stating "[i]t would be strange law . . . .").

pastime," making the public interest in its players and statistics very intense.[104] Like the district court, the Eighth Circuit viewed publicity rights as implicating economic rights, rather than privacy or intellectual property issues.[105] It assumed that the players' monetary interests are protected, as the players can still earn a good living, and that no single player is viewed as endorsing a particular fantasy sports league, since the entire team is included in the league.[106]

The court affirmed the dismissal of the players' contract and licensee estoppel claims, but, again, on different grounds. The court focused on a warranty of title that was present in the contract that held out the Players' Association as the sole owner and holder of all the players' publicity rights.[107] The court noted that C.B.C. relied on the warranty and considered it a material breach as the rights were found not to be under the sole control of the Players' Association.[108]

B. Analyzing *C.B.C.*: Did the Eighth Circuit Get it Right?

In *Zacchini*, the Supreme Court declared that state law rights of publicity should be balanced against the First Amendment and its policies.[109] Yet, did the Eighth Circuit correctly articulate the basis for First Amendment application to trump what it conceded were player publicity rights? If the fantasy sports were a board game and not an online, interactive game, would the results be the same? What are the parameters for the use of publicity rights violations in digital media?

The *C.B.C.* ruling is incongruous with cases such as *Uhlaender v. Henricksen*,[110] where the use of players' names, numbers and statistical information in board games constituted a violation of publicity rights.[111] While the district court in *C.B.C.* considered the *Uhlaender* decision an archaic form of publicity rights law and, thus, not controlling, the district court offered no specific reasons why *Uhlaender* should be discounted.[112] Although the medium used to display the names and statistics differed, it is unclear why the results in the respective cases disconnect. Even if *Uhlaender* is outdated, later cases similarly recognized publicity rights in the unauthorized use of names or voice over claims of First Amendment privilege.[113] As Professor Karcher notes:

---

104 *Id.*

105 *Id.* at 824.

106 *Id.*

107 *Id* at 824–25.

108 *Id.*

109 *See* Zacchini v. Scripps-Howard Broad. Co., 433 U.S 562, 567–68 (1977).

110 316 F. Supp. 1277, 1282 (D. Minn. 1970).

111 *See id.* at 1282.

112 *See* Karcher, *supra* note 20, at 569 (surmising that both *Uhlaendar* and *Palmer* are consistent with the Supreme Court in *Zacchini*, suggesting there was no reason for the court to find either inconsistent in *C.B.C.*).

113 *See* Waits v. Frito-Lay, Inc., 978 F.2d 1093, 1096 (9th Cir. 1992) (finding for singer Tom Waits after Frito Lay used a song based around a Waits classic paired with a singer meant to sound sim-

> [I]f players do not have a right of publicity in their names and performance statistics used by fantasy league operators, then how is it that players do have a right of publicity when their identities are used in trading cards and electronic video games, in which producers currently pay a premium in order to use the players' names and likenesses?[114]

Does the public fascination with sports warrant that athlete publicity rights are distinct from other celebrities? Courts have cited, oddly, the tradition and pervasive nature of sports in our society as a basis for differential legal treatment.[115] In *C.B.C.*, both the lower and appellate court seemed to view baseball players differently from individual public figures, regarding baseball as an inviolable tradition, which the players are bound to honor.[116] The Eighth Circuit's opinion carries over the district court's judgment that the players are adequately compensated and that C.B.C. should be allowed in the game by using player names and statistics that are reported in the news anyway.[117] The court's ruling negates its conclusion that the players' right to earn is unaffected by its decision as the result limits the right for players' to profit from their efforts.[118] A determination that

---

ilar to Waits); Midler v. Ford Motor Co., 849 F.2d 460 (9th Cir. 1988) (finding violation of singer/actress Bette Midler's publicity rights after a car commercial included a voiceover using a Midler impersonator); Carson v. Here's Johnny Portable Toilets, Inc., 698 F.2d 831 (6th Cir. 1983) (violation of entertainer Carson's publicity rights found by use of the tag line "Here's Johnny"); Hirsch v. S.C. Johnson & Son, Inc., 280 N.W.2d 129, 140 (Wis. 1979) (finding an issue of triable fact based upon the use by S.C. Johnson of the name "Crazylegs," which was synonymous with former football player Elroy Hirsch).

114 Karcher, *supra* note 20, at 570.

115 *See, e.g.*, Gionfriddo v. Major League Baseball, 94 Cal. App. 4th 400 (Ct. App. 2001), *reh'g denied*, (Cal. 2002) (rejecting former ballplayers' claim that defendants violated their rights of publicity by disseminating factual data concerning the players, including performance statistics, photographs, and verbal descriptions and video depictions of their play without permission or compensation, stating that "[g]iven the pervasive influence of baseball on our culture, the uses at issue came within the 'public affairs' uses exempt from consent . . . ."); *see also* Flood v. Kuhn, 407 U.S. 258 (1972) (affirming the judicially created exemption from antitrust laws for baseball); Fed. Baseball v. Nat'l League of Prof'l Baseball Clubs, 259 U.S. 200, 260 (1922).

116 C.B.C. Distribution & Mktg., Inc. v. Major League Baseball Advanced Media, L.P., 505 F.3d 818, 824 (8th Cir. 2007) (citing baseball as the "nation's pastime" and noting that baseball players are already rewarded well for their effort).

117

> Other motives for creating a publicity right are the desire to provide incentives to encourage a person's productive activities and to protect consumers from misleading advertising. But major league baseball players are rewarded, and handsomely, too, for their participation in games and can earn additional large sums from endorsements and sponsorship arrangements.

Id. (citations omitted).

118 *See* C.B.C. Distribution & Mktg., Inc., v. Major League Baseball Advanced Media, L.P., 443 F. Supp. 2d 1077, 1097–98 (E.D. Mo. 2006), *aff'd*, 505 F.3d 818 (8th Cir. 2007) (quoting Michael Madow, *Private Ownership of Public Image: Popular Culture and Publicity Rights*, 81 CAL. L. REV. 127, 210 (1993)). The district court suggested the salaries of players as being bloated and that economic inducement to play should not be as strong of a motivating factor. It stated that:

> Such figures suggest that "even without the right of publicity the rate of return to stardom in the entertainment and sports fields is probably high enough to bring forth a more than 'adequate' supply of creative effort and achievement." . . . The extra income generated by licensing one's identity does not provide a necessary inducement to enter and achieve in the realm of sports and entertainment. Thus, while publicity rights may provide some incen-

players earn enough through their salaries should not excuse an unauthorized commercial use. The growth of the fantasy sports industry and its profitability may reveal a large disparity between profits and player salaries or endorsement opportunities.[119]

Notably, the *C.B.C.* court does not examine the case under the rubric of emerging media, such as the Internet. While the court critiques other decisions in the area of publicity rights law as outdated, it fails to take any substantial step forward by directly addressing the use of digital media. Perhaps the decision is consistent with a policy favoring innovation and free access for use on the Internet. Fantasy sports have become a profitable industry by virtue of the availability and efficiency of the Internet. This medium, where the expectation of free content is particularly acute, has proven far more difficult to regulate than static, tangible entities, such as magazines and board games.

The *C.B.C.* court asserts that "[t]he information used in C.B.C.'s fantasy baseball games is all readily available in the public domain, and it would be strange law that a person would not have a first amendment right to use information that is available to everyone."[120] This conclusion seems to overlook the different ways in which information can be used. For instance, a newspaper which includes box scores as a small segment of the material it covers that day is significantly different from a website whose basic purpose and function are dependent upon the information.[121]

The court deems the player statistics as "historical facts" in the "public domain." Yet, statistics do not remain fixed. They fluctuate each season and can change dramatically due to outside factors or unforeseen circumstances such as injuries. The district court argued that it is the players' actions on the field and skill level that make them profitable, not their statistics.[122] But statistics are a direct interpretation of a player's skill. A symbiotic relationship exists between the players and their statistics, as the

> tive for creativity and achievement, the magnitude and importance of that incentive has been exaggerated.

Id.

119 Middle level players without the large endorsement deals can be most affected by such a decision because another avenue of profit from their efforts is closed.

120 *C.B.C.*, 505 F.3d at 823. The NBA encountered a similar argument when it sought to prevent Motorola from transmitting real time game information on handheld pagers. The Court held that the Motorola service provided "purely factual information which any patron of an NBA game could acquire from the arena without any involvement from . . . others who contribute to the originality of a broadcast." Nat'l. Basketball Ass'n v. Motorola, Inc., 105 F.3d 841, 846–47 (2d Cir. 1997) (quoting Nat'l Basketball Ass'n v. Sports Team Analysis & Tracking Sys., Inc., 939 F. Supp. 1071, 1094 (S.D.N.Y. 1996)). The court rejected claims that game statistics or athletic events were within copyright protection and stated that "[n]o author may copyright facts or ideas." *Id.* (quoting Harper Row, Publ'rs, Inc. v. Nation Enters., 471 U.S. 539, 547 (1985)).

121 *C.B.C.*, 443 F. Supp. 2d at 1099 (the district court noted that deprivation of the right to use would mean that "CBC would be unable to create and operate its fantasy games as the games cannot operate without the players' *names* and *playing records*.") (emphasis added).

122 *See id.* at 1089 (use of the player's name and their record "does not involve the character, personality, reputation or physical appearance of the players.").

statistics are largely worth nothing without the associated player. A player's worth also diminishes if his statistics drop. Having a unique statistic can also make a player more identifiable and profitable. Baseball cards provide an example, as collectors are more likely to purchase one of a player who has excelled throughout their career or who has a unique statistic such as stolen bases over a season. Fans closely follow game statistics and the results change each season. Without statistics and player names, fantasy sports have no product.

III. *C.B.C.*'s Impact on Athlete Publicity Rights in Fantasy Sports and Other New Media

A. The Future of Fantasy Sports

What is the impact of *C.B.C.* on fantasy sports and other commercial uses of athlete identities? Viewed narrowly, the case merely holds that player names and statistics are in the public domain and may be used commercially without licensure from the players. Yet the magnitude of its impact is soon tested.[123] Perhaps the case can be confined to its facts. Presumably, fantasy sports providers want to use more than player names and statistics, and licensure is still required to use player photographs. But if a name and statistics constitute "identity" that can be used, why are other images different? Does *C.B.C.* suggest a re-examination of the "trading cards" law, and the necessity for licenses for videos, electronic or board games?[124]

Fantasy sports is a multi-million dollar industry and covers virtually all professional and many college sports. Presumably, the gaming industry will be looking to *C.B.C.* as a green light. The *C.B.C.* decision potentially enables expansion of the industry, de-licensing, and an inevitable impact on licensing revenues.[125]

B. *C.B.C.*'s Potential Impact

The *C.B.C.* decision presents complicated practical and policy concerns for media providers, users, and those who wish to have a remaining stake in their publicity rights.

---

123 *C.B.C.*, 505 F.3d 818.

124

> [I]n rejecting the players' claim that fantasy sports infringe their rights, [*C.B.C.*] abandons prior approaches to the right of publicity and creates its own . . . . If the decision is upheld, the effects could be widespread and overreaching. It has the potential to influence all sports-related products, including video games, memorabilia, and other merchandise, as the court's opinion does not resolve what portions of the athletes' identities remain protected from appropriation.

Gabriel Grossman, Comment, *Switch Hitting: How* CBC v. MLB Advanced Media *Redefined the Right of Publicity*, 14 UCLA ENT. L. REV. 285, 286, 313 (2007).

125 Michael McCarthy, *Fantasy Sports Ruling Could Have Wide Impact*, USA TODAY, http://www.usatoday.com/sports/fantasy/2007-10-16-fantasy-ruling_N.htm (last visited Mar. 31, 2008).

1. Proliferating Markets and Uses

With the elimination of a licensing fee, the fantasy sports industry is likely to expand.[126] In light of *C.B.C.*, larger fantasy sports outlets such as ESPN are seeking to renegotiate their licensing deals.[127] Other providers and media outlets may follow a similar course in seeking lower licensing fees without the barrier of publicity rights. Fantasy sports providers are also considering ways to branch out and merge with other media, such as through mobile content extensions of the games that allow users to access updated statistics on players via cell phones.[128] Another use is by connecting fantasy sports teams to video games such as the Madden series, allowing users to insert their fantasy teams into the Madden setting.[129]

2. Limits on Player Compensation and Reputational Controls

The right to control use of one's identity and to protect one's reputation is the policy interest supporting the right to restrict what otherwise seems like free speech. Under *C.B.C.*, players' ability to earn income through licensing their names and statistics in this medium, as well as to control use of their names, is impaired. Further, without the protection of publicity rights, players may become, unknowing and unwillingly, linked to undesirable media or uses. While the *C.B.C.* courts note that no endorsement is suggested by the use of player name and statistics in fantasy sports websites,[130] this provides little comfort to a player who finds himself connected to objectionable media or uses.[131] An example would be the possible expansion into fantasy sports gambling. Websites such as Protrade[132] and DraftMix[133] allow users to bet fake money on the sports stock market and trade in their stock for prizes.[134] However, DraftMix is consi-

126 Marc Edelman, *Sports and the Law: Could Yahoo Sale Kill Free Fantasy Sports?*, ABOVETHELAW.COM, Feb. 8, 2008, www.abovethelaw.com/2008/02/sports and_the_law_could_ yahoo.php (noting that currently Yahoo Sports, CBS Sports and ESPN hold much of the market for fantasy gaming).

127 John Ourand & Eric Fisher, *ESPN Seeks Better MLBAM Terms*, STREET & SMITH'S SPORTS BUS. J., Jan. 21, 2008, http://www.sportsbusinessjournal.com/index.cfm?fuseaction=article.main&articleId=57807 (ESPN's 2005 digital rights agreement with Advanced Media includes an opt-out clause that ESPN is attempting to apply to reduce its payments. The agreement is a seven-year deal currently worth $20 million a year).

128 Karcher, *supra* note 20, at 563 (noting Mforma's deal with CBS Sportsline and the additional charge Yahoo Sports applies for users who want mobile access to fantasy data).

129 *Id.*

130 *See supra* notes 78–82 and accompanying text.

131

> The *CBC* court's definition of commercial advantage, which requires an association element of endorsement or advertisement, sets a dangerous precedent because, presumably, the players would not be able to prevent the use of their identities in the operation of such an enterprise. The players would be left without recourse because they would not be able to establish a violation of the right of privacy on the grounds of 'embarrassment.

Karcher, *supra* note 20, at 572.

132 Pro Trade, http://www.protrade.com (last visited Sept. 12, 2008).

133 DraftMix, http://www.draftmix.com (last visited Sept. 12, 2008).

134 Nick Gonzalez, *DraftMix: Faster Fantasy Sports For Fun Or Profit*, Nov. 5, 2007, http://www.techcrunch.com/2007/11/05/draftmix-faster-fantasy-sports-for-fun-or-profit/.

dering allowing users to apply real money to its sports stock market.[135] For some, gambling in any form carries a moral stigma. Without the right to withhold the use of their name and statistics, players may feel their reputations exploited or compromised. A branching out into gambling may harm the fantasy sports industry.

Fantasy sports are exempt from the Unlawful Internet Gambling Enforcement Act of 2006.[136] A traditional definition of what constitutes gambling is whether a game of skill or a game of chance is being pursued, with the latter considered out of the boundaries of legality in many states.[137] One such claim that fantasy sports was akin to gambling was raised and defeated in *Humphrey v. Viacom*.[138] But shifts in uses may trigger new claims that the legality of online sports gaming be reconsidered.

C. *C.B.C.*'s Impact on New Uses and Emerging Issues in New Media

The tension between melding publicity rights law and new media has caused conflict beyond the fantasy sports sphere. The present fascination with YouTube[139] provides an example. YouTube is a web-based video hosting service that allows its users free of charge to upload and tag videos for sharing, as well as watch video clips posted by other users.[140] The website's popularity has skyrocketed since its creation in 2005.[141] YouTube's relaxed internal regulation of its user-posted videos has left it vulnerable to litigation, as some of the videos infringe on existing copyrights. The website does self-policing by having YouTube employees sift through the videos using search terms that users input as well as relying on users to report objectionable materials.[142] When one of these terms leads to copyrighted material, the video is removed.[143] With this system, there can be a large gap in the time frame between the posting of the copyrighted material and its removal. YouTube has been compliant with removal requests by copyright holders, but the material is still viewed at some point before removal.

Beyond the copyright issues YouTube presents, publicity rights of athletes and other public figures are also vulnerable. For example, in 2006,

---

135 *See id.*

136 31 U.S.C. §§ 5365, 5366 (2000).

137 *Id*

138 No. 060-2768 (DMC), slip op., 2007 WL 1797648 (D.N.J June 20, 2007) (plaintiff filed suit against fantasy sports providers owned by Viacom alleging that the pay-to-play games were illegal gambling). The case was dismissed.

139 *See* YouTube, http://www.youtube.com (last visited Sept. 12, 2008).

140 Jason C. Breen, *YouTube Or You Lose: Can YouTube Survive a Copyright Infringement Lawsuit?*, 16 TEX. INTELL. PROP. L. J. 151, 155–56 (2007).

141 Eugene C. Kim, Note, *YouTube: Testing the Safe Harbors of Digital Copyright Law*, 17 S. CAL. INTERDISC. L.J. 139, 139–40 (2007) (noting that, in July of 2006, more than sixty-three million people visited the site and, by January 2007, it controlled a 43.3% share of the online video market, ranking twelfth overall in domain traffic).

142 Amy R. Mellow, Note, *. . . And The Ruling On The Field Is Fair: A Fair Use Analysis of Uploading NFL Videos Onto YouTube And Why The NFL Should License Its Material To The Website*, 17 S. CAL. INTERDISC. L. J. 173, 179 (2007).

143 *Id.* at 179.

the NFL demanded that YouTube remove three thousand game clips that were posted on the website.[144] Other entities have made similar requests as well as instituted litigation, alleging copyright infringement.[145] In defense, YouTube notes that clips appearing on the website are kept to a maximum of ten minutes.[146] Since protection for filmed sporting events is based around the arrangement of camera angles and shots in a game, one could argue that a clip of a particular play is not a violation of any copyright or publicity claim.[147] The struggle to regulate developing media continues and much of the suggested regulations fall short of the task.[148]

CONCLUSION

The contours of First Amendment protection are not as cleanly delineated as the simple elements needed to establish a right of publicity claim—that of identifiability and unauthorized commercial use. Although fantasy sports are clearly using athlete identities commercially, *C.B.C.* invokes the First Amendment on an intuitive basis, reasoning that, because the box scores are free, everyone should be able to use them however desired. But, even if the press has rights to use this information for news purposes, this does not mean that this information can be used for unlicensed entrepreneurial use.[149]

Perhaps the decision, while dubious under a legal analytical rubric, is correct simply as a practical matter. Perhaps the right of publicity goes too far in giving athletes power to foreclose use of proprietary information that the public finds interesting and wants to use for free. But if so, the necessity of such right should be reevaluated, abolished, or at a minimum, the contours of its reach clearly delineated. Meanwhile, reliance on a "national pastime" exemption, the desire to "keep laws off baseball," or *ad hoc* rulings that deem public interest to outweigh a right recognized as property do not provide the standard of certainty that fair play requires. The fascination with sports, athletes, and new technology does not constitute an entitlement or exception to current law according individuals rights to control use of their identities and publicity.

---

144 *Id.* at 174.

145 *See, e.g*, Viacom Int'l, Inc. v. YouTube, Inc., No. 07 Civ. 2103, slip op., 2008 WL 629951 (S.D.N.Y. Mar. 7, 2008); Tur v. YouTube, Inc., No. CV 06-4436 FMC (AJWx), 2007 WL 4947612 (C.D. Cal. June 20, 2007).

146 Breen, *supra* note 140, at 157.

147 Mellow, *supra* note 143, at 180–82 (arguing that that the clip becomes transformative when posted on YouTube, as it generates discussion and critique. An example would be a referee's decision.).

148 An example would be the Unlawful Internet Gambling Enforcement Act, which outlaws forms of Internet gambling. 31 U.S.C. §§ 5365, 5366 (2006). The statute places the burden of regulation and implementation on online payment processors such as banks to inspect transactions. The act offers little government assistance and no initiative for the processors to carry out the regulations. *See* Letter from iMEGA to Jennifer J. Johnson, Secretary Board of Governors of the Federal Reserve System (Dec. 12, 2007) *available at* http://www.imega.org/wp-content/uploads/2007/12/imega-comments-on-fed-do-1298-and-treas-do-2007-0015-12-12-07.pdf.

149 *See* Doe v. TCI Cablevision, 110 S W 3d 363, 366 (Mo. 2003) (en banc).

Escape from Darfur: Why Israel Needs to Adopt a Comprehensive Domestic Refugee Law

Holly Buchanan[*]

INTRODUCTION 602
I. A BRIEF HISTORY OF SUDAN'S DOMESTIC CONFLICTS LEADING TO A MASSIVE INCREASE OF SUDANESE ASYLUM SEEKERS 605
A. A Brief History of Sudan's Internal Violence 605
1. Sudan's North-South Civil War 605
2. The Current Conflict in Darfur: Additional Refugees in Desperate Need of Asylum 607
B. Israel's Relationship to Asylum Seekers from Darfur 609
II. APPLICABLE INTERNATIONAL LAW AND ISRAELI LAWS AND POLICIES RELATING TO THE RIGHTS OF REFUGEES 611
A. International Law Relating to the Refugees' Rights 611
1. Relevant Principles of the 1951 Convention and 1967 Protocol 612
2. The United Nations High Commissioner for Refugees 613
B. Israel's Laws and Policies Affecting Refugees and Asylum Seekers 614
1. The Prevention of Infiltration Law 616
2. The Regulations Regarding the Treatment of Asylum Seekers in Israel: Israel's Insufficient Attempt at a Comprehensive Refugee Policy 616
3. Israel's New "Hot Return" Policy 617
III. ISRAEL'S RESPONSES TO THE INCREASE OF SUDANESE ASYLUM SEEKERS ARE IN BREACH OF INTERNATIONAL LAW 618
A. Israel's Imprisonment of Sudanese Asylum Seekers 619
B. Israel's "Hot Return" Policy Violates the Principle of

[*] J.D. Candidate 2009, Chapman University School of Law; B.A., California State University Long Beach. I would like to thank Marisa Cianciarulo for her extremely helpful and constructive critiques and insight. I also have special thanks for Librarian Debbie Lipton for her patience and help in acquiring materials for me.

Non-Refoulement 621
IV. ISRAEL MUST ADOPT A COMPREHENSIVE IMMIGRATION POLICY WITH A PRESCRIBED PROCESS FOR DETERMINING REFUGEE STATUS IN COMPLIANCE WITH THE 1951 CONVENTION 623
A. Asylum Seekers from Darfur are Refugees under the 1951 Convention 624
1. Persecution 624
2. Well-Founded Fear of Persecution 625
3. Asylum Seekers from Darfur have Suffered Persecution on Account of their Race, Membership in a Particular Social Group, and Political Opinion 625
B. A Comparative Proposal for Israel's New Refugee Determination Process 627
C. Possible Alternatives for Israel's Management of the Overwhelming Increase of Asylum Seekers 629
1. A Memorandum of Understanding with Egypt to Ensure Protection of Refugees Deported from Israel to Egypt 629
2. Agreements with Third Countries to Provide Asylum to Refugees to whom Israel Cannot 630
CONCLUSION 631

INTRODUCTION

Hagga Abbas Haroun was a twenty-eight year old refugee from the Darfur region of Sudan.[1] Haroun's parents saved their resources to provide Haroun, the oldest of nine children, with an education from the University of Sudan.[2] After graduating from the University, Haroun became known in the region as an outspoken supporter of other villagers in Darfur.[3] In 2003, after brutal violence had erupted in Darfur, Haroun's uncle, aunt, and brother were killed by Janjaweed[4] militiamen.[5] Haroun and her husband then fled the massacre in Darfur to Sudan's capital, Khartoum, where they were confronted with the option of remaining in war-ravaged Sudan or

1 Ellen Knickmeyer, *Flight From Darfur Ends Violently in Egypt: Young Mother Killed by Border Guards While Waiting to Cross to Sanctuary in Israel*, WASH. POST, Aug. 19, 2007, at A16 [hereinafter Knickmeyer, *Flight From Darfur*].

2 *Id.*

3 *Id.*

4 The Janjaweed are Arab African pro-government mounted militias responsible for widespread raiding and burning of black African farming villages and the abduction, rape and execution of civilians. BUREAU OF DEMOCRACY, HUMAN RIGHTS, & LABOR AND BUREAU OF INTELLIGENCE & RESEARCH, U.S. DEP'T OF STATE, STATE PUBLICATION 11182 DOCUMENTING ATROCITIES IN DARFUR, (2004), *available at* http://www.state.gov/g/drl/rls/36028.htm [hereinafter ATROCITIES IN DARFUR].

5 Knickmeyer, *Flight From Darfur*, *supra* note 1, at A16.

fleeing to a neighboring country.[6] They chose to travel north to Egypt.[7] At ten p.m. on July 21, 2007, a group of refugees traveling from the region of Darfur, which included Haroun, her two-year old daughter and her husband, attempted to cross the Sinai border from Egypt into Israel in search of safety.[8] When one of the children began to cry, Egyptian border guards opened fire shooting a nine-year old girl in the back, a man in the stomach, and Haroun, who was seven months pregnant. Haroun was fatally shot in the head.[9]

Haroun's story is just one of the many documented accounts of Egyptian soldiers' use of brutal force on asylum seekers crossing the Egyptian border into Israel.[10] Israel's lack of procedures for managing the admission of refugees crossing its border is of equal concern. For example, on August 19, 2007, Israel deported forty-eight African asylum seekers to Egypt without applying any process for determining whether they were refugees and without allowing them to apply for, or even request, asylum in Israel.[11] Some of these forty-eight asylum seekers had fled the atrocities occurring in the war-torn region of Darfur.[12]

Recently, Israel has experienced a significant increase in Sudanese asylum seekers, resulting from Sudan's long-term civil war and the current ethnic-based war in Darfur.[13] Israel's current policy of immediate deportation of refugees and asylum seekers to Egypt has raised international concern about the fate of refugees from Darfur denied asylum by Israel.[14] Furthermore, Egypt has proven to be unsafe for African refugees and has now begun to deport Sudanese refugees back to Sudan.[15] The 1951 Convention Relating to the Status of Refugees (hereinafter, the "1951 Convention") is the principal international instrument establishing the legal rights of refugees and prohibits the expulsion of refugees to a territory where his or her life or freedom would be threatened.[16] Israel is a signatory to the 1951 Convention,[17] but has not met its obligations as such by failing to enact a

---

6 *Id.*

7 *Id.*

8 *Id.*

9 *Id.*

10 *See infra* note 209.

11 Ellen Knickmeyer, *Israel to Block New Refugees From Darfur*, WASH. POST, Aug. 20, 2007, at A10 [hereinafter Knickmeyer, *Israel to Block Refugees*]. For a discussion of Israel's new "hot return" policy, see *infra* notes 161–166, 198–211 and accompanying text.

12 Knickmeyer, *Israel to Block Refugees*, *supra* note 11, at A10. The exact number of these forty-eight asylum seekers is uncertain, but it is known that at least some are from Darfur. *Id.*

13 For a discussion of Sudan's twenty-two year civil war and the ongoing war in the region of Darfur, see *infra* notes 22–74 and accompanying text.

14 Knickmeyer, *Israel to Block Refugees*, *supra* note 11, at A10.

15 For a discussion of why Egypt is an unsafe country for African refugees and asylum seekers, see *infra* notes 202–210 and accompanying text.

16 1951 Convention Relating to the Status of Refugees, art. 33, July 28, 1951, 19 U.S.T. 6276 189 U.N.T.S. 137.

17 States Parties to the 1951 Convention Relating to the Status of Refugees and the 1967 Protocol, *available at* http://www.unhcr.org/protect/PROTECTION/3b73b0d63.pdf (last visited Mar. 25, 2008) [hereinafter Parties to the Convention and Protocol].

domestic refugee law for non-Jewish refugees.[18] Since asylum seekers from Darfur meet the requirements of refugee status under the 1951 Convention's definition, they are entitled to its protection.[19] While many Sudanese asylum seekers may meet the criteria of a refugee, this Comment focuses on Israel's obligations under the 1951 Convention in relation to refugees from the smaller region of Darfur.[20]

The increase of Africans seeking asylum in Israel has created numerous issues of international law regarding Israel's treatment of these asylum seekers. In response to this influx of asylum seekers, Israel has implemented several laws and policies relating to this problem.[21] This Comment argues that Israel's laws and policies concerning the treatment of refugees from Darfur, primarily their recent deportation to Egypt, are in breach of the 1951 Convention. In addition, this Comment proposes that Israel adopt a comprehensive refugee law incorporating the principles of the 1951 Convention and providing specified procedures for refugee status determination.

Part I of this Comment traces Sudan's history of violence, which has led to a significant number of Sudanese refugees in search of asylum in other countries, such as Israel. Part II of this Comment identifies and examines the applicable laws relating to refugees' rights, including the 1951 Convention and various Israeli laws and policies, and discusses how these laws affect refugees. Part III of this Comment critiques the laws and policies that Israel has implemented to manage the increase of African asylum seekers crossing its border by demonstrating that these domestic laws and polices are in breach of international law. Part IV of this Comment provides a refugee analysis under the 1951 Convention for asylum seekers from Darfur, which explains why these individuals satisfy the criteria for refugee status. Part IV also proposes that Israel enact a comprehensive domestic refugee law, officially adopting the principles of the 1951 Convention. Finally, Part IV provides a comparative model for the framework of Israel's new refugee law and proposes possible solutions for Israel's management of the overflow of refugees from Darfur and other regions to whom Israel is unable to grant asylum. This Comment concludes by suggesting that, after applying a process for refugee status determination in compliance with the 1951 Convention, Israel should make a significant effort to grant asylum to at a least a few thousand refugees from Darfur.

---

18 *See infra* notes 138–143 and accompanying text.

19 For an analysis of the reasons why asylum seekers from Darfur meet the criteria of a refugee under the 1951 Convention, see *infra* notes 223–242 and accompanying text.

20 This Comment focuses on asylum seekers from Darfur because of the ongoing brutal war occurring in this region, which has led to the persecution of these individuals in Sudan.

21 *See infra* notes 146–149.

I. A BRIEF HISTORY OF SUDAN'S DOMESTIC CONFLICTS LEADING TO A MASSIVE INCREASE OF SUDANESE ASYLUM SEEKERS

A. A Brief History of Sudan's Internal Violence

Since its independence from Britain in 1956, Sudan has experienced continuous violence, primarily due to religious and ethnic discrimination and persecution.[22] This tension originated between the northern and southern regions of Sudan.[23] Southern Sudan is primarily composed of black, Christian and Animist[24] African tribes, whereas northern Sudan is mainly populated by Arab Muslims.[25] Religious and ethnic tension between the North and South eventually erupted into a twenty-two year civil war.[26] However, the most recent conflict in Sudan involves the western region of Darfur, where black African farming tribes have clashed with government-supported Arab African nomadic tribes. The brutal violence in Darfur officially began in 2003 and, since then, there have been continuing atrocities occurring in the region among various tribes and the Sudanese government.[27]

1. Sudan's North-South Civil War

Sudan's twenty-two year civil war broke out in 1983, when Sudanese President Nimeiri declared Arabic as Sudan's national language and imposed Islamic law on the country.[28] In response to these actions, non-Muslim soldiers in the South established the Sudan People's Liberation Army (SPLA) and a corresponding political organization, the Sudan People's Liberation Movement (SPLM).[29] The SPLA demanded the Sudanese government repeal its imposition of Islamic law, but President Nimeiri refused and ordered the military to destroy the SPLA.[30] Fighting between Nimeiri's military and the SPLA resulted in the deaths of thousands of Su-

---

22 William L. Saunders, Jr. & Yuri G. Mantilla, *Human Dignity Denied: Slavery, Genocide, and Crimes Against Humanity in Sudan*, 51 CATH. U. L. REV. 715, 718–22 (2002).

23 *Id.* at 718.

24 Animism is a traditional African religion that attributes a life and spirit to all material things, such as plants, thunderstorms and earthquakes. WEBSTERS' THIRD NEW INTERNATIONAL DICTIONARY (1993).

25 Saunders & Mantilla, *supra* note 22, at 718.

26 *Id.*

27 ATROCITIES IN DARFUR, *supra* note 4.

28 Saunders & Mantilla, *supra* note 22, at 719; DeJuan Bouvean, *A Case Study of Sudan and the Organization of African Unity*, 41 HOW. L.J. 413, 416–17 (1998). Islamic law is known as Shari'a, and southern Sudanese claimed that this law denied non-Muslims and women full citizenship rights. Judith Mayotte, *Civil War in Sudan: The Paradox of Human Rights and National Sovereignty*, 47 J. INT'L AFF. 497, 504 (1994); *see also* Saunders & Mantilla, *supra* note 22, at 720 (explaining that non-Muslims were permitted to convert to Muslim, but that apostasy by a Muslim was punishable by death).

29 The SPLM was created as a separate political organization in southern Sudan. Bouvean, *supra* note 28, at 417. However, unlike the South's previous support for a separatist movement, the SPLM advocated for incorporation of the South into a democratic Sudan. The South wanted the Sudanese government to act democratically by treating all citizens equally. Mayotte, *supra* note 28, at 503.

30 Bouvean, *supra* note 28, at 417.

danese in the South.[31]

In 1985, a military coup overthrew President Nimeiri[32] and, in 1986, Sadiq al-Mahdi was elected prime minister of Sudan.[33] The Mahdi government initiated narrow measures in its attempt to end the civil war, such as a partial abrogation of Islamic law.[34] However, the SPLA demanded an absolute repeal of Islamic law, which Mahdi rejected.[35] Mahdi and the SPLA finally reached a cease-fire agreement in 1988 and scheduled a conference to create a new secular constitution for Sudan.[36] However, these peace talks were abruptly destroyed when the National Islamic Front ("NIF")[37] ousted Mahdi in a military coup.[38] The NIF appointed Hassam Ahmed al-Bashir as Sudan's new leader.[39] The new government's objective was to "Arabize" and "Islamize"[40] Sudan by implementing measures forcing Arab culture and Islamic religion upon non-Muslims.[41] Bashir dissolved the Sudanese National Assembly and all political parties.[42] Bashir continued to close down the press and all secular associations and established a new military, the Popular Defense Force.[43]

The NIF employed war tactics targeted primarily at southern African tribes because of their resistance to the government's imposition of Arab culture and Islamic religion.[44] These tactics included bombing of civilian targets, such as hospitals, churches, and United Nations (UN) humanitarian aid centers.[45] The NIF also armed northern Muslim tribesmen[46] to commit atrocities by raiding southern villages.[47] During these raids, the northerners would enter villages, kill all adult black males and abduct the women and children.[48] These women and children were taken as slaves and were

---

31 *Id.* Some survivors sought refuge in other countries, and the Sudanese government imposed excessive food and fuel taxes on those who remained in Sudan. *Id.* at 417–18.

32 After Nimeiri was overthrown, his former Minister of Defense and Commander-in-Chief was appointed Sudan's temporary leader. *Id.* at 418.

33 *Id.* However, members of the SPLA refused to vote, and approximately half of the southern constituencies were unable to vote due to the war. Mayotte, *supra* note 28, at 504.

34 This proposed abrogation included an exemption for non-Muslims from paying Islamic taxes and from certain punishments under Islamic law. Bouvean, *supra* note 28, at 419.

35 *Id.*

36 *Id.*

37 *Id.* The NIF was one of the three political parties of the government coalition instituted by Prime Minister Mahdi. *Id.*

38 *Id.* The NIF adamantly refused to allow the abolition of the Shari'a. Mayotte, *supra* note 28, at 506.

39 Bouvean, *supra* note 28, at 419.

40 The term, "Arabize" refers to the imposition of Arab customs, language, and culture. Similarly, the term, "Islamize" means to enforce Islamic law, beliefs and customs on others. WEBSTERS' THIRD NEW INTERNATIONAL DICTIONARY (1993).

41 Bouvean, *supra* note 28, at 420–22.

42 *Id.* at 420.

43 *Id.*

44 Saunders & Mantilla, *supra* note 22, at 721.

45 *Id.*

46 *Id.* at 723–24.

47 Bouvean, *supra* note 28, at 422–23.

48 *Id.* at 423.

"usually either kept by their Arab captors, given to other Arabs as gifts, traded with other Arab countries, or branded as cattle and sold at auctions in exchange for cows or camels."[49] Many female slaves were raped by their masters, and male children taken as slaves were often conscripted to join the government's military.[50]

After almost two decades of civil war, over two million people had died and another four million were displaced from their homes.[51] In 2002, the Bashir government and the SPLA signed a cease-fire agreement to formally end the civil war.[52] However, the violence continued until 2005 when the Comprehensive Peace Agreement was signed, which formally ended the civil war.[53] Although there appeared to be a possibility of peace in Sudan when this landmark agreement was signed, a new chapter in Sudan's volatile history had emerged in the western region of Darfur.[54]

2. The Current Conflict in Darfur: Additional Refugees in Desperate Need of Asylum

Tension has existed in Darfur between Arab African nomadic herders and black African farmers from the Fur, Massaleit, and Zagawa tribes over land use rights.[55] Unlike the primarily religious-based conflicts between northern and southern Sudan, the violence in Darfur is motivated by an ethnic conflict between Arab Africans and black Africans in the region.[56] Both Arab and black Africans in the Darfur region are predominantly Muslim.[57] These groups have fought over grazing rights, access to water and use of productive agricultural land in the increasingly arid climate of Darfur.[58] The use of armed violence between these groups originated when the Sudanese government armed Arab tribes in the region to help defeat the SPLA.[59] Thereafter, one of these Arab tribes attacked the Fur, Massalit, and Zagawa tribes to take over land and water rights.[60] After Bashir took

49 *Id.* (footnotes omitted).

50 *Id.* at 424.

51 Saunders & Mantilla, *supra* note 22, at 715.

52 *Timeline. Sudan Chronology of Key Events*, BBC NEWS, http://news.bbc.co.uk/2/hi/middle_east/827425.stm (last visited Apr. 3, 2008) [hereinafter BBC, *Chronology of Sudan*].

53 U.S. DEP'T OF STATE, BUREAU OF DEMOCRACY, HUMAN RIGHTS, AND LABOR, SUDAN: COUNTRY REPORTS ON HUMAN RIGHTS PRACTICES (2007), http://www.state.gov/g/drl/rls/hrrpt/2006/78759.htm [hereinafter SUDAN REPORT]. As a result of this agreement, the Autonomous Government of Southern Sudan ratified a separate constitution and "[a] referendum to determine whether the south will become an independent entity is scheduled for 2011." *Id*

54 BBC, *Chronology of Sudan*, *supra* note 52.

55 There are at least thirty more of these farming tribes in Darfur, but the primary focus of the current violence has been on these three tribes. *Darfur Conflict*, REUTERS FOUNDATION, http://www.alertnet.org/db/crisisprofiles/SD_DAR.htm?v=in_detail [hereinafter *Darfur Conflict*] (last visited April, 3, 2008).

56 ATROCITIES IN DARFUR, *supra* note 4.

57 *Id.*

58 *Id.* These tensions were previously resolved by the use of local councils; however, "[t]hese [councils] were abolished by the . . . [Bashir] government after it came to power in a coup in 1989, leaving no mechanisms for resolving disputes peacefully." *Darfur Conflict*, *supra* note 55.

59 ATROCITIES IN DARFUR, *supra* note 4.

60 *Id.*

control of the Sudanese government, non-Arab tribes in Darfur were disarmed.[61] The pro-government Arab tribes, however, were permitted to retain their weapons.[62] In 2003, two rebel groups from Darfur's farming region, the Sudan Liberation Army (SLA) and the Justice and Equality Movement (JEM), revolted against the Sudanese government.[63] This rebellion was sparked by discontent with the lack of political power, social services and basic infrastructure in the region.[64] Non-Arabs in Darfur also felt that they were being oppressed by a government supportive of Arab Africans.[65]

The Bashir government has escalated the tension between Arab Africans and black Africans in Darfur and is accused of supporting and arming the pro-government Arab militias, the Janjaweed, in response to the SLA and JEM's actions.[66] The government has reportedly supported aerial bombardments of civilian villages, which are usually followed by Janjaweed raids.[67] This pattern provides strong evidence that the government is closely involved in the Janjaweed's brutal actions against black farming tribes in Darfur.[68] There are also reports that the government has provided the Janjaweed with salaries and communication equipment.[69]

Attempts at an effective peace agreement between the pro-government Janjaweed and rebel groups have been unsuccessful, leading to further divisions within the two rebel groups.[70] These divisions have created even more complex fighting between the various groups.[71] To complicate matters further, the Janjaweed militias have become frustrated with the Sudanese government, fearing that the government will blame them for crimes committed against villagers.[72] The new rebel factions emerging in Darfur have made the potential for peace in the region increasingly unlikely.[73]

At least 200,000 villagers in Darfur have died[74] and 2.5 million

---

61 *Id.*

62 *Id.*

63 *Q&A: Sudan's Darfur Conflict*, BBC NEWS, http://news.bbc.co.uk/2/hi/africa/3496731.stm [hereinafter BBC, *Darfur Q&A*] (last visited April 3, 2008); *see also Darfur Conflict*, *supra* note 55.

64 *Darfur Conflict*, *supra* note 55.

65 *Id.*

66 ATROCITIES IN DARFUR, *supra* note 4. The Sudanese government has admitted to organizing militias for self-defense purposes against the rebels but has denied any relationship with the Janjaweed. BBC, *Darfur Q&A*, *supra* note 63.

67 ATROCITIES IN DARFUR, *supra* note 4.

68 *Id.* Further evidence of the connection between the Janjaweed and the Sudanese government is Bashir's recent promotion of a suspected leader of the Janjaweed, Musa Hilal, to a senior advisor government position. Nora Boustany, *Sudan Names Janjaweed Figure as Top Advisor*, WASH. POST, Jan. 23, 2008, at A14.

69 ATROCITIES IN DARFUR, *supra* note 4.

70 *Darfur Conflict*, *supra* note 55.

71 *Id.* These divisions between the African farming tribes have led to fighting among the Fur, Zaghawa and Massaleit tribes. *Id.*

72 *Darfur Conflict*, *supra* note 55.

73 Orla Guerin, *Darfur Refugees Long for Peace*, BBC News, http://news.bbc.co.uk/2/hi/africa/6982728.stm (last visited Apr. 3, 2008).

74 SUDAN REPORT, *supra* note 53; Ellen Knickmeyer, *A Crisis of Conscience Over Refugees in*

people, primarily black African farmers, have been displaced from their homes.[75] Displaced persons have sought shelter and protection in camps outside Sudan's capital.[76] These camps lack sufficient food, water and medicine and are patrolled by the Janjaweed.[77] "Darfuris say [that at these camps] the men are killed and the women raped if they venture too far in search of firewood or water."[78] Alternatively, many Darfurians have fled to the neighboring country of Chad.[79] However, the Darfurians' safety is threatened in Chad by an ongoing conflict between Sudan and Chad, which is fueled by accusations that each country is funding the other's rebel groups.[80] Darfurians have also sought asylum in other African countries, but most often they have fled to Egypt.[81] From Egypt, many asylum seekers continue on to Israel in search of the security that Egypt has been unwilling to provide.[82]

B. Israel's Relationship to Asylum Seekers from Darfur

In the past year, Israel has become increasingly involved, albeit indirectly, in Sudan's internal conflicts.[83] Although Sudan and Israel are officially enemy nations, many Sudanese who fled Sudan's civil war, and, more importantly, those fleeing persecution and violence in Darfur,[84] have sought refuge in Israel.[85] Many Sudanese seek asylum in Israel because

---

Israel, WASH. POST, Aug. 25, 2007, at A10 [hereinafter Knickmeyer, *A Crisis of Conscience*].

75 Knickmeyer, *A Crisis of Conscience*, *supra* note 74, at A10; BBC, *Darfur Q&A*, *supra* note 63. Although the United States has publicly labeled the war in Darfur "genocide," the United Nations has yet to do so. Jim VandeHei, *In Break with U.N., Bush Calls Sudan Killings Genocide*, WASH. POST, June 2, 2005, at A19. If the United Nations accepts that the war in Darfur is genocide then it would be obligated to take action. *U.S. House Calls Darfur Genocide*, BBC NEWS, July 23, 2004, http://news.bbc.co.uk/2/hi/africa/3918765.stm.

76 BBC, *Darfur Q&A*, *supra* note 63.

77 *Id*

78 *Id.*

79 *Id* An estimated 234,000 Darfurians have fled to Chad since the conflict in Darfur began. SUDAN REPORT, *supra* note 53.

80 *Darfur Conflict*, *supra* note 55.

81 *See* Knickmeyer, *A Crisis of Conscience*, *supra* note 74. In 2004, there were 9,720 Sudanese asylum applicants in Egypt and, at the end of 2005, there were 2,400. However, these statistics do not ascertain how many of these Sudanese asylum seekers are from Darfur, as opposed to other regions of Sudan. UNHCR STATISTICAL YEARBOOK COUNTRY DATA SHEETS (2005), http://www.unhcr.org/statistics/STATISTICS/4641bec40.pdf. Since the 1990's, over two million Sudanese have fled to Egypt. Knickmeyer, *Israel to Block Refugees*, *supra* note 11. In this Comment, the term, "asylum seekers" refers to individuals who are outside their country of origin and are seeking refugee status in another country. The term, "refugee" refers to those who have met all of the required criteria under the 1951 Convention's definition of a refugee. *See infra* note 112 and accompanying text.

82 *See infra* sources and text accompanying notes 203–211 for a discussion of Egypt's treatment of Sudanese asylum seekers and refugees.

83 Knickmeyer, *Israel to Block Refugees*, *supra* note 11, at A10.

84 The fact that there has been a large increase of asylum seekers from Darfur entering Israel is important because these asylum seekers meet the criteria for refugee status under the 1951 Convention. For a refugee analysis, see *infra* notes 224–243 and accompanying text. Asylum seekers from southern Sudan, on the other hand, do not necessarily meet these requirements because the conflict involving southern Sudan was settled by a peace agreement in 2005. *See supra* notes 53–54 and accompanying text.

85 Knickmeyer, *Israel to Block Refugees*, *supra* note 11, at A10.

they believe that Israel will provide them with safety, freedom and opportunities.[86] Sudanese asylum seekers travel through Egypt and across the Sinai border into Israel.[87] Generally, this journey is by foot, and the few who manage to raise enough money hire Bedouin guides to help them cross into Israel.[88] This increase of Sudanese asylum seekers in Israel has raised numerous issues of international law that Israel must now confront. In order to adequately resolve these issues, Israel must first determine whether asylum seekers are refugees or merely economic migrants.

There is a widespread perception among Israeli politicians that Sudanese coming from Sudan to Israel, after either residing in Egypt or just passing through,[89] are economic migrants rather than refugees.[90] The assumption is that most Sudanese entering Israel are economic migrants because they first sought asylum in Egypt and then chose to migrate to Israel in search of better job opportunities.[91] Admittedly, some Sudanese have found it incredibly difficult to gain employment in Egypt due to discrimination and thus decided to continue on to Israel.[92]

However, it is insufficient for Israel simply to claim that all Sudanese crossing its border are economic migrants. Israel must ascertain which immigrants are economic migrants as opposed to bona fide refugees because only those classified as refugees are entitled to the protection of the 1951 Convention.[93] An economic migrant is a person who voluntarily leaves his or her country to move elsewhere due *exclusively* to economic motives.[94] Although an economic migrant is not a refugee, these concepts are not mutually exclusive.[95] A person may still meet the criteria for refu-

---

86 *Id.*

87 *Id.*

88 *Id.* "Bedouin smugglers who, like Mexico's *coyotes*, charge hundreds of dollars a head to deliver people across the wasteland of the Sinai desert." Kadesh Barnea, *Heading for the Promised Land*, 384 ECONOMIST, Aug. 25, 2007, at 45.

89 The numbers of Darfurians that have fled Sudan and sought refuge in Egypt for a period of time, and of those who have only crossed through Egypt on their direct route to Israel, are uncertain.

90 As an Israeli government spokesperson stated, "[t]here has been a trickle of refugees over the last few months' but 'almost a flow of illegal economic migrants.'" *Sudanese Asylum Seekers Take Long Bus Ride to Find Bed for Night*, IRIN, July 9, 2007, http://www.irinnews.org/Report.aspx?ReportId=73146.

91 Isabel Kershner, *Israel Returns Illegal Migrants to Egypt*, N.Y. TIMES, Aug. 20, 2007, at A6; GABRIELLE THAL-PRUZAN, THE JACOB BLAUSTEIN INSTITUTE FOR THE ADVANCEMENT OF HUMAN RIGHTS, SUDANESE IN ISRAEL: THE CURRENT SITUATION (2007), http://www.ajc.org/atf/cf/%7B42D75369-D582-4380-8395-D25925B85EAF%7D/JBI_Briefing_Paper_Sudan_in_Israel_2007.pdf.

92 Knickmeyer, *Israel to Block Refugees*, *supra* note 11, at A10.

93 *See generally* 1951 Convention Relating to the Status of Refugees, *supra* note 16, 19 U.S.T. 6259, 189 U.N.T.S. 137.

94 UNHCR, HANDBOOK ON PROCEDURES AND CRITERIA FOR DETERMINING REFUGEE STATUS UNDER THE 1951 CONVENTION AND THE 1967 PROTOCOL RELATING TO THE STATUS OF REFUGEES ¶ 62, at 16 (1992) [hereinafter UNHCR HANDBOOK].

95 *Id.* ¶ 63 at 17. "Behind economic measures affecting a person's livelihood there may be racial, religious, or political aims or intentions directed against a particular group." *Id.* The United States Court of Appeals for the Second Circuit has also recognized that economic motives can be combined with other motives that are protected under the 1951 Convention. This court held that "the conclusion that a cause of persecution is economic does not necessarily imply that there cannot exist other causes of the persecution." Osorio v. Immigration & Naturalization Serv., 18 F.3d 1017, 1028 (2d Cir. 1994).

gee status under the 1951 Convention even if there are some economic considerations that motivated the person to leave his or her country of origin.[96] Therefore, Israel cannot correctly presume that, because an asylum seeker is in search of better economic conditions, he or she should automatically be classified as an economic migrant.[97]

Sudan's long history of internal violence has caused a progressively increasing number of Sudanese refugees to seek asylum in nearby countries.[98] This surge of refugees has opened the door to numerous issues relating to the legal rights of refugees.[99] The massacre occurring in Darfur has added to this problem and has compelled Israel to gradually become more involved. There are important international laws and Israeli laws and policies that substantially affect the treatment and rights of refugees from Darfur while in Israel.[100]

II. APPLICABLE INTERNATIONAL LAW AND ISRAELI LAWS AND POLICIES RELATING TO THE RIGHTS OF REFUGEES

There are both international and domestic laws and policies relating to the treatment and rights of refugees in Israel. The primary international instruments concerning refugees are the 1951 Convention and the 1967 Protocol to the 1951 Convention Relating to the Status of Refugees ("1967 Protocol").[101] In addition, the UNHCR provides the foremost guidance on the interpretation and implementation of the 1951 Convention and 1967 Protocol.[102] Although Israel does not have a comprehensive domestic refugee law, it has adopted various laws and policies that have an effect on refugees in Israel.[103]

A. International Law Relating to the Refugees' Rights

After World War II, twenty-six nations, including Israel, met to devise a comprehensive plan to care for the hundreds of thousands of individuals displaced by the War, largely as a result of the Holocaust.[104] These nations

---

96 UNHCR HANDBOOK, *supra* note 94, ¶ 63, at 17.

97 Furthermore, as the UNHCR has made clear, an individual is a refugee once they meet the criteria set forth in the 1951 Convention, whether or not they have been officially recognized as such. UNHCR HANDBOOK, *supra* note 94, ¶ 28, at 9.

98 Aron Heller, *Israel: No Promised Land for Africans*, ASSOCIATED PRESS, Feb. 26, 2008, *available at* http://www.newsvine.com/_news/2008/02/26/1327228-israel-no-promised-land-for-africans.

99 The conflict in Darfur has led to an increase in individuals seeking asylum in Israel, which has added to the already massive number of Africans seeking refuge in Israel. Knickmeyer, *Israel to Block Refugees*, *supra* note 11, at A10.

100 *See infra* notes 100–170 and accompanying text.

101 1967 Protocol Relating to the Status of Refugees, Jan. 31, 1967, 19 U.S.T. 6223, 606 U.N.T.S. 267. *See infra* notes 104–119 and accompanying text for a discussion of the 1951 Convention and the 1967 Protocol.

102 For a discussion of the UNHCR, see *infra* notes 120–132 and accompanying text.

103 *See infra* notes 133–170 for a discussion of Israel's laws and policies relating to refugees.

104 Marilyn Achiron, *A 'Timeless' Treaty Under Attack*, 2 REFUGEES, 2001 at 6, *available at* http://www.unhcr.org/publ/PUBL/3b5e90ea0.pdf.

adopted the 1951 Convention in hopes of a solution to the massive refugee dilemma caused by World War II.[105] The 1951 Convention is the most comprehensive international instrument setting forth refugees' rights and minimum standards contracting states are obligated to follow.[106] Israel was one of the founding signatories to the 1951 Convention.[107] When originally enacted, the 1951 Convention applied only to individuals who had become refugees as a result of actions occurring before January 1, 1951.[108] However, in response to the conflicts arising after 1951, which created many new refugees, the UN expanded application of the 1951 Convention to all refugees without any date restrictions in the 1967 Protocol.[109] Subsequently, states had the option to ratify the 1967 Protocol to expand the application of the 1951 Convention. Israel was again one of the original signatories to the 1967 Protocol.[110]

1. Relevant Principles of the 1951 Convention and 1967 Protocol

As noted, the 1951 Convention and the 1967 Protocol are the primary international legal instruments defining the term, "refugee" and refugees' rights, as well as, the legal obligations of contracting states.[111] The 1951 Convention and 1967 Protocol define a refugee as:

> [A person who] owing to [a] well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his [or her] nationality and is unable or, owing to such fear, is unwilling to avail himself [or herself] of the protection of that country; or who, not having a nationality and being outside the country of his [or her] former habitual residence as a result of such events, is unable, or owing to such fear, is unwilling to return to it.[112]

Those who qualify as refugees are distinct from asylum seekers and are entitled to protection under the 1951 Convention.[113] "Asylum seekers are people who have moved across international borders in search of pro-

---

105 *Id.*

106 *See generally* 1951 Convention Relating to the Status of Refugees, *supra* note 16, 19 U.S.T. 6259, 189 U.N.T.S. 137.

107 Parties to the Convention and Protocol, *supra* note 17.

108 1951 Convention Relating to the Status of Refugees, *supra* note 16, 19 U.S.T. 6259, 189 U.N.T.S. 137.

109 1967 Protocol Relating to the Status of Refugees, *supra* note 101, 19 U.S.T. 6223, 606 U.N.T.S. 267.

110 Parties to the Convention and Protocol, *supra* note 17.

111 UNHCR Definitions and Obligations, http://www.unhcr.org.au/basicdef.shtml [hereinafter Definitions and Obligations] (last visited Apr. 2, 2008).

112 1951 Convention Relating to the Status of Refugees, *supra* note 16, art. 1, ¶ A(2), 19 U.S.T. at 6261, 189 U.N.T.S, at 152, 1967 Protocol Relating to the Status of Refugees, *supra* note 109, art. 1 ¶ 2, 19 U.S.T. at 6225, 606 U.N.T.S. at 268.

113 1951 Convention Relating to the Status of Refugees, *supra* note 16, 19 U.S.T. 6261, 189 U.N.T.S. at 152. Reference to the 1951 Convention throughout this Comment includes the provisions of the 1967 Protocol as well, because these provisions are essentially the same. The only difference between the 1951 Convention and the 1967 Protocol is that the 1967 Protocol expands the application of the 1951 Convention. 1967 Protocol Relating to the Status of Refugees, *supra* note 109, art. 1 ¶ 2, 19 U.S.T. at 6261, 606 U.N.T.S. at 268.

tection under the 1951 Refugee Convention, but whose claim for refugee status has not yet been determined."[114]

Articles 3, 32, and 33 of the 1951 Convention are the fundamental provisions with which Israel has failed to adequately comply with in its implementation of laws and policies relating to refugees.[115] Article 3's non-discrimination clause requires that the 1951 Convention's provisions be applied "to refugees without discrimination as to race, religion or country of origin."[116] Under Article 32, a refugee cannot be expelled by a contracting state unless it is necessary for national security or public order, in which case the decision to expel must be "reached in accordance with due process of law."[117] Unless compelling national security justifications dictate otherwise, due process requires that a refugee "be allowed to submit evidence to clear himself [or herself], and to appeal to and be represented . . before competent authority . . . "[118] Arguably, the most important provision of the 1951 Convention is Article 33's prohibition of refoulement.[119] This provision states that "[n]o Contracting State shall expel or return *("refouler")* a refugee in any manner whatsoever to territories where his [or her] life or freedom would be threatened on account of his [or her] race, religion, nationality, membership of a particular social group or political opinion."[120]

2. The United Nations High Commissioner for Refugees

The 1951 Convention provides the essential legal framework to which contracting states must adhere but does not prescribe the procedures necessary for implementation of these laws. The UNHCR provides the principal source of guidance for interpreting the 1951 Convention.[121] Therefore, contracting states should look to UN guidelines for guidance on enforcing the provisions of the 1951 Convention.[122] The UNHCR was created by the

---

114 DAVID A. MARTIN ET. AL., FORCED MIGRATION: LAW AND POLICY 9 (2007).

115 For a discussion of Israel's failure to comply with these provisions, see *infra* notes 181–214 and accompanying text.

116 1951 Convention Relating to the Status of Refugees, *supra* note 16, art. 3, 19 U.S.T. at 6264, 189 U.N.T.S. at 156.

117 *Id.* art. 32 ¶ 1, ¶ 2, 19 U.S.T. at 6275–76, 189 U.N.T.S. at 174.

118 *Id.* art. 32 ¶ 2, 19 U.S.T. at 6276, 189 U.N.T.S. at 174.

119 *Id.* art. 33, 19 U.S.T. at 6276, 189 U.N.T.S at 176. In this Comment, the prohibition of refoulement will be referred to as "non-refoulement." Non-refoulement mandates that a refugee cannot be returned or expelled to any place where they may be persecuted. This principle is not limited to prohibition of the return of refugees to their country of origin; it also applies to the expulsion of a refugee to any country where there is a threat of persecution. FORCED MIGRATION, *supra* note 114, at 70. The importance of non-refoulement is illustrated by the 1951 Convention's prohibition of any reservations by contracting states to this provision. UNHCR, *Introductory note* to 1951 Convention and Protocol Relating to the Status of Refugees, at 5–7 (1996), http://www.unhcr.org/cgi-bin/texis/vtx/protect/opendoc.pdf?tbl=PROTECTION&id=3b66c2aa10 [hereinafter UNHCR, *Introductory note* to Convention].

120 1951 Convention Relating to the Status of Refugees, *supra* note 16, art. 33 ¶ 1, 19 U.S.T. at 6276, 189 U.N.T.S. at 176.

121 *See generally* UNHCR HANDBOOK, *supra* note 94.

122 *See generally* 1951 Convention Relating to the Status of Refugees, *supra* note 16, 19 U.S.T. 6259, 189 U.N.T.S. 137.

UN in 1950 to protect refugees and assist them in rebuilding their lives.[123] The UNHCR assists refugees by helping them integrate into the country of first asylum or resettle in a third country.[124] This agency focuses on ensuring that individuals are not returned to a country where they fear persecution.[125] The UNHCR is charged with ensuring compliance with international refugee laws by working with governments to monitor their refugee laws and policies.[126] To perform these functions, the UNHCR created the Procedural Standards for Refugee Status Determination ("RSD Procedures") under the UNHCR Mandate[127] and the UNHCR Handbook on Procedures and Criteria for Determining Refugee Status Under the 1951 Convention and the 1967 Protocol Relating to the Status of Refugees ("UNHCR Handbook").[128]

The UNHCR Handbook explains that a person who meets the criteria of a refugee under the 1951 Convention is, in fact, a refugee, even if refugee status has not yet been recognized.[129] The UNHCR Handbook prescribes that refugee status determinations must be made on a case-by-case basis by ascertaining the relevant facts and then applying the 1951 Convention to these facts.[130] The RSD Procedures establish the essential steps that should be taken when an asylum seeker applies for refugee status with the UNHCR.[131] The RSD Procedures stipulate that those applying for refugee status with the UNHCR have a right to an individual RSD interview.[132] The RSD Procedures also state that "[u]nder no circumstance should a refugee claim be determined in the first instance on the basis of a paper review alone."[133]

B. Israel's Laws and Policies Affecting Refugees and Asylum Seekers

The UNHCR has been working in Israel for the past twenty-five years and is represented by Michael Bavly,[134] a former Israeli diplomat.[135] Pre-

123 UNHCR, HELPING REFUGEES: AN INTRODUCTION TO UNHCR (2005), at 4, http://www.unhcr.org.au/pdfs/Helpingrefugees.pdf [hereinafter HELPING REFUGEES].

124 *Id.* at 7.

125 *Id.*

126 *Id.* Statute of the Office of the United Nations High Commissioner for Refugees, G.A. Res. 428 (V) ¶ 8 (Dec. 14, 1950), *available at* http://www.unhcr.org/protect/PROTECTION/3b66c39e1.pdf.

127 UNHCR, PROCEDURAL STANDARDS FOR REFUGEE STATUS DETERMINATION UNDER THE UNHCR'S MANDATE, http://www.unhcr.org/publ/PUBL/4317223c9.pdf [hereinafter RSD PROCEDURES] (last visited Apr. 2, 2008).

128 UNHCR HANDBOOK, *supra* note 94.

129 *Id.* ¶ 28, at 9.

130 *Id.* ¶ 29, at 9.

131 *See generally* RSD PROCEDURES, *supra* note 128.

132 *Id.* § 4.3.1.

133 *Id.*

134 *Q&A: Growing Caseload of Asylum Seekers for UNHCR Offices in Israel*, UNHCR NEWS STORIES, July 13, 2007, *available at* http://www.unhcr.org/news/NEWS/469797404.html [hereinafter *Q&A*, Bavly]. Note that this source refers to Bavly as Mickey Bavly, whereas other sources refer to him as Michael Bavly. *See infra* notes 174–175.

135 *Q&A*, Bavly, *supra* note 134. The UNHCR in Israel essentially determines whether an asylum applicant is entitled to have their application sent to the Israeli government for additional scrutiny.

viously, the UNHCR in Geneva made the final determination as to whether individuals should be granted refugee status in Israel.[136] However, currently the UNHCR in Israel is only responsible for the initial assessment of refugee claims.[137] The UNHCR in Israel interviews asylum seekers and makes recommendations as to the outcome of these claims to the National Status Granting Body (NSGB).[138] Reportedly, the UNHCR in Israel only recommends that about one percent or less of its total applications be sent to the government for refugee status approval.[139]

Although Israel is a party to the 1951 Convention and permits the UNHCR to operate in Jerusalem, Israel does not have a domestic refugee law for non-Jewish immigrants.[140] Rather than enacting a comprehensive refugee law, the Israeli government establishes informal policies addressing refugee issues as they arise.[141] Despite Israel's failure to enact a comprehensive domestic refugee law, Israel is still bound by the principles of the 1951 Convention.[142] Therefore, even if Israel continues to adopt new regulations to deal with the increasing number of asylum seekers rather than enact an actual law, these regulations must comply with the 1951 Convention.[143]

Although Israel does not have a comprehensive domestic refugee law, Jewish immigrants who enter Israel and choose to remain are granted Israeli citizenship under the Law of Return.[144] This law states that citizenship shall be granted to "every Jew who has expressed his desire to settle in Israel, unless . . . the applicant . . . is engaged in activity directed against the Jewish people; or . . . is likely to endanger public health or the security of the State."[145] As an alternative to adopting a domestic law specifically

---

136 *Id.*

137 *Id.*

138 *Id.* In 2002, Israel officially took over the UNHCR's function of reviewing asylum seekers' claims and cases. *Israel Takes Over Review of Local Asylum Claims from UNHCR*, UNHCR NEWS STORIES, Jan. 25, 2002, *available at* http://www.unhcr.org/news/NEWS/3c5196494.html [hereinafter *Israel Takes Over Review*]. Note that Palestinian asylum seekers' claims are dealt with by the U.N. Relief and Works Agency for Palestine Refugees in the Near East, and the UNHCR, therefore, does not handle any of these cases. *Israel Takes Over Review*, *supra*.

139 Barnea, *supra* note 88, at 45.

140 *Q&A*, Bavly, *supra* note 134.

141 *Id.* According to Bavly, the reason Israel has been apprehensive about adopting a comprehensive refugee law aside from the 1951 Convention is because of the continuous problems that Israel has had with Palestinian refugees. *Id.* In addition to these ad hoc policies, Israel has also applied Israeli laws enacted over fifty years ago to its current immigration problems. *See infra* notes 145–153, 178–183 and accompanying text.

142 UNHCR, *Introductory Note* to 1951 Convention, *supra* note 119, at 5–7; Parties to the Convention and Protocol, *supra* note 17. Bavly explains that when Israel "ha[s] a problem that should have been solved by a law, we try to solve it in another way." *Q&A*, Bavly, *supra* note 134. Other countries, such as the United States and Canada, have adopted their own refugee laws, which codify the provisions of the 1951 Convention. *See infra* notes 246–261, 270–276 and accompanying text for a discussion of Canadian and United States refugee laws and regulations.

143 1951 Convention Relating to the Status of Refugees, *supra* note 16, 19 U.S.T. 6259, 189 U.N.T.S 137.

144 Law of Return, 5710-1950, 4 LSI 114 (1949–50) (Isr.).

145 *Id.*

relating to refugees' rights, Israel has applied the Prevention of Infiltration Law,[146] the Regulations Regarding the Treatment of Asylum Seekers[147] and the current "hot return" policy to non-Jewish refugees.[148] However, these solutions fail to satisfy Israel's obligations under the 1951 Convention.[149]

1. The Prevention of Infiltration Law

Under Israel's Prevention of Infiltration Law (hereinafter "Infiltration Law"), a person who is either a national of an enemy country enumerated in the law or who has passed through one of these countries before entering Israel may legally be detained.[150] The Infiltration Law was enacted in 1954 as an emergency measure providing harsh penalties for infiltrators, since they were considered a serious security threat to Israel at the time.[151] The Infiltration Law authorizes the establishment of tribunals for assessing claims brought under this law, but does not provide for judicial review.[152] There is a one-judge tribunal for first instances and a three judge panel for appeals.[153] Only officers of Israel's defense army may serve as tribunal judges.[154] Anyone who falls within the Infiltration Law who enters Israel illegally is presumed to be an infiltrator and has the burden of rebutting this presumption.[155]

2. The Regulations Regarding the Treatment of Asylum Seekers in Israel: Israel's Insufficient Attempt at a Comprehensive Refugee Policy

Israel has created a set of policies pertaining to the treatment of asylum seekers in an internal, unpublished document known as the Regulations Regarding the Treatment of Asylum seekers in Israel (hereinafter "Regulations Regarding Asylum seekers").[156] The Regulations Regarding Asylum Seekers were created by a government committee in collaboration

---

146 Prevention of Infiltration (Offences and Jurisdiction) Law, 5714-1954, 8 LSI 133 (1953–54) (Isr.)

147 *Infra* note 156 and accompanying text.

148 *Infra* notes 164–170 and accompanying text.

149 *See infra* notes 202–209 and accompanying text for a discussion of why these laws and policies do not comply with Israel's obligations under the 1951 Convention.

150 5714-1954, 8 LSI 133 (Isr.).

151 *Israel-Sudan: Government Reverts to Detention policy for Sudanese Refugees*, IRIN, June 27, 2007, http://www.irinnews.org/PrintReport.aspx?ReportId=72957 [hereinafter *Government Reverts to Detention Policy*] (last visited Jan. 3, 2008).

152 5714-1954, 8 LSI 133 (Isr.); U.S. DEP'T OF ST., COUNTRY REPORTS ON HUMAN RIGHTS PRACTICES-2006, Mar. 6, 2007, *available at* http://www.state.gov/g/drl/rls/hrrpt/2006/78854.htm [hereinafter ISRAEL COUNTRY REPORT, 2006].

153 5714-1954, 8 LSI 133 (Isr.).

154 *Id.*

155 *Id.*

156 ANAT BEN-DOR ET. AL., PUBLIC INTEREST LAW RES. CENTER & PHYSICIANS FOR HUMAN RIGHTS, ISRAEL-A SAFE HAVEN? PROBLEMS IN THE TREATMENT OFFERED BY THE STATE OF ISRAEL TO REFUGEES AND ASYLUM SEEKERS 32 (Dr. Rahel Rimon trans. 2003) (2003) [hereinafter A SAFE HAVEN?]. The authors of this report obtained a copy of the Regulations Regarding Asylum Seekers from Adv Mani Mazoz, the Deputy Attorney General of Israel. *Id.*

with the UNHCR and authorized by the Israeli Minister of the Interior in 2001.[157] Unfortunately, these regulations do not fully comply with the provisions of the 1951 Convention and fail to incorporate an adequate portion of the UNHCR guidelines. These regulations provide that a UNHCR representative shall review applications and have discretion to determine whether further investigation is necessary.[158] Representatives will only interview an applicant if they determine that additional information is necessary.[159] Under the Regulations Regarding Asylum Seekers, applicants who pass this preliminary stage are to be protected from deportation while the status of their application is pending.[160] The UNHCR then sends the applicant's information to the Ministry of the Interior, who ultimately decides whether an applicant is granted refugee status.[161] Therefore, the Regulations Regarding Asylum Seekers directly contradict the RSD Procedures' recommendations that all applicants are entitled to an interview and that refugee status determination shall not be based solely on papers presented.[162] More importantly, the Regulations Regarding Asylum Seekers fail to include the 1951 Convention's prohibition of refoulement.[163]

3. Israel's New "Hot Return" Policy

In July 2007, Israel's Prime Minister, Ehud Olmert, adopted the "hot return" policy with Egyptian President Hosni Mubarak.[164] Under this policy, "asylum seekers [are turned] back at the [Sinai] border without allowing them to consult with the appropriate authorities and apply for refugee status."[165] The Israel Defense Force is ordered to deport anyone who is apprehended for illegally crossing the border back to Egypt within hours.[166] According to an Israeli government spokesperson, David Baker, the "hot return" policy applies to all non-Jewish[167] asylum seekers, including those from Darfur.[168] On August 19, 2007, Israel officially enforced the "hot re-

157 *Id.*

158 *Id* at 33.

159 *Id.*

160 *Id.*

161 *Id.* The current status of the Regulations Regarding Asylum Seekers is uncertain because the only available information located for this Comment regarding these regulations was published in 2003, which may have been written before the NSGB took over Israel's asylum process in 2002. Therefore, there is a possibility that some provisions of the Regulations Regarding Asylum Seekers may have subsequently changed. *Id.* Under these regulations, the Ministry of the Interior has virtually unlimited discretion when determining which applicants shall be granted asylum. Melanie Takefman, *Wanted: An Immigration Policy for Non-Jews*, JERUSALEM POST, Sept. 4, 2007, at 16.

162 RSD PROCEDURES, *supra* note 128, § 4.3.1.

163 A SAFE HAVEN?, *supra* note 156, at 34–35.

164 Mark Weiss, *Activists Protest Deportation of Darfur Refugees: 48 Asylum Seekers Sent Back to Egypt as Olmert Implements New Policy*, JERUSALEM POST, Aug. 20, 2007, at 3.

165 Takefman, *supra* note 161.

166 Weiss, *supra* note 164, at 3.

167 Jewish asylum seekers are protected by the Law of Return. Law of Return, 5710-1950, 4 LSI 114 (1949–50) (Isr.).

168 Weiss, *supra* note 164, at 3. Baker also stated that only those from Darfur already present in Israel will be permitted to remain there while the outcome of their claims are pending. *Id.*; *see also Israel: Halt Summary Expulsion of Sudanese Migrants: Unknown fate awaits Sudanese Fleeing from*

turn" policy when it deported forty-eight African asylum seekers, including some from Darfur, to Egypt.[169] This expulsion sparked international controversy over Israel's new policy and raised concerns about the fate of these asylum seekers and others already present in Israel.[170]

The 1951 Convention and 1967 Protocol are the most extensive international laws defining the legal rights of refugees. These laws set forth the minimum standards required for the treatment of refugees by contracting states.[171] In addition, the UNHCR provides the foremost guidance on how the 1951 Convention's standards shall be applied by contracting states through the implementation of domestic laws.[172] Rather than enacting a comprehensive refugee law, Israel has adopted and applied various laws and policies relating to the treatment of refugees.[173] However, these laws and policies fail to meet Israel's legal obligations under international law.

III. ISRAEL'S RESPONSES TO THE INCREASE OF SUDANESE ASYLUM SEEKERS ARE IN BREACH OF INTERNATIONAL LAW

The number of Africans crossing the border into Israel has significantly increased in recent years.[174] African asylum seekers enter Israel from Egypt through the Sinai border because it is the only land route from Africa to Europe.[175] Of the estimated 2,400 Africans who have entered Israel through the Sinai border recently, approximately 1,700 are from Sudan, including seven hundred from Darfur.[176] Many Sudanese fled their country to Egypt escaping violence and persecution only to discover that they were subjected to severe racial discrimination, police abuse, and death.[177] Because the harsh treatment in Egypt is reminiscent of the suffering experienced in Sudan, many Sudanese refugees and asylum seekers have risked their lives fleeing to Israel in a continued search for safety.[178] Israel's res-

Darfur, HUMAN RIGHTS WATCH, Aug. 24, 2007, http://hrw.org/english/docs/2007/08/22/isrlpa16717_txt.htm. *But see* Sheera Claire Frenkel, *Gov't Eyes Ghana Kenya as Possible Havens for Refugees*, JERUSALEM POST, Oct. 18, 2007, at 1 (reporting that Israel has agreed to grant asylum to five hundred of the Darfur refugees already in Israel).

169 Knickmeyer, *Israel to Block Refugees*, *supra* note 11, at A10.

170 *Id.* Over half the members of the Knesset, the Israeli legislature, signed a petition in early August calling for Israel to refrain from sending asylum seekers back to Egypt. *Id.*

171 *See generally* 1951 Convention Relating to the Status of Refugees, *supra* note 16, 19 U.S.T. 6259, 189 U.N.T.S. 137.

172 UNHCR HANDBOOK, *supra* note 94.

173 *See supra* note 146.

174 Knickmeyer, *A Crisis of Conscience*, *supra* note 74, at A10. According to the head of the U.N. refugee agency in Jerusalem, Michael Bavly, approximately fifty asylum seekers per night have entered Israel through the Sinai border in recent weeks. *Id.*

175 *Id.*

176 Frenkel, *supra* note 168, at 1. The reported estimates of the exact time frame of when these African asylum seekers actually entered Israel varied from recent years to the first six months of 2007. Knickmeyer, *Israel to Block Refugees*, *supra* note 11, at A10 (reporting slightly different statistics).

177 Knickmeyer, *A Crisis of Conscience*, *supra* note 75, at A10; Larry Derfner, *Right of Refuge?*, JERUSALEM POST, May 12, 2006, at 14. *See infra* notes 204–215 and accompanying text and sources for a discussion of the abuse Sudanese refugees have suffered in Egypt.

178 Knickmeyer, *A Crisis of Conscience*, *supra* note 75, at A10.

ponses to this increase of African asylum seekers are in breach of international law.

A. Israel's Imprisonment of Sudanese Asylum Seekers

Israel's recent treatment of non-Jewish asylum seekers, particularly those from Sudan, has been inconsistent.[179] Furthermore, its policies are in breach of international law.[180] By following its domestic policies and laws, Israel has failed to comply with the 1951 Convention. Israel has implemented measures, such as imprisoning asylum seekers and instantly deporting them to Egypt. Neither of these policies meets Israel's obligations under international law. Therefore, these policies are unworkable solutions to Israel's refugee situation.

When Sudanese asylum seekers, including some from Darfur, began seeking refuge in Israel, many were arrested at the border and imprisoned under the Infiltration Law and the Law of Entry.[181] Although Sudan is not listed as an enemy country in the Infiltration Law, Egypt is because of the historically hostile relationship between Egypt and Israel.[182] Therefore, under the Infiltration Law, Sudanese asylum seekers who cross through Egypt into Israel can be detained without judicial review.[183] Israel's Infiltration Law violates Article 3 of the 1951 Convention, which prohibits discrimination against refugees on the basis of country of origin.[184] The Infiltration Law explicitly presumes that an individual, who illegally enters Israel from an enemy state, either by passing through that state or based on citizenship, is an enemy infiltrator.[185] The 1951 Convention requires contracting states to apply its provisions without discrimination,[186] but under

179 *See supra* notes 169–73 and accompanying text (describing the inconsistency in allowing 1700 Sudanese to stay, but deporting another forty-eight for no reason); *infra* note 200 and accompanying text (describing the inconsistency in allowing some Sudanese to stay in Kibbutz while awaiting deportation while others are imprisoned).

180 *See infra* notes 181–213.

181 Derfner, *Right of Refuge*, *supra* note 177, at 14; *see also* Rafael D. Frankel & Dan Izenberg, *State Ordered to Change Policy of Sudanese Refugees*, JERUSALEM POST, May 9, 2006, at 5 (discussing the Israeli High Court of Justice's order for the Israeli government to adopt a new policy regarding the imprisonment of refugees). The Entry into Israel Law gives the Minister of the Interior virtually complete discretion in deciding whether a person entering Israel shall be permitted to do so. Entry Into Israel Law, 5712-1952, 6 LSI 159 (1951–52) (Isr.). If the Minister determines that a person entering Israel is not permitted to do so, this person may be detained and deported. *Id.* Further, the Minister may enact regulations that require certain categories of persons to be disqualified from even seeking a permit of residence or a visa under this law. *Id.* In 2006, prior to a subsequent Israeli Supreme Court decision, approximately 280 Sudanese were detained in Israel either in detention centers or other controlled facilities. ISRAEL COUNTRY REPORT 2006, *supra* note 152.

182 Prevention of Infiltration (Offences and Jurisdiction) Law, 5714-1954, 8 LSI 133 (1953–54) (Isr.).

183 This essentially means that all asylum seekers from Sudan who come to Israel by foot are deemed infiltrators because they must pass through Egypt to reach Israel. Frankel & Izenberg, *supra* note 181, at 5.

184 1951 Convention Relating to the Status of Refugees, *supra* note 16, art. 3, 19 U.S.T. at 6264, 189 U.N.T.S. at 156.

185 5714-1954, 8 LSI 133 (Isr.).

186 1951 Convention Relating to the Status of Refugees, *supra* note 16, art. 3, 19 U.S.T. at 6264,

the Infiltration Law, Israel discriminates against individuals crossing though Egypt into Israel.[187]

The legality of the Infiltration Law is also questionable because it conflicts with the Geneva Convention Relative to the Protection of Civilian Persons in Time of War ("Geneva Convention"),[188] which Israel has signed and ratified.[189] Article 44 of the Geneva Convention states that "the Detaining Power shall not treat as enemy aliens exclusively on the basis of their nationality *de jure* of an enemy State, refugees who do not, in fact, enjoy the protection of any government."[190] To the contrary, the Infiltration Law treats potential refugees as enemy infiltrators based primarily on the fact that they have passed through an enemy state.[191] Since the Infiltration Law does not allow the motive of asylum seekers to be taken into account, it also does not permit officials to consider whether these asylum seekers in fact have no allegiance to the government of an enemy state.[192] The true motive of refugees fleeing their country of origin is to seek protection from another country, since their own country has failed to protect them.[193]

In what can be viewed as an acknowledgment of its own shortcomings, there was partial justice granted for the Sudanese refugees detained under the Infiltration Law in 2006 when the Israeli High Court of Justice[194]

---

189 U.N.T.S. at 156.

187 5714-1954, 8 LSI 133 (Isr.). Furthermore, the legitimacy of the Infiltration Law as applied to refugees and asylum seekers from Darfur is debatable because it was enacted in response to an emergency situation occurring over fifty years ago. This law was enacted to prevent Palestinians from returning to Israel after the 1947-1949 war. *See* Sabri Jiryis, *Domination by the Law*, 11 J. PALESTINIAN STUD. 67, 77–78 (1981). The definition of an infiltrator "obviously . . . applies to any Palestinian who . . . moved however briefly to any area outside that which became Israel." *Id* at 78.

188 Geneva Convention Relative to the Protection of Civilian Persons in Time of War, art. 44, Aug. 12, 1949, 6 U.S.T. 3517, 75 U.N.T.S. 287.

189 Ratification of Geneva Convention Relative to the Protection of Civilian Persons in Time of War, *ratified by Israel* July 6, 1951, 96 U.N.T.S. 326. *See also Israel· Respect of Fourth Geneva Convention Must be Ensured by High Contracting Parties Meeting in Geneva*, AMNESTY INT'L. UK, Dec. 5, 2001, http://www.amnesty.org.uk/news_details.asp?NewsID=13475.

190 Geneva Convention Relative to the Protection of Civilian Persons in Time of War, *supra* note 188, art. 44, 6 U.S.T. at 3546, 75 U.N.T.S. at 316.

191 See *supra* notes 149–154 and accompanying text for further discussion of the Infiltration Law.

192 5714-1954, 8 LSI 133 (Isr.). The Israeli government has argued that the Sudanese pose a potential security threat to Israel because Sudan is a known supporter of terrorism and an enemy of Israel. However, even the Deputy State Attorney, Yochi Gneffin, admitted that he had no evidence that the Sudanese already in Israel have been involved in any terrorist or anti-Israel activities. Derfner, *Right of Refuge*, *supra* note 177, at 14. Asylum seekers from Darfur are escaping the massive brutality at the hands of their government—they do not represent enemy nationals that pose a threat to Israel. They have sought protection in Israel and they enter Israel as asylum seekers, not enemies. Furthermore, even if some Sudanese entering Israel are enemies of Israel, the Israeli government must implement a system for determining whether asylum seekers pose a security risk before automatically presuming that they do. It is unfair for asylum seekers to be deemed enemy infiltrators on the basis of their country of origin alone because when they flee Sudan they are not acting as agents of the Sudanese government. *Refuge from Darfur*, JERUSALEM POST, June 29, 2006, (Comments and Features), at 13.

193 See *infra* notes 230–242 and accompanying text for an explanation of the persecution that Darfurians have suffered.

194 The Supreme Court of Israel sits as the High Court of Justice when it is deciding cases of first impression. These cases primarily involve issues relating to the legality of state officials' actions. The State of Israel, The Judicial Authority, http://elyon1.court.gov.il/eng/rashut/maarechet.html (last visited

ordered the Israeli government to propose a new policy for the treatment of imprisoned refugees.[195] The High Court of Justice held that this new policy "must allow for a form of judicial review on a case-by-case basis" for refugees who are imprisoned.[196] In this case, the High Court of Justice also held that the imprisoned Sudanese could not be denied judicial review, even under the Infiltration Law and rejected the government's proposal that a military advocate perform this review.[197] This decision expanded the holding in *El-Tay'i et al. v. Minister of the Interior*,[198] where the High Court of Justice held that a refugee, even if from an enemy state, cannot be held for unreasonably long periods of time.[199] Although these decisions have been important steps, the actual results have been relatively insignificant. By the end of 2006, eighty Sudanese were being held in Kibbutzim[200] and another two hundred were detained in prisons.[201]

B. Israel's "Hot Return" Policy Violates the Principle of Non-Refoulement

Israel's "hot return" policy violates the 1951 Convention's non-refoulement provision by returning asylum seekers and refugees from Darfur to Egypt.[202] Article 33 prohibits the return of refugees to any place

---

Jan. 3, 2008).

195 Frankel & Izenberg, *supra* note 181, at 5.

196 *Id.*

197 *Id.*

198 HCJ 4702/94 El-Tay v. Minister of Interior [1995] IsrSC 49(3) 843.

199

> [A] person should not be detained for a period which exceeds that which is necessary for the fulfillment of the purpose of this power. . . . And if the expulsion is not carried out within a reasonable time (which should not include years or months), continuance of the detention may be justified only by a risk that the person will escape from expulsion or, if being free, may harm public peace and security.

30 ISRAEL YEARBOOK ON HUMAN RIGHTS 327 (Yoram Dinstein & Dr. Fania Dom eds., 2001) (referring to the holding of the Israeli case, HCJ 4702/94 El-Tay v. Minister of Interior [1994] IsrSC 49(3) 843). This case involved the detainment of Iraqi citizens whose asylum requests were denied and expulsion orders had been issued against them. The detainees argued that if they were returned to Iraq they would be killed and the High Court of Justice held that Israel cannot expel a person to a place where his or her life would be in danger. *Id.* at 325–26. The Court also held that the principle of non-refoulement is not limited to refugees and that it "applies in Israel to any governmental authority which is connected to the expulsion of a person from Israel." *Id.* at 326.

200 A kibbutz is a collective agricultural community in Israel. Jon Fidler, *Kibbutz, What, Why, When, Where*, Focus on Israel, Israel Ministry of Foreign Affairs, Nov. 1, 2002, http://www.mfa.gov.il/MFA/MFAArchive/2000_2009/2002/11/Focus+on+Israel-+Kibbutz.htm. Although these centers are preferable to prisons, the Sudanese detained in kibbutzim are not permitted to go outside the kibbutz alone. *Israel-Sudan: Israeli NGOs Strive to Release Jailed Refugees*, IRIN NEWS, Apr. 4, 2007, http://www.irinnews.org/Report.aspx?ReportId=71175.

201 ISRAEL COUNTRY REPORT 2006, *supra* note 181. Some of the Sudanese detained have been in prison for up to eleven months without any official judicial hearings. Frankel & Izenberg, *supra* note 181, at 5. Once the Israeli detention centers were full, Israeli soldiers began dropping asylum seekers off in the streets, where volunteers would try to help them find shelter. Yocheved Miriam Russo, *The Angel of Beersheba*, JERUSALEM POST, Aug. 31, 2007 (Metro), at 18.

202 1951 Convention Relating to the Status of Refugees, *supra* note 16, art. 33, 19 U.S.T. at 6276, 189 U.N.T.S. at 176. A discussion of Egypt's failure to adhere to its obligations under the 1951 Convention is outside the scope of this Comment. The focus of this Comment is on Israel's obligations to

where their lives or freedom would be threatened.[203] The lives and freedom of asylum seekers and refugees from Darfur are threatened in Egypt based on their race and nationality.[204] Sudanese refugees and asylum seekers, including those from Darfur, have experienced extreme racial discrimination and police abuse in Egypt.[205] On December 30, 2005, at least twenty-seven Sudanese protestors in Egypt died after police used water cannons and batons to clear out a resettlement camp.[206] The protest was in response to the UNHCR's refusal to grant political asylum to any additional Sudanese in Egypt.[207] Furthermore, seven hundred of the Sudanese protestors were detained and threatened with deportation, but were later released.[208] Adding to the danger, there have been several reports of Egyptian border police using lethal force against refugees and asylum seekers from Darfur at the Sinai border.[209]

In addition to persecution in Egypt, there is also a serious threat that Egypt will return those who are deported to Egypt back to Sudan under the "hot return" policy. Prime Minister Olmert has stated that Egypt has agreed not to deport any of the Sudanese returned in August of 2007 back to Sudan.[210] However, an Egyptian government official claimed that Egypt never agreed not to deport any of the returned asylum seekers back to Sudan, nor is there an official written agreement that Egypt will not deport asylum seekers from Darfur back to Sudan.[211] In fact, Egypt has deported at least five of the forty-eight African asylum seekers sent to Egypt under the "hot return" policy on August 19, 2007 back to Sudan.[212] Since Sudan considers Israel an enemy state, under Sudanese law it is a crime punishable by imprisonment for a Sudanese citizen to visit Israel.[213] The fate of

refugees and asylum seekers from Darfur, because these refugees and asylum seekers are actually present in Israel, which fact imposes specific obligations on Israel.

203 *Id.*

204 Derfner, *supra* note 177, at 14.

205 Sudanese face discrimination in Egypt based on their race and nationality and they are frequently harassed and arrested by police. Derfner, *supra* note 177, at 14.

206 U.S. DEP'T OF STATE, COUNTRY REPORT ON HUMAN RIGHTS PRACTICES: EGYPT (2006), http://www.state.gov/g/drl/rls/hrrpt/2006/78851.htm [hereinafter EGYPT COUNTRY REPORT]. There is dispute about how many Sudanese were killed by police and how many were trampled to death during the confrontation. *Egypt: Investigate Police for Sudanese Deaths*, HUMAN RIGHTS WATCH: NEWS, Dec. 30, 2005, http://hrw.org/english/docs/2005/12/30/egypt12353.htm [hereinafter HRW, *Investigate Police for Sudanese Deaths*].

207 Knickmeyer, *Flight from Darfur*, *supra* note 1, at A16.

208 EGYPT COUNTRY REPORT, *supra* note 206.

209 For example, on August 1, 2007, Egyptian border guards fatally shot two Sudanese refugees and then beat two other refugees to death. Egypt's Foreign Ministry has condoned the border guards' use of lethal force on those trying to cross the border into Israel if they fail to stop when asked. Knickmeyer, *Flight From Darfur*, *supra* note 1, at A16.

210 Mark Weiss, *Israel Will Absorb Only the Darfur Refugees Already Here*, JERUSALEM POST, Sept. 24, 2007, at 4.

211 Knickmeyer, *A Crisis of Conscience*, *supra* note 74, at A10. "An Egyptian Foreign Ministry official, . . speaking on condition of anonymity, said Israel had sought no assurances about the future of the refugees." Knickmeyer, *Israel to Block Refugees*, *supra* note 11, at A10.

212 Sheera Claire Frenkel, *Egypt Sent Deported Refugees Back to Sudan, UN Reports*, JERUSALEM POST, Oct. 29, 2007, at 1

213 *Id.*

asylum seekers from Darfur, if returned to Sudan, poses an even greater threat due to the continuing violence in the region. The whereabouts of the other forty-three asylum seekers sent to Egypt are unknown, but there are reports that some have been imprisoned and tortured in Egypt and may soon be deported back to Sudan.[214] Therefore, in addition to directly violating the prohibition of refoulement by deporting potential refugees to Egypt, Israel has also indirectly facilitated refoulement by deporting these asylum seekers and potential refugees to Egypt since Egypt has now deported them back to Sudan.[215]

Israel's recent solutions to its current refugee dilemma are unworkable because they are in breach of international law.[216] These impromptu policies are inadequate because they fail to meet Israel's obligations under the 1951 Convention and the Geneva Convention.[217] Furthermore, these policies do not provide any type of formal process for refugee status determination; rather, they provide virtually no process at all. In order to comply with the standards set forth by international law, which Israel has officially agreed to, Israel must implement a comprehensive refugee law.

IV. ISRAEL MUST ADOPT A COMPREHENSIVE IMMIGRATION POLICY WITH A PRESCRIBED PROCESS FOR DETERMINING REFUGEE STATUS IN COMPLIANCE WITH THE 1951 CONVENTION

To comply with the 1951 Convention, Israel must adopt a national refugee policy with prescribed procedures for adequately processing asylum applicants. Israel's ad hoc policies, such as imprisoning asylum seekers and refugees and the "hot return" policy, do not meet the minimum requirements set forth in the 1951 Convention.[218] This new policy must have a clearly stated process for determining refugee status based on the 1951 Convention's definition of a refugee, to which all asylum applicants shall be entitled.[219] Israel should implement specific procedures for refugee status determination, because qualifying asylum seekers are entitled to the rights set forth in the 1951 Convention.[220] As a party to the 1951 Convention, Israel must ensure that refugees in its territory receive the rights provided by the 1951 Convention. Furthermore, Israel's refugee law must include Article 33 of the 1951 Convention's prohibition of refoulement[221]

---

214 *Id.*

215 There is evidence that Israel was well aware of Egypt's human rights abuses, illustrated by the fact that the Israel lobby in the U.S. "pressured Congress into withholding $200 million in foreign aid to Egypt in part because of its failure to respect human rights." Larry Derfner, *An improper Zionist response*, JERUSALEM POST, July 5, 2007, at 16.

216 *See supra* notes 180–213 and accompanying text.

217 *See supra* notes 182–213 and accompanying text.

218 *See supra* notes 182–213 and accompanying text.

219 As a signatory to the 1951 Convention, Israel may not make any reservations to the 1951 Convention's definition of a refugee. UNHCR, *Introductory note* to 1951 Convention, *supra* note 119.

220 *See generally* 1951 Convention Relating to the Status of Refugees, *supra* note 16, 19 U.S.T. 6259, 189 U.N.T.S. 137.

221 *Id.* art. 33, 19 U.S.T. at 6275, 189 U.N.T.S. at 176.

and Article 32's prohibition of expulsion of refugees, absent a national security or public order necessity.[222] Israel's new law must also provide for due process, including granting refugees permission to submit evidence that they are not a security threat and to appeal, if Article 32's exception applies.[223] In addition to adopting a domestic refugee law with a prescribed process for determining refugee status, Israel must devise a solution for handling refugees to whom it is unable to offer asylum.[224]

A. Asylum Seekers from Darfur are Refugees under the 1951 Convention

Under the 1951 Convention's definition of a refugee,[225] asylum seekers from Darfur qualify as refugees and should thus be recognized as such by Israel. To comply with the 1951 Convention, Israel must adopt and adhere to a sufficient process for determining whether asylum seekers are in fact refugees. This process must include an analysis of whether an asylum seeker meets the requirements under the 1951 Convention's definition of a refugee.[226] This analysis must establish that there is a well-founded fear of persecution based on one or more of the five protected grounds enumerated in the 1951 Convention[227] and, owing to such fear, the person must be unable or unwilling to return to Sudan.[228]

1. Persecution

The 1951 Convention does not define persecution or a well-founded fear of persecution; however, parties to the 1951 Convention have adopted various interpretations of what these concepts mean. For example, the United States Court of Appeals for the Ninth Circuit has defined "persecution" as "the infliction of suffering or harm upon those who differ (in race, religion or political opinion) in a way regarded as offensive."[229] Under this definition, individuals from Darfur have a fear of suffering persecution because there has been a continuous infliction of violence upon black Afri-

---

222 *Id.* art. 32, 19 U.S.T. at 6275–76, 189 U.N.T.S at 174.

223 *Id.*

224 *See infra* notes 264–275 and accompanying text.

225 1951 Convention Relating to the Status of Refugees, *supra* note 16, art. 1 ¶ A(2), 19 U.S.T at 6261, 189 U.N.T.S at 152; 1967 Protocol Relating to the Status of Refugees, *supra* note 109, art. 1 ¶ 2, 19 U.S.T. at 6225, 606 U.N.T.S. at 268.

226 *Id.*

227 The five protected grounds included in the 1951 Convention's definition of a refugee are race, religion, nationality, membership of a particular social group and political opinion. 1951 Convention, *supra* note 16, art. 1 ¶ A(2), 19 U.S.T. at 6261, 189 U.N.T.S. at 152.

228 1951 Convention Relating to the Status of Refugees, *supra* note 16, art. 1 ¶ A(2), 19 U.S.T. at 6261, 189 U.N.T.S. at 152.

229 Ghaly v. INS, 58 F.3d 1425, 1431 (9th Cir. 1995) (citations omitted in original) (the Ninth Circuit interpreting the meaning of "persecution" within the United States' Immigration and Nationality Act). In addition, the Board of Immigration Appeals has held that "the term 'persecution' means the infliction of suffering or harm in order to punish an individual for possessing a particular belief or characteristic the persecutor seeks to overcome." Matter of Acosta, 19 I & N Dec. 211, 234 (1985). Although these cases are not mandatory authority for Israel, they provide a relevant example for how Israel may decide to interpret the term, "persecution"

cans based on their race.[230] The UNHCR Handbook offers another interpretation. It acknowledges that persecution can be implied under Article 33 of the 1951 Convention as a threat to life or freedom on account of one or more of the five protected grounds.[231] The lives and freedom of asylum seekers from Darfur are threatened by remaining in Sudan because black Africans in Darfur are being killed and their villages are being raided.[232]

2. Well-Founded Fear of Persecution

The UNHCR Handbook explains that the well-founded fear requirement has an objective and subjective element.[233] The subjective element refers to the individual's state of mind, and the objective element refers to whether an individual's personal fear is objectively reasonable.[234] Asylum seekers from Darfur have a subjective fear that if they return to Sudan they will be killed, raped, or imprisoned.[235] Moreover, Darfurians' fear of returning to Sudan is well-founded because it is objectively reasonable to fear returning to the ongoing brutality occurring in Darfur.[236] As noted, black African farming tribes have been targeted by the pro-government Janajweed through measures such as village raids, murder, and rape.[237]

3. Asylum Seekers from Darfur have Suffered Persecution on Account of their Race, Membership in a Particular Social Group, and Political Opinion

According to the standards set forth in the UNHCR Handbook and the 1951 Convention, asylum seekers from Darfur have a well-founded fear of suffering persecution in Sudan based on their race, membership in a particular social group, and political opinions.[238] More specifically, black farmers from Darfur's Fur, Massaleit, Zagawa and other similar tribes have been targeted by government-supported Arab militias.[239] These Arab militias are persecuting members of these tribes based on their race.[240] More

---

230 Although this definition is not binding on Israel, it is important to note that, under the Ninth Circuit's definition of persecution, asylum seekers from Darfur have a fear of such persecution.

231 UNHCR HANDBOOK, *supra* note 94, ¶ 51, at 14. The five protected grounds are race, religion, nationality, political opinion or membership of a particular social group. *Id.*

232 *See supra* notes 66–68, 74–75 and accompanying text.

233 UNHCR HANDBOOK, *supra* note 94, ¶ 38, at 11–12. Contracting states interpret the meaning of "well-founded fear" differently. For example, the United States Supreme Court has agreed with the UNHCR Handbook and held that the "well-founded fear" requirement includes a subjective element and rejected a "more likely than not" standard for whether fear is well-founded. INS. v. Cardoza-Fonseca, 480 U.S. 421, 430–31 (1987).

234 UNHCR HANDBOOK, *supra* note 94, ¶ 38, at 11–12.

235 ATROCITIES IN DARFUR, *supra* note 4.

236 There have been numerous reports by reliable sources about the continuous violence in Darfur which adds support to the proposition that Darfur asylum seekers satisfy the well-founded fear element of refugee status. *See, e.g.*, ATROCITIES IN DARFUR, *surpa* note 4; Guerin, *supra* note 73.

237 ATROCITIES IN DARFUR, *supra* note 4.

238 *See supra* notes 55–68 and accompanying text.

239 *See supra* notes 54–68 and accompanying text.

240 ATROCITIES IN DARFUR, *supra* note 4. The U.S. Department of State provides some quotes from Darfur refugees obtained from interviews that illustrate that the basis of this persecution is racially

broadly, it could be argued that members of these tribes are being persecuted on account of their membership in these farming tribes. The UNHCR Handbook explains that "[a] 'particular social group' normally comprises persons of similar background, habits or social status."[241] The members of these farming tribes have similar backgrounds, habits and social status because they are from the Darfur region, they all participate in farming tribes and they are viewed by the Sudanese government as having the same social status.[242]

Furthermore, these tribes are targeted by the Sudanese government based on politically motivated persecution.[243] According to the UNHCR, a refugee applicant who alleges a fear of persecution based on political opinion must establish that he or she has a fear of persecution for holding an opinion critical of the government's policies and actions.[244] Members of these tribes have been openly critical of the Sudanese government for oppressing black Africans in support of Arab Africans in the Darfur region.[245] As a result, these individuals fear persecution on account of their political beliefs.

Finally, many asylum seekers from Darfur are outside of Sudan and are unwilling to avail themselves to Sudan's protection for fear of further persecution.[246] Therefore, most, if not all, asylum seekers from Darfur satisfy the criteria of refugee status under the 1951 Convention. Although these asylum seekers qualify as refugees under the 1951 Convention, Israel has failed to officially recognize them as such. Israel must apply a particu-

---

and ethnically motivated. For instance, a refugee from the Zagawa tribe was told, "[t]his place belongs to Arab tribes. Blacks must leave." Another Zagawa refugee was told, "[s]laves run! Leave the country. You don't belong; why are you not leaving this area for the Arab cattle to graze?" This racial persecution is explicitly shown by the statement, "[w]e have orders to kill all the blacks," which was reportedly stated by either a soldier of the Janjaweed or the Sudanese government's military. *Id.* The UNHCR Handbook explains that racial discrimination will qualify as persecution under the 1951 Convention if "as a result of racial discrimination, a person's human dignity is affected to such an extent as to be incompatible with the most elementary and inalienable human rights . . . ." UNHCR HANDBOOK, *supra* note 94, ¶ 69, at 18.

241 UNHCR HANDBOOK, *supra* note 94, ¶ 77, at 19. Similarly, the U.S. has defined "a particular social group" as "a group of persons all of whom share a common, immutable characteristic." Matter of Acosta, 19 I. & N. Dec. 211, 233 (1985). Although this definition has no binding effect on Israel, under United States law, black Darfurian farmers would qualify as members of a particular social group. Again, examples of United States law serve only as examples and this Comment does not suggest that Israel should simply adopt United States law. Israel must come up with its own standards that comply with the 1951 Convention.

242 *See supra* notes 55–68. The UNHCR Handbook also notes that fear of persecution based on membership in a particular social group often overlaps with fear of persecution based on race. UNHCR HANDBOOK, *supra* note 94, ¶ 77, at 19.

243 *See supra* notes 55–65 and accompanying text.

244 UNHCR HANDBOOK, *supra* note 94, ¶ 80, at 19. The UNHCR Handbook also notes that fear of persecution based on political opinion "presupposes that the applicant holds an opinion not tolerated by the authorities" and that the government knows that the applicant holds these opinions or attributes such opinions to the applicant. UNHCR HANDBOOK, *supra* note 94, ¶ 80, at 19.

245 *See* REUTERS, *supra* note 55.

246 As a Sudanese asylum seeker in Israel stated, "[i]t's not like they will put me in jail if I go back to . . . Sudan[,] they will kill me." Etgar Lefkovits, *Sudanese Refugees Fear Deportation. Evangelical Group Treads Fine Line in Assisting Christian Asylum Seekers*, JERUSALEM POST, Aug. 21, 2007, at 4.

lar process for refugee status determination to these asylum seekers, as well as to other asylum applicants.

B. A Comparative Proposal for Israel's New Refugee Determination Process

Israel is in critical need of an official process for determining whether those crossing its border qualify as refugees under the 1951 Convention. The Regulations Regarding Asylum Seekers are insufficient because they lack the specificity necessary to provide adequate procedural safeguards for refugees and fail to set forth a process for determining refugee status.[247] More importantly, the Regulations Regarding Asylum Seekers are not being properly enforced. Under the "hot return" policy, there is no process at all, because those crossing into Israel are immediately returned without the opportunity to request asylum.[248] Without an official process that reduces the discretion of Israel's UNHCR officials and the Ministry of the Interior, the Regulations Regarding Asylum Seekers provide only informal procedures that do not effectively comply with the 1951 Convention.[249] Each individual who satisfies the requisite elements of a refugee under the 1951 Convention is entitled to its protection in Israel, and Israel needs to recognize this by implementing a new refugee policy.

The United States' asylum procedures under the Immigration and Naturalization regulations provide a helpful example of what Israel's refugee and asylum process should include.[250] The United States has adopted the 1951 Convention's definition of a refugee and places the burden on the applicant to prove that he or she satisfies the criteria of this definition.[251] The procedures for an interview by an asylum officer are the key elements of the United States' asylum process. The Immigration and Naturalization

---

247 *See supra* notes 156–163 and accompanying text.

248 *See supra* notes 164–170 and accompanying text for a discussion of the "hot return" policy.

249 *See supra* notes 156–163 and accompanying text.

250 Canada's process for making a refugee claim is also a beneficial example for Israel. A claimant must make a claim either at a port of entry into Canada or at an immigration office to be considered for refugee protection in Canada. Process for Making a Claim for Refugee Protection, Immigration and Refugee Board of Canada, http://www.irb-cisr.gc.ca/en/references/procedures/processes/rpd/rpdp_e.htm (last visited Apr. 10, 2008). The Canada Border Services Agency or the immigration office will conduct an interview of the claimant and determine whether the claimant qualifies as a refugee under the 1951 Convention or a person in need of protection. *Id.* If the applicant meets either of these requirements, the claim is referred to the Immigration and Refugee Protection Board of Canada (IRB). *Id* The claimant is then entitled to a hearing and has the burden of proving that he or she is eligible for refugee protection and, if the IRB agrees, then the claimant will receive refugee protection and may apply for permanent residency in Canada. *Id.* If the IRB finds that the claimant is not eligible for protection, the claimant may appeal to the Federal Court of Canada for review of the IRB's decision. *Id.*

251 8 C.F.R. § 208.13(b) (2007). The U.S. also expands the definition of a refugee in some circumstances and permits an asylum seeker to qualify as a refugee based on past persecution. 8 C.F.R. § 208.13(b)(1) (2007). Israel does not have an official definition of a refugee; however, since Israel is a signatory to the 1951 Convention, any definition adopted by Israel must, at a minimum, allow those who meet the criteria of the 1951 Convention's definition to qualify as refugees. *Q&A*, Bavly, *supra* note 134.

Act's regulations prescribe that an asylum officer shall conduct a non-adversarial interview of each individual who has completed an asylum application.[252] Every asylum officer is specially trained in international human rights law, refugee laws and principles, and non-adversarial interview techniques.[253] An asylum officer is authorized to grant asylum to applicants who qualify as refugees.[254] If the officer does not grant asylum to the applicant after conducting an interview and the applicant may be legally deported, the officer shall refer the application to an immigration judge for review in removal proceedings.[255]

The United States also grants procedural protections to individuals apprehended while entering the country without proper documentation.[256] These individuals are subject to expedited removal proceedings. If such an individual expresses a well-founded fear of persecution, the following process shall take place:[257] the asylum seeker "shall be referred to an asylum officer for a reasonable fear determination . . . within 10 days."[258] This determination involves a non-adversarial interview and the officer must ensure that the asylum seeker understands the process.[259] After the interview, the officer must write up a summary of the facts stated by the applicant and whether the officer finds that the applicant has established a reasonable fear of persecution.[260] If the officer finds that the applicant has a credible fear of persecution, then the matter should be referred to an immigration judge for review of the request for withholding or deferring removal.[261] If the officer concludes that the applicant has not established a reasonable fear of persecution or torture, then, at the applicant's request, the officer's summary of the facts, decision and basis for the determination shall be submitted to an immigration judge for review.[262]

Through its laws and regulations, the United States has ensured that asylum applicants receive sufficient due process in compliance with its obligations under the 1951 Convention when seeking asylum or requesting that removal orders be withheld or deferred.[263] The United States'

252 8 C.F.R. § 208.9 (b) (2007).
253 8 C.F.R. § 208.1(b) (2007).
254 8 C.F.R. § 208.14(b) (2007).
255 8 C.F.R. 208.14(c)(1) (2007).
256 8 U.S.C. § 1225(b)(a)(A) (2000).
257 *Id.*
258 8 C.F.R. § 208.31(b) (2007).
259 8 C.F.R. § 208.31(c) (2007).
260 *Id.*
261 8 C.F.R. § 208.31(e) (2007).
262 8 C.F.R. 208.31(g).
263 In particular, the United States' procedures meet the 1951 Convention's due process requirements under Article 32. Although Israel is confronted with issues relating to immigration that the United States and Canada are not, such as sharing a border with enemy states, the refugee procedures of the United States and Canada explained in this Comment are intended only as an example and are not meant to serve as a perfect model for Israel's own refugee laws and procedures. Furthermore, this Comment does not suggest that United States and Canadian refugee procedures and laws are without flaws

processes for interviews and judicial review provide a positive example for how Israel should structure its own refugee and asylum status determination process.[264] In addition, Israel's new process must contain a non-refoulement provision to ensure that asylum seekers who meet the qualifications of a refugee, even if not granted asylum in Israel, are not returned or deported to a territory where their freedom or life would be threatened.[265] In order to implement this new process, Israel will need more trained asylum officers to process the large caseload of asylum requests that Israel is currently experiencing. These officers should be stationed at or near the Israel-Egypt border, since this is where the majority of asylum seekers have recently been entering Israel. Currently, Israeli soldiers are the only officers stationed at the border, and this is not a workable system because they are not trained to process asylum claims.[266]

C. Possible Alternatives for Israel's Management of the Overwhelming Increase of Asylum Seekers

Prime Minister Olmert's primary goal at this time should be implementing a process for determining refugee status that Israeli officials must abide by and which complies with the 1951 Convention. However, after this process is implemented, Israel will still be unable to absorb all of those who are seeking asylum within its territory. Therefore, Israel should also adopt a procedure for handling those who qualify as refugees but for whom Israel lacks the resources to grant asylum. After all, the state of Israel was created in part as a refuge for survivors of the Holocaust and as such it should make a significant contribution to providing protection for those escaping what has been labeled genocide in Darfur.[267]

1. A Memorandum of Understanding with Egypt to Ensure Protection of Refugees Deported from Israel to Egypt

Based on Egypt's record of brutal abuse and discrimination against asylum seekers and refugees, Egypt is not the ideal host for Israel to send refugees to whom it cannot provide asylum.[268] However, if Israel chooses to continue this practice, at a minimum Israel should adopt a memorandum of understanding with Egypt.[269] This memorandum of understanding

264 Although the United States' asylum procedures provide a beneficial structural example for Israel, Israel is ultimately responsible for implementing procedures that it feels are appropriate. However, Israel must adhere to its obligations under international law when implementing such measures.

265 1951 Convention Relating to the Status of Refugees, *supra* note 16, art. 33, 19 U.S.T. at 6276, 189 U.N.T.S. at 176.

266 *See Government Reverts to Detention*, *supra* note 151. The Israeli Defense Force patrols the Israeli border and arrests Sudanese asylum seekers and refugees when they cross the border, but, since this apprehension is an immigration matter and not a security issue, the Israeli Defense Force does not have the authority to assess these asylum seekers' claims. *Id.* Another option is to require Israeli border soldiers to take asylum seekers to asylum officials for determination of their status.

267 *See supra* note 75 and accompanying text.

268 *See supra* notes 204–209 and accompanying text.

269 It is questionable whether Egypt would actually agree to a memorandum of understanding with

should ensure that any refugees sent to Egypt will be safe and that Egypt will not deport any refugees back to Sudan or any other country where their lives or freedom are threatened. Before sending any refugees to Egypt, Israel must first determine whether they are in fact refugees or whether they are economic migrants.[270] Since Egypt is a signatory to the 1951 Convention,[271] Israel should receive a formal declaration that Egypt will provide all refugees deported from Israel to Egypt with the rights guaranteed by the 1951 Convention. In addition, this memorandum should require that the Egyptian government take appropriate actions against Egyptian officials who have used deadly force against asylum seekers and refugees and request assurance that this violence and discrimination will be prohibited.

The memorandum of understanding regarding asylum seekers between the United States and Canada may serve as an example for such an agreement between Egypt and Israel.[272] Under the Safe Third Country Agreement between Canada and the United States, asylum seekers must make a refugee claim in the first of these two countries in which they arrive.[273] This agreement demonstrates an effort to better manage refugee claims of those seeking asylum in either country and only applies to asylum seekers entering either the United States or Canada through land borders.[274] The Safe Third Country Agreement does not address all of the issues that Israel and Egypt must confront, but it does provide the structural framework of a bilateral refugee protection agreement that provides a check on abuses of each country's refugee protection procedures.[275]

2. Agreements with Third Countries to Provide Asylum to Refugees to whom Israel Cannot

Another strategy for how Israel may manage the influx of asylum seekers is to negotiate safe third country agreements with countries other than Egypt. These agreements would be similar to the proposed memorandum of understanding with Egypt. Israel should receive formal assurance from these third countries that any refugees sent from Israel will be safe

---

Israel considering their past hostile relationship. However, in recent years, Israel and Egypt have made strides at peace, such as creating an important trade agreement between the U.S., Egypt, and Israel. Neil MacFarquhar, *Melting Icy Egypt—Israel Relations Through a Trade Pact*, N.Y. TIMES, Dec. 16, 2004, at A3.

270 For a discussion on the differences between refugees and economic migrants, see *supra* notes 94–95.

271 Parties to the Convention and Protocol, *supra* note 17.

272 *See* CRS REPORT FOR CONGRESS, CANADA–U.S. RELATIONS, May 15, 2007, at 31-32, *available at* http://www.fas.org/sgp/crs/row/96-397.pdf (providing a summary of the provisions of the Canada-U.S Safe Third Country Agreement).

273 Canada-U.S. Safe Third Country Agreement, Canada Border Services Agency, http://www.cbsa-asfc.gc.ca/agency-agence/stca-etps-eng.html (last visited Mar. 25, 2008).

274 *Id*

275 *But see Canadian Counsel for Refugees v Canada*, [2007] F.C.J. No. 1683 (Fed. C.C. 2007) (holding that the United States is not a safe third country because it has failed to comply with the non-refoulement provisions of the 1951 Convention and the Convention Against Torture).

and that the rights granted by 1951 Convention will be applied to all refugees. Israel must carefully determine which countries will be safe for refugees. Canada's Immigration and Refugee Protection Act provides important factors to consider when deciding whether a third country is safe for refugees.[276] These factors include whether the country is a signatory to the 1951 Convention and the Convention Against Torture, the prescribed policies and procedures for implementation of these conventions, the process applied for determining refugee status, and the country's human rights record.[277] These considerations are essential because, when sending refugees to a third country, Israel must ensure that it is not violating international law.[278]

Israel is currently considering Ghana and Kenya as possible host countries for some of the refugees already present in Israel, but no agreements have been formalized.[279] Since Israel has officially agreed only to grant asylum to five hundred[280] of those from Darfur already present in Israel, there are at least 1,200 other Sudanese asylum seekers in Israel that it will not absorb.[281] Although it is important to consider sending asylum seekers and refugees to third countries if Israel is not willing to grant them asylum, the small number of refugees that Israel has agreed to grant asylum is insufficient.[282] As a country of seven million, Israel should reflect on its own history and consider granting asylum to at least a few thousand refugees from Sudan's Darfur region.[283] To properly handle the issues arising from the increasing number of individuals seeking asylum in Israel, Israel should adopt a comprehensive refugee law and implement a workable solution for the refugees to whom it cannot provide asylum.

CONCLUSION

The genocide occurring in Darfur has created complicated issues regarding the status and treatment of asylum seekers who have fled this war-torn region to Israel in search of protection. Israel's current solutions to this problem are unworkable because they do not satisfy Israel's obligations under international law. In order to adequately resolve these issues, Israel should adopt a comprehensive domestic refugee law that provides a

---

276 Immigration and Refugee Protection Act, 2001 S.C., ch. 27, s. 102(2) (Can.).

277 *Id.* Another factor considered is whether the country "is party to an agreement with the Government of Canada for the purpose of sharing responsibility with respect to claims for refugee protection." *Id.*

278 Primarily, Israel must ensure that it is not violating the principle of non-refoulement.

279 Frenkel, *supra* note 168.

280 *Id.* More recent reports state that Israel actually granted temporary residency status to six hundred refugees from Darfur. Heller, *supra* note 98.

281 Frenkel, *supra* note 168.

282 Evelyn Gordon, *Why a 'Genuine Refugees Only' Policy Makes Sense*, JERUSALEM POST, Aug. 22, 2007, at 15.

283 I do not think that this is an unreasonable number, especially considering that Israel has recently given work permits to about two thousand individuals from Eritrea, which allows them to remain in Israel if their lives would be in danger if deported back to Eritrea. Heller, *supra* note 98.

specified process for refugee status determination in compliance with international law. Individuals from Darfur seeking asylum in Israel are uniquely important because they qualify as refugees under the 1951 Convention and are, therefore, entitled to its protection. Even if Israel is unable to grant asylum to all refugees from Darfur seeking asylum in Israel, Israel is obligated to ensure their safety once they have entered Israel and have met the criteria for refugee status. While there are many others aside from those from Darfur seeking asylum in Israel, their situation serves as a prime example for why Israel is in desperate need of a comprehensive refugee law.[284] As a nation partly formed as a safe haven for survivors of the Holocaust, Israel should make a considerable effort to absorb at least a thousand, if not more, refugees who have fled the brutal violence occurring in Darfur.[285]

284 *See* Larry Derfner, *Mass Movement*, JERUSALEM POST, Feb. 22, 2008, at 14 (explaining that, in addition to asylum seekers from Sudan, many additional asylum seekers from Eritrea, Ivory Coast, and the Congo have also recently sought refuge in Israel).

285 Derfner, *supra* note 177. As reported on February 27, 2008, a three-week deadline has been set for the Internal Security Ministry, Defense Ministry, and the Interior Ministry of Israel to devise a strategy for dealing with the thousands of refugees and potential refugees currently in Israel. After three weeks, these ministries and the Prime Minister are scheduled to convene and decide on a final plan. However, the head of the Interior Ministry's Population Administration, Ya'acov Ganot, has stated that most of these refugees and potential refugees will be deported. Sheera Claire Frenkel, *Authorities given 3 weeks to decide on refugee policy. 'How can you say that one group suffers less than the rest?'*, JERUSALEM POST, Feb. 27, 2008, at 5.

Knowledge is Power: Consumer Education and the Subprime Mortgage Market

Allison De Tal[*]

INTRODUCTION 634

I. AS TIME HAS PASSED, THE LEGITIMATE SUBPRIME MARKET HAS TAKEN ON CHARACTERISTICS OF THE PREDATORY MARKET, BLURRING THE DISTINCTION BETWEEN THE TWO 638

A. The Boom in Subprime Lending Led to the Birth of the Predatory Market 639

B. Characteristics of the Predatory Market Adopted by the Subprime Market 640

1. Lending without Considering Borrowers' Ability to Repay Will Likely Lead to Foreclosure 641

2. Financing Excessive Points and Fees Disguises the Cost of the Loan 642

3. Loan Flipping Strips Equity from the Borrower's Home 643

4. Hidden Prepayment Penalties Make it More Expensive for a Borrower to Refinance 644

5. Balloon Payments can be Used as Leverage to Deplete Borrowers' Equity 644

6. Negative Amortization Strips Equity Before it is Built 645

C. These Terms are the Most Abusive When Borrowers are "Steered" into Accepting Them 645

D. Lack of Borrower Knowledge Further Blurs the Distinction Between Predatory and Subprime Loans 646

II. CURRENT FEDERAL LEGISLATION HAS NOT BEEN ENOUGH TO PROTECT BORROWERS 647

A. The Truth in Lending Act 647

B. Home Ownership Equity Protection Act of 1994 648

---

[*] J.D. Candidate 2009, Chapman University School of Law. I would like to thank Ashley Pritchett and Aaron Vaughan for their careful editing and encouragement throughout the writing process.

III. SOME STATES HAVE ENACTED THEIR OWN LAWS THAT REQUIRE CONSUMER EDUCATION IN ORDER TO COMBAT PREDATORY LENDING PRACTICES 649
- A. North Carolina was the First State to Recognize the Power of an Informed Consumer 650
- B. New Jersey Included a Consumer Education Requirement in the Home Ownership Security Act of 2002 651
- C. Illinois Enacted Legislation that Requires Mandatory Counseling for Certain Loans 652
- D. These Laws Strive to Give Borrowers the Knowledge Necessary to Avoid Abusive Loan Terms 654

IV. THE FEDERAL GOVERNMENT SHOULD ENACT FEDERAL LEGISLATION REQUIRING CONSUMER EDUCATION WHEN A MORTGAGE CONTAINS CERTAIN TERMS 655
- A. Federal Legislation Should Establish a Baseline for the Consumer Education Requirement 657
- B. Though Consumer Education has not been Successful in Bankruptcy, it can Succeed in Protecting Borrowers 658
- C. Precluding Lenders from Securitizing Loans where Borrowers did not Participate in the Required Consumer Education will Promote Compliance 661

CONCLUSION 663

INTRODUCTION

Mr. Donald Wagner, a professor at North Park University in Chicago, refinanced his fixed rate mortgage in March of 2005 to assist his daughter with her college tuition.[1] Mr. Wagner's broker did not inform him that his interest rate would rise dramatically only one month after refinancing.[2] As a result of his pay option adjustable rate mortgage,[3] the principal of his loan has increased by $15,000 over the last two and a half years.[4] Mr. Wagner has been forced to borrow against his pension and 401(k) in order to make payments, and, to make matters worse, last summer he discovered that his loan includes a $12,000 prepayment penalty.[5] He now spends over sixty percent of his income on his mortgage payment, and states, "[I]t's only

1 Gretchen Morgenson, *Countrywide Subpoenaed by Illinois*, N.Y. TIMES, Dec. 13, 2007, at C1.

2 *Id.*

3 "These loans allow borrowers to pay only a fraction of the interest owed and none of the principal, resulting in a growing rather than a shrinking mortgage balance." *Id.* For further discussion of negative amortization see *infra* Part I.B.6.

4 Morgenson, *supra* note 1

5 *Id.* For further discussion of prepayment penalties, see *infra* Part I.B.4.

[for] so long that I can do that."[6] Unfortunately, Mr. Wagner's story is not unique.[7]

Homeownership has long been the foundation of the American Dream,[8] but in recent years this dream has been cut short for many Americans.[9] In 2006 there were over 1.2 million residential foreclosures across the United States.[10] That is more than one foreclosure per *minute*.[11] This was a dramatic rise from the number of foreclosures in 2005, and numbers did not slow in 2007.[12] In November of 2007 alone there were a total of 201,950 foreclosure filings, the equivalent of one foreclosure for every 617 households across the country, a sixty-eight percent increase from number of foreclosures in November of 2006.[13] An overwhelming number of these foreclosures are attributable to subprime mortgages.[14]

It is estimated that "[a]t least one out of five subprime loans will end in foreclosure—representing the highest rate of U.S. foreclosures since the Great Depression."[15] These statistics prove that action needs to be taken in

---

6 Morgenson, *supra* note 1.

7 "Countrywide, the nation's largest mortgage lender and loan servicer, is coming under increased scrutiny as the home loan crisis deeps." *Id.* The Illinois Attorney General recently subpoenaed Countrywide documents "as part of the state's expanding inquiry into dubious lending practices that have trapped borrowers in high-cost mortgages they can no longer afford." *Id.*

8 "Owning a home has always been at the center of the American Dream." George W. Bush, President of the United States, President Bush Discusses Homeownership Financing, Address at the Rose Garden, (Aug. 31, 2007), *available at* http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=2007_presidential_documents&docid=pd03se07_txt-23.pdf.

9 *See* Debra Pogrund Stark, *Unmasking the Predatory Loan in Sheep's Clothing: A Legislative Proposal*, 21 HARV. BLACKLETTER L.J. 129, 133 (2005).

10 ASS'N OF CMTY. ORGS. FOR REFORM NOW, HOME INSECURITY. FORECLOSURES IN MIAMI-DADE COUNTY NEIGHBORHOODS 2 (2007), *available at* http://acorn.org/fileadmin/Reports/FL_Miami_Dade_County.pdf.

11 *Id.*

12 RealtyTrac, the publisher of the largest database of pre-foreclosure and foreclosures properties, reports that in 2006, there were 1,259,118 residential foreclosures in the United States. This is "up 42 percent from 2005 and [is at] a foreclosure rate of one foreclosure filing for every 92 U.S. households." Press Release, RealtyTrac.com, More Than 1.2 Million Foreclosure Filings Reported in 2006, (Jan. 25, 2006), http://www.realtytrac.com/ContentManagement/pressrelease.aspx?ChannelID=9&ItemID=1855&accnt=64847; *see also* John W. Schoen, *Spike in Foreclosures: Sen. Schumer Urges Federal Bailout Worth 'Hundreds of Millions' of Dollars*, MSNBC, Apr. 12, 2007, http://www.msnbc.msn.com/id/18059004/.

13 Press Release, Realtytrac.com, Foreclosure Activity Decreases 10 Percent in November (Dec. 19, 2007), http://www.realtytrac.com/ContentManagement/pressrelease.aspx?ChannelID=9&ItemID=3797.

14 A study published by the Center for Responsible Lending in December 2006, found that "one out of five (19 percent) subprime mortgages originated during the past two years [2005 and 2006] will end in foreclosure." ELLEN SCHLOEMER ET AL., LOSING GROUND: FORECLOSURES IN THE SUBPRIME MARKET AND THEIR COST TO HOMEOWNERS 3 (2006), *available at* http://www.responsiblelending.org/pdfs/foreclosure-paper-report-2-17.pdf.

15 Center for Responsible Lending, Subprime Mortgage Meltdown, http://www.responsiblelending.org/issues/mortgage/subprime-mortgage-crisis.html (last visited April 5, 2008). The subprime mortgage crisis has become so dire that, on January 10, 2008, Ben Bernanke, the Chairman of the Federal Reserve, "signaled the bank's willingness to lower interest rates to prevent housing and credit problems from causing a U.S. recession." Lorrie Grant, *Fed 'Stands Ready' to Avoid Economic Recession*, NPR.org, Jan. 10, 2008, http://www.npr.org/templates/story/story.php?storyId=17993667. Currently, the Federal Reserve reports that "[a]bout 21 percent of subprime adjustable rate mortgages are 90 days or more delinquent, and foreclosure rates are rising sharply . . . ." *Id.* As a result, "[s]ome 2 million

order to cure the current foreclosure epidemic, and that steps must be taken in order to prevent history from repeating itself in the future. Educating the public in order to reform the subprime mortgage industry is not an entirely new concept,[16] but given the amount of foreclosures that took place in 2006 and 2007, and those looming on the not so distant horizon, it is time that this idea is revisited.[17]

Foreclosures directly impact the lives of the families' whose homes are being foreclosed,[18] and cause these families severe emotional and financial trauma.[19] "For most homeowners, equity in a home represents a significant bulk of the resources accumulated over a lifetime."[20] The damaging effects of foreclosures are also experienced by the community as a whole.[21] Increased foreclosures can transform a once thriving community into an abandoned area.[22] If there is a concentration of foreclosures in a single community the result is "a decrease in overall property values, an increase in crime, and a corresponding need for greater law enforcement and other government services."[23] Due to these negative consequences asso-

---

homeowners are due to have their adjustable rate mortgages, or ARMs, reset over the next year and risk losing their homes." *Id.*

16 *See* Stark, *supra* note 9, at 130.

17 On September 18, 2007, RealtyTrac reported that, in August 2007, there were 239,851 foreclosure filings. This number is 37 percent higher than July of 2007, and 112 percent higher than August of 2006. "This is the highest number of foreclosure filings in a single month that RealtyTrac has reported since it began issuing the monthly report in January of 2005." Press Release, RealtyTrac.com, Foreclosure Activity Increases 37 Percent in August (Sept. 8, 2007). http://www.realtytrac.com/ContentManagement/pressrelease.aspx?ChannelID=9&ItemID=3222&accnt=64847. James J. Saccacio, RealtyTrac's CEO commented, "The jump in foreclosure filings this month might be the beginning of the next wave of increased foreclosure activity, as a large number of subprime adjustable rate loans are beginning to reset now." *Id.*

18 "[A] predatory loan that results in a foreclosure can be a devastating event in the life of an individual subprime borrower." Siddhartha Venkatesan, *Abrogating the Holder in Due Course Doctrine in Subprime Mortgage Transactions to More Effectively Police Predatory Lending*, 7 N.Y.U. J. LEGIS. & PUB. POL'Y 177, 208 (2003).

19 Baher Azmy & David Reiss, *Modeling a Response to Predatory Lending: The New Jersey Home Ownership Security Act of 2002*, 35 RUTGERS L.J. 645, 663 (2004); Kurt Eggert, *Held up in Due Course: Predatory Lending, Securitization, and the Holder in Due Course Doctrine*, 35 CREIGHTON L. REV. 503, 581 (2002).

20 Venkatesan, *supra* note 18, at 208. "[H]omes represent Americans' largest financial asset . . . ." Nathalie Martin & Ocean Tama y Sweet, *Mind Games: Rethinking BAPCPA's Debtor Education Provisions*, 31 S. Ill. U. L.J. 517, 521 (2007).

21 Venkatesan, *supra* note 18, at 208; Eggert, *supra* note 19, at 582; Azmy & Reiss, *supra* note 19, at 663. "Whole communities have been adversely affected by the phenomenon of predatory lending because aggressive mortgage brokers target specific neighborhoods within which to market these high-cost home loans, and the subsequent foreclosures in these areas have led to rows of boarded up homes being inhabited by gangs and drug dealers." Stark, *supra* note 9, at 130.

22 *See* Azmy & Reiss, *supra* note 19, at 663.

23 *Id.* "Neighborhoods become vulnerable . . . . Abandoned homes become targets for drug dealers and arson. . . . The need for police and fire services rises in relation to neighborhood decline, further burdening city resources. The increased costs for city services directly affects the proprietary interests of cities." Kathleen C. Engel, *Do Cities Have Standing? Redressing the Externalities of Predatory Lending*, 38 CONN. L. REV. 355, 375–76 (2006). In August of 2007, over 18,000 jobs in the mortgage industry were cut due to the meltdown in the subprime sector. David Ellis, *Job Cuts from Subprime: 18,000 and Counting*, CNNMONEY, Aug. 23, 2007, http://money.cnn.com/2007/08/22/news/economy/subprime_layoffs/index.htm. Some economists predict that additional job losses will be seen in housing-related industries. Home Depot "blamed the housing-market softness and turmoil in the

ciated with foreclosures, and the recent increase in the sheer number of foreclosures taking place, there is a dire need for the federal government to enact legislation that will give consumers the ability to protect themselves from the types of home loans that most often lead to foreclosure.[24]

The federal government should enact legislation requiring borrowers to participate in a consumer education program before borrowers can commit to loans containing adjustable interest rates,[25] prepayment penalties,[26] balloon payments,[27] that does or has the potential to negatively amortize,[28] or where points and fees will be financed along with the principal.[29] These terms, once mainly attributed to predatory loans, are now prevalent in many of today's subprime loans.[30] It has been argued that "[p]redatory lending is made possible by inadequate information, or, in technical jargon, asymmetric information held by lenders and borrowers . . . . Predatory lending would not exist, or would be relatively rare, if prospective borrowers understood the true nature of their loan contracts."[31] Logically, it seems to follow that the use of loan terms typically associated with predatory lending are also present in subprime loans due to unequal knowledge possessed by borrowers and lenders.[32] Providing borrowers with this education would give them the tools needed to correctly assess risks associated with these terms and allow them to make informed decisions. Furthermore, pre-purchase mortgage counseling has been shown to reduce the number of delinquent mortgage payments.[33]

Part I of this Comment explores prime, subprime and predatory loans, lays out why securitization has played a large role in the recent dramatic increase in subprime loans, and discusses blurring of the distinction between legitimate subprime and predatory loans. Part II continues with an

---

subprime market for its drop in second-quarter profits." *Id.* General Motors also cites a weakened housing market for the reduced demand for their "full-size pickup trucks and SUVs." *Id.* As a result, General Motors has cut back on overtime available for its plant employees. *Id.* "Problems could spread to other retail segments, warns John Silvia, chief economist with Wachovia. Consumers faced with high interest rate mortgages are likely to cut back on spending. Without customers, retailers could be forced to trim their headcount." *Id.*

24 Though there is a need for the federal government to address foreclosures currently taking place, the purpose of this Comment is how to prevent this type of foreclosure epidemic from taking place again in the future.

25 An adjustable rate mortgage, or ARM, is a mortgage where the interest rate will change periodically over the life of the loan. HUD.gov, Adjustable Rate Mortgage (ARM): What is an ARM?, http://www.hud.gov/offices/hsg/sfh/ins/203armt.cfm (last visited April 5, 2008). *See infra* Part I.B.1.

26 *See infra* Part I.B.4.

27 *See infra* Part I.B.5.

28 *See infra* Part I.B.6.

29 *See infra* Part I.B.2.

30 *See infra* Part I.

31 Governor Edward M. Gramlich, Remarks at the Fair Housing Council of New York, Syracuse, New York (Apr. 14, 2000), *available at* http://www.federalreserve.gov/BOARDDOCS/Speeches/2000/200004142.htm.

32 *See infra* note 106 and accompanying text.

33 ABDIGHANI HIRAD & PETER M. ZORN, A LITTLE KNOWLEDGE IS A GOOD THING: EMPIRICAL EVIDENCE OF THE EFFECTIVENESS OF PRE-PURCHASE HOMEOWNERSHIP COUNSELING (2001), *available at* http://freddiemac.com/corporate/reports/pdf/homebuyers_study.pdf.

assessment of the current federal legislation in place to help protect borrowers from predatory lending practices. Next, Part III surveys North Carolina, New Jersey and Illinois' predatory lending laws, all of which require consumer education for certain loans, and considers the success of these laws. This Comment then moves to propose a consumer education requirement when specific terms are included in a mortgage and discusses how to implement this requirement in Part IV, recommending that lenders be required to show proof that a borrower has completed the mandatory consumer education before the lender is allowed to securitize the borrower's loan. This Comment concludes with the story of Mr. Alvaro Cortez, a man who benefited from Illinois' consumer education requirement, and proves that consumer education can help in the fight against abusive loan terms which lead to foreclosure.

I. AS TIME HAS PASSED, THE LEGITIMATE SUBPRIME MARKET HAS TAKEN ON CHARACTERISTICS OF THE PREDATORY MARKET, BLURRING THE DISTINCTION BETWEEN THE TWO

Not long ago, there were "three markets for home mortgages: a prime market, a legitimate subprime market, and a predatory market."[34] The prime market[35] is, and always has been, for borrowers who have good credit histories and present relatively low risks of defaulting on their loans.[36] The legitimate subprime market made credit available for people who generally had lower credit scores[37] or for other reasons could not qualify for a prime mortgage.[38] Since these borrowers had less than perfect credit, lend-

---

34 Kathleen C. Engel & Patricia A. McCoy, *A Tale of Three Markets. The Law and Economics of Predatory Lending*, 80 TEX. L. REV. 1255, 1258 (2002).

35 "'Prime' loans are those made to 'low-risk borrowers with strong credit histories.'" David J. Weiner, Comment, *Assignee Liability in State Predatory Lending Laws: How Uncapped Punitive Damages Threaten The Secondary Mortgage Market*, 55 EMORY L.J. 535, 538 (2006) (quoting Engel & McCoy, *supra* note 34, at 1258). Because prime loans are made to borrowers with good credit histories, mortgage lenders actually compete to offer the best rates and terms to borrowers. *Id.* "This competition has resulted in constantly evolving, innovative loan products as well as sophisticated, automated underwriting processes. These advances . . . have led to the widespread availability of funds for prime borrowers." *Id.* at 538–39.

36 Engel & McCoy, *supra* note 34, at 1258.

37 Credit scores are how most lenders assess the risk of a particular loan. Most lenders look at a borrower's FICO score, a credit score developed by Fair Issac Corporation. Each borrower actually has three FICO scores, one for each of the three credit bureaus—Experian, TransUnion and Equifax. A borrower's FICO score is based on the following factors, and their relative weight to the overall score is indicated in parentheses: payment history (35%), amounts owed (30%), length of credit history (15%), new credit (10%), and types of credit used (10%). FICO scores affect the amounts that lenders are willing to lend and on what terms they are willing to do so. MyFICO.com, http://www.myfico.com/CreditEducation (last visited Mar 22, 2008).

38 Engel & McCoy, *supra* note 34, at 1258; *see also* Azmy & Reiss, *supra* note 19, at 650–51 ("A subprime loan is typically intended to extend credit to a borrower who, for reasons such as a poor credit record, high debt-to-income ratio, or unstable employment history, cannot qualify for a conventional or prime mortgage loan."). The legitimate subprime mortgage market "provides a source of funds for credit-impaired borrowers and other borrowers that are unable to obtain credit in the prime market." DEPTS. OF TREASURY & HOUSING AND URBAN DEV., CURBING PREDATORY HOME MORTGAGE LENDING 27 (2000), http://www.huduser.org/publications/hsgfin/curbing.html [hereinafter CURBING]. The subprime market also extends credit to "creditworthy borrowers with variable or hard-to-document

ers believed that they were more likely to default on their loans.[39] In order to compensate for this increased risk, subprime lenders have traditionally charged higher interest rates.[40] The predatory mortgage market has been described as a subset that grew out of the subprime mortgage market. Though most predatory lending takes place within the subprime market,[41] predatory loans are distinct from legitimate subprime loans.[42] Predatory lenders target borrowers "who, because of historical credit rationing, discrimination, and other social and economic forces, are disconnected from the credit market."[43] Predatory loans typically exhibit two or more of the following qualities: (1) terms that can result in great harm to borrowers,[44] (2) excessive points and fees,[45] (3) fraudulent or deceptive lending practices,[46] (4) lack of transparency,[47] and (5) borrowers' waiver of "meaningful legal redress."[48] The subprime mortgage market has rapidly grown in recent years and now many subprime loans exhibit the qualities that were once mainly associated with predatory lending.

A. The Boom in Subprime Lending Led to the Birth of the Predatory Market

The subprime mortgage industry has experienced tremendous growth since the mid-1990s. In 1994, the subprime industry accounted for only $35 billion of the nation's loans originated that year,[49] and by 2005 it had grown to $665 billion.[50] The explosion in the subprime market can be attributed to a number of factors, but most scholars agree that securitization

---

income. A subprime mortgage may be a first mortgage (for either purchasing a home or refinancing an existing mortgage), a second mortgage, or a home equity line of credit." *Id.* at 26.

39 A common characteristic of subprime lending is higher risk. "Lenders experience higher loan defaults and losses by subprime borrowers than by prime borrowers." CURBING, *supra* note 38, at 27.

40 Azmy & Reiss, *supra* note 19, at 651 ("Studies have estimated that subprime loans have on average a two and a half to four percentage points higher interest rate than prime loans."). Subprime loans also tend to have higher points and fees because of the higher origination and servicing costs associated with these loans. *Id.*

41 "Predatory lending generally occurs in the subprime mortgage market . . . ." CURBING, *supra* note 38, at 1.

42 Engel & McCoy, *supra* note 34, at 1261; Azmy & Reiss, *supra* note 19, at 650.

43 Engel & McCoy, *supra* note 34, at 1279.

44 *Id.* at 1260, 1261–65. These terms include but are not limited to lending without considering the borrower's ability to repay the loan, prepayment penalties, balloon payments, and negative amortization.

45 *Id.* at 1260, 1265–67.

46 *Id.* at 1260, 1267–68.

47 *Id.* at 1260, 1268–70.

48 *Id.* at 1260, 1270.

49 Azmy & Reiss, *supra* note 19, at 651–52.

50 SCHLOEMER, *supra* note 14, at 7. By 2006, outstanding subprime loans "account[ed] for about 14 percent of all first-lien mortgages." Ben S. Bernanke, Chairman, Board of Governors of the Fed. Reserve System, Speech at the Federal Reserve Bank of Chicago's 43rd Annual Conference on Bank Structure and Competition, Chicago, Illinois (May 17, 2007), http://www.federalreserve.gov/newsevents/speech/bernanke20070517a.htm. "Subprime mortgages made up 22% of new loans in 2005, compared to 8% in 2003 . . . ." *How We Got into the Subprime Lending Mess*, KNOWLEDGE@WHARTON, Sept. 19, 2007, http://knowledge.wharton.upenn.edu/article.cfm?articleid=1812 [hereinafter *Lending Mess*].

of subprime loans for their sale to third-party investors has been the driving force behind the market's rapid growth.[51] Securitization,[52] increased availability of diverse mortgage products, and increased incentives to lend to people with low and moderate incomes have all been cited as reasons that led to the birth of the predatory lending market.[53] The rapid growth in the subprime market has also lead to a rapid growth in predatory lending, and now many subprime loans exhibit the qualities that were once only found in predatory loans.

B. Characteristics of the Predatory Market Adopted by the Subprime Market

The term "predatory loan" is extremely malleable, and there is no single widely accepted definition.[54] Occasionally, authors describe predatory loans as, "'a mismatch between the needs and capacity of the borrower,' which results in a loan with terms so disadvantageous to a particular borrower that there is little likelihood that the borrower can repay the loan."[55] However, not all scholars or regulators agree that this is the definition of a predatory loan.[56] Some have hesitated to give the term a definition at all,

---

51 Securitization is the process through which lenders "sell mortgages to financial intermediaries, who in turn pool mortgages and sell the cash flows as structured securities." Bernanke, *supra* note 50. Securitization began to be widely used "in the 1980s, and, by 1993, sixty percent of home-mortgage loans were securitized. . . . It is now routine for lenders to originate loans and sell them to secondary-market institutions, which provide[s] a steady stream of capital to lend." Engel & McCoy, *supra* note 34, at 1273–74. For a discussion of the steps in the securitization process, see Eggert, *supra* note 19, at 538–41. Rapid securitization allows lenders to recoup the money they have lent almost immediately. *Id.* at 546.

> The lender can [then] use this infusion of capital to make a new round of loans. This quick churning of loan principal allows even an institution without a great amount of fixed capital to make a huge amount of loans . . . . [T]his ability to leverage is particularly useful to smaller, disreputable companies that otherwise would have difficulty funding a large number of loans.

Id. Securitization has mostly done away with long-term relationships between lenders and borrowers. "In the world of securitization, with its ever churning markets, there are few long term relationships, but only the financial equivalents of one night stands." *Id.* at 551; *see* Azmy & Reiss, *supra* note 19, at 652–53; Baher Azmy, *Squaring the Predatory Lending Circle*, 57 FLA. L. REV. 295, 313–20 (2005).

52 "[T]he practice of selling mortgages to investors may have contributed to the weakening of underwriting standards. [W]hen an originator sells a loan and its servicing rights, the risks (including, of course, any risks associated with poor underwriting) are largely passed on to the investors . . . ." Bernanke, *supra* note 50. "About 56 percent of the home mortgage market is now securitized, compared with only 10 percent in 1980 and less than 1 percent in 1970." Ben S. Bernanke, Chairman, Board of Governors of the Fed. Reserve System, Speech at the Federal Reserve Bank of Kansas City's Economic Symposium, Jackson Hole, Wyoming (Aug. 31, 2007), http://www.federalreserve.gov/newsevents/speech/bernanke20070831a.htm.

53 Engel & McCoy, *supra* note 34, at 1273–80.

54 "[E]ven defining a core concept of 'predatory lending' has eluded regulators . . . because, as with the doctrine of unconscionability, its manifestations are generally context-specific." Azmy & Reiss, *supra* note 19, at 649.

55 Lisa Keyfetz, *The Home Ownership and Equity Protection Act of 1994: Extending Liability for Predatory Subprime Loans to Secondary Mortgage Market Participants*, 18 LOY. CONSUMER L. REV. 151, 153–54 (2005) (quoting Eggert, *supra* note 19, at 511)

56 Since whether a loan's terms are predatory is highly fact specific, when New Jersey adopted the Home Ownership Security Act in 2002, the legislature declined to adopt a definition of "predatory lending." Azmy & Reiss, *supra* note 19, at 649.

believing that a set definition could prove to be too limiting, as what may be considered predatory in one loan may not be considered predatory in another.[57] As discussed above, for our purposes, we can define predatory loans as loans which typically exhibit two or more of the following qualities: (1) terms that can result in great harm to borrowers[58], (2) excessive points and fees[59], (3) fraudulent or deceptive lending practices,[60] (4) lack of transparency,[61] and (5) terms that require borrowers' waiver of "meaningful legal redress."[62] Examples of mortgage terms which exhibit these qualities may include lending without considering the borrower's ability to repay, financing excessive points and fees, loan flipping, prepayment penalties, balloon payments, and negative amortization.[63] Many of these terms are regularly used in subprime mortgages, and can adversely affect borrowers.[64]

1. Lending without Considering Borrowers' Ability to Repay Will Likely Lead to Foreclosure

When lenders make adjustable rate subprime mortgages, they only consider the borrower's ability to repay the loan's current monthly payment.[65] The lender does not consider whether the borrower will be able to

---

57 *Id.*; Eggert, *supra* note 19, at 511–13.

> Defining 'Predatory lending' is difficult because it encompasses many actions that seem, on their face, to be indistinguishable from legitimate lending activities. Predatory lending can be divided into two sets of activities. The first set consists of those activities that are either clearly illegal or unconscionable by their very nature. These per se improper activities include such actions as misrepresenting the terms of the loans and forging the signatures of borrowers on loan documents.
>
> The second set of activities that make up predatory lending are those that bedevil the regulators of the lending industry: activities that are legal but, when misused by unprincipled lenders, cause borrowers to pay interest rates and fees higher than the market and the borrowers' credit rating would justify. Practices such as balloon payments, adjustable rate mortgages, rapid refinancing of existing loans, and even high interest rates and fees could be used in non-predatory loans.

Eggert, *supra* note 19, at 513. "[S]ome community activists have brushed definitional issues aside, reasoning that 'you know predatory lending when you see it.'" Engel & McCoy, *supra* note 34, at 1260.

58 Engel & McCoy, *supra* note 34, at 1260, 1261–65.

59 *Id.* at 1260, 1265–67.

60 *Id.* at 1260, 1267–68.

61 *Id.* at 1260, 1268–70.

62 *Id.* at 1260, 1270.

63 Azmy & Reiss, *supra* note 19, at 657–62; Keyfetz, *supra* note 55, at 155–58; Eggert, *supra* note 19, at 515–22. In many situations, these terms can be considered predatory when paired with the already higher interest rates and points and fees that accompany subprime loans. Azmy & Reiss, *supra* note 19, at 655.

64 *See* SCHLOEMER, *supra* note 14, at 5. "Subprime mortgages routinely include features that increase the risk of foreclosure. Such features include adjustable interest rates, balloon payments, prepayment penalties, and loans with limited documentation of borrowers' loan qualifications." *Id.*

65 In recent years, subprime lenders have predominately offered adjustable rate mortgages (ARMs). "'Exploding' loans or 2/28s operate as two-year loans that lead to another bad ARM or even foreclosure after the introductory teaser rate expires. Because subprime lenders typically qualify borrowers based on the introductory payment amount, most borrowers cannot afford to remain in these arrangements . . . ." *Ending Mortgage Abuse: Safeguarding Homebuyers: Hearing Before the Subcomm. on Hous., Transp., and Cmty. Dev.*, 110th Cong. 5 (2007) (statement of Michael Calhoun, Presi-

repay the loan when the introductory teaser rate expires, or when the interest rate resets at a higher rate.[66] Given that predatory and subprime loans are often not first mortgages,[67] lenders base the amount of the loan on the amount of equity that the borrower has in his or her home.[68] This practice of "asset based lending"[69] is likely to lead to default and foreclosure, robbing the borrower of any equity he or she may have accumulated in his or her home.[70]

2. Financing Excessive Points and Fees Disguises the Cost of the Loan

Predatory and subprime lenders often charge much higher points and fees[71] than are charged for prime loans.[72] In addition to carrying higher points and fees, instead of paying for these in cash, many times borrowers

---

dent, Ctr. for Responsible Lending) [hereinafter *Ending Mortgage Abuse*, Calhoun Testimony], *available at* http://www.responsiblelending.org/pdfs/062304-calhoun-housetestimony.pdf.

66 The Borrower's Protection Act of 2007, proposed by Senators Schumer, Brown, and Casey would "[r]equire sensible underwriting to ensure that the borrower has the ability to repay a loan, taking into account payment increases, countering the practice of subprime lenders that underwrite to an artificially low initial 'teaser' rate . . . ." *Id.* at 8.

67 *See* Azmy & Reiss, *supra* note 19, at 656–57. "Over 80% of subprime lending—the market within which predatory lending occurs—is not for the purchase of a home but, rather, primarily for cash-out refinancings or to consolidate preexisting consumer debt." *Id.* at 664.

68 *Id.* at 657; *see also* Azmy, *supra* note 51, at 309.

69 Asset based lending is the "'pattern or practice' of making mortgage loans based solely on the value of the property securing the loan, without considering the borrower's capacity to repay." CURBING, *supra* note 38, at 5. Asset based lending is particularly problematic when connected to adjustable rate mortgages, which are commonly paired with prepayment penalties. Ruth Simon, *Mortgage Refinancing Gets Tougher—As Adjustable Loans Reset at Higher Rates, Homeowners Find Themselves Stuck Due to Prepayment Penalties, Tighter Credit*, WALL ST. J., Feb. 8, 2007, at D1. In addition to the prepayment penalties required when refinancing (which can cost thousands of dollars), when housing prices flatten out, lenders tighten their lending standards, making it more difficult for borrowers to refinance. *Id.*

70 Azmy & Reiss, *supra* note 19, at 657; Eggert, *supra* note 19, at 515. This problem is amplified by the fact that these loans are no longer in the hands of the brokers who made them. These loans will have been securitized and the loan will be in the hands of an investor. *See* Azmy & Reiss, *supra* note 19, at 657; Eggert, *supra* note 19, at 515. In sum, this practice is harmful to investors as well as to borrowers.

> Subprime mortgage brokers, lenders, securitizers, and investors are operating in a market that rewards business practices that directly undermine homeowners and sustainable homeownership. Markets function effectively when transactions are likely to benefit all parties involved, but we don't have that situation in subprime lending. The unfortunate truth is that brokers, lenders and investors have reaped enormous gains by originating loans with payments that explode in two short years, requiring homeowners, like clockwork, to refinance to a new subprime loan. Brokers and lenders benefit from this regular and lucrative fee income, but homeowners lose the financial benefit of appreciation as their wealth is stripped away. Worse, when appreciation stops and the families cannot sell or refinance their homes, these loans bring families to foreclosure and ruin.

Ending Mortgage Abuse, Calhoun Testimony, *supra* note 65, at 2–3.

71 "Points are fees paid to the lender or broker for the loan . . . . A home loan often involves many fees, such as loan origination or underwriting fees, broker fees, and transaction, settlement, and closing costs." FederalReserve.gov, Obtain All Important Cost Information, http://www.federalreserve.gov/pubs/mortgage/mortb_1.htm (last visited Mar. 18, 2008).

72 *See* Azmy & Reiss, *supra* note 19, at 657; Eggert, *supra* note 19, at 514. "Many subprime lenders charge fees totaling eight percent of the loan amount or more." *Id.*

finance these points and fees along with the total loan amount. This means that the high interest rate that already applies to the principal amount of the loan is now also being applied to the points and fees associated with the loan.[73] Financing points and fees makes it difficult for a borrower to discern the loan's true cost.[74] The practice of "loan flipping" compounds the problems associated with excessive points and fees.[75]

3. Loan Flipping Strips Equity from the Borrower's Home

Loan flipping is the practice of repeatedly refinancing a loan "within a short period of time with little or no benefit to the borrower."[76] Borrowers typically have their loans flipped at the urging of a lender in order to lower their monthly payments or to consolidate unsecured debt.[77] Sometimes lenders engage in flipping with the awareness that the borrower cannot afford the terms of the new loan, thereby assuring that the borrower will have to refinance the loan again.[78] Lenders engage in this practice in order to profit from the additional points and fees generated by the new loans.[79] These loans progressively strip the borrower of the equity that he or she had accumulated in his or her home.[80] This practice is even more unsettling because excessive refinancing can trap borrowers in an equity-

---

73 Azmy & Reiss, *supra* note 19, at 657.

74 *Id.* at 658. "Financing points and fees may disguise the true cost of credit to the borrower, especially for high interest rate loans." CURBING, *supra* note 38, at 9. "Excessive points and fees are frequently the hallmark of a predatory loan, and they can disguise the real cost of credit when they are financed rather than paid outright at a loan closing." *Promoting Homeownership by Ensuring Liquidity in Subprime Mortgage Market. J. Hearing Before Subcomm. on Financial Institutions and Consumer Credit & Subcomm. on Housing and Community Opportunity*, 108th Cong. 5 (2004) (statement of Michael Calhoun, Gen. Counsel, Ctr. for Responsible Lending), *available at* http://www.responsiblelending.org/pdfs/062304-calhoun-housetestimony.pdf (last visited Mar. 18, 2008). Though borrowers may be able to refinance and escape a high interest rate, homeowners are unable to ever recover excessive fees. "Instead, those fees are financed into the loan amount and are repaid from the homeowners' equity when they refinance. Furthermore, in the subprime market, . . . homeowners may not learn the total fees they are being charged on a loan until the day of closing, if at all." *Id.*

75 Azmy & Reiss, *supra* note 19, at 658.

76 CURBING, *supra* note 38, at 73. *See also* Azmy & Reiss, *supra* note 19, at 660.

77 CURBING, *supra* note 38, at 73. Loan flipping also occurs when borrowers cannot make the scheduled payments. *Id.*

> When a loan is flipped, a borrower refinances on terms that are not economically beneficial to him or her, due to the financing of points, fees and prepayment penalties that accompany such loans. A borrower may receive modest additional funds or a slight reduction in the interest rate, but the points and fees that accompany such transactions in the end make the total transaction more costly to the consumer. For example, reducing a borrower's monthly payment by a small amount, say $30 may cost the borrower thousands of dollars in up-front costs and interest over the life of the loan. The high fees derived from flipping attract unscrupulous originators who deceive borrowers about the true cost of the loan.

CURBING, *supra* note 38, at 74.

78 *Id.* at 74.

79 Azmy & Reiss, *supra* note 19, at 660. It should be noted that "[l]enders who flip loans tend to charge high origination fees with each successive refinancing, and may charge these fees based on the entire amount of the new loan, not on just the incremental amount (if any) added to the loan principal through the refinancing." CURBING, *supra* note 38, at 73.

80 *Id.* at 74

stripping cycle.[81] If a loan contains prepayment penalties, even more equity is stripped from the borrower's home each time the loan is flipped.[82]

4. Hidden Prepayment Penalties Make it More Expensive for a Borrower to Refinance

Prepayment penalties are fees that a borrower is forced to pay if he or she pays off or refinances the loan before the end of the term.[83] These penalties are designed to decrease refinancing and early payoffs, which both shrink the lender's profits.[84] Prepayment penalties are often included in the amount that is refinanced when a loan is flipped, taking an even bigger slice out of the borrower's equity.[85] It has been estimated that eighty percent of subprime loans carry prepayment penalties, yet less than two percent of prime loans carry these penalties.[86] Even more troubling is the fact that borrowers are often not aware that the terms of their loans include prepayment penalties.[87] Similarly, many borrowers are also misled about the existence of balloon payments in their loans.[88]

5. Balloon Payments can be Used as Leverage to Deplete Borrowers' Equity

The term "balloon payment" refers to a lump sum payment that is due at the end of the loan term. This amount is used to pay off the principal that the borrower has not yet paid.[89] Balloon payments can help borrowers secure an initial lower monthly payment, but in predatory loans the balloon payment may be due only three to five years after the loan's origination.[90] Lenders use upcoming balloon payments as leverage to flip the loan and generate additional income for themselves.[91] Balloon payments are used to begin or continue equity stripping refinancing cycles.[92]

---

81 Azmy & Reiss, *supra* note 19, at 660–61. "Once a borrower is trapped in this equity-depleting cycle, it becomes increasingly difficult to escape through refinancing with a legitimate lender on favorable terms." *Id.*

82 CURBING, *supra* note 38, at 74.

83 Azmy & Reiss, *supra* note 19, at 658. These penalties are very rare in the prime market, but seventy percent of subprime loans have prepayment penalties of "approximately 5% of the total loan amount." *Id.*

84 *See* Eggert, *supra* note 19, at 518.

85 Azmy & Reiss, *supra* note 19, at 658. "The Center for Responsible Lending (CLR) estimates that 850,000 families lose $2.3 billion each year from their home equity wealth because of prepayment penalties in subprime loans." DEBBIE GOLDSTEIN & STACY STROHAUER SON, CENTER FOR RESPONSIBLE LENDING POLICY PAPER NO. 4, WHY PREPAYMENT PENALTIES ARE ABUSIVE IN SUBPRIME HOME LOANS 3 (2003), *available at* http://www.responsiblelending.org/pdfs/PPP_Policy_Paper2.pdf.

86 GOLDSTEIN & SON, *supra* note 85, at 2; Azmy & Reiss, *supra* note 19, at 658.

87 GOLDSTEIN & SON, *supra* note 85, at 8; Azmy & Reiss, *supra* note 19, at 658.

88 Azmy & Reiss, *supra* note 19, at 661. "Often, these borrowers were either unaware of the balloon or were given misleading oral assurances that the balloon payments could be easily refinanced." Eggert, *supra* note 19, at 519.

89 Azmy & Reiss, *supra* note 19, at 661.

90 *Id.*; *see also* Eggert, *supra* note 19, at 519.

91 Azmy & Reiss, *supra* note 19, at 661; Eggert, *supra* note 19, at 519.

92 *See* Azmy & Reiss, *supra* note 19, at 661–62; Eggert, *supra* note 19, at 519.

6. Negative Amortization Strips Equity Before it is Built

Generally when a borrower makes monthly payments on a loan, that payment is used to pay a portion of the principal and a portion of the interest.[93] "In a negatively amortizing mortgage, a consumer's regularly scheduled payments do not cover the full amount of interest due, causing the outstanding principal balance to increase."[94] In essence, the principal does not decrease over the life of the loan,[95] and as a result equity is lost each month.[96] Negative amortization can occur in conjunction with adjustable rate mortgages that have caps on the monthly payment amounts.[97] As with many of the potentially abusive terms discussed above, "many borrowers report that their lenders did not explain how such a loan structure would work."[98]

C. These Terms are the Most Abusive When Borrowers are "Steered" into Accepting Them

Freddie Mac estimates indicate that ten to thirty-five percent of subprime borrowers could have qualified for prime loans.[99] Many believe that this indicates that many borrowers were "steered" into subprime loans.[100]

---

93 Azmy & Reiss, *supra* note 19, at 662 ("Most loans amortize over the life of the loan with a resultant diminution of principal.").

94 CURBING, *supra* note 38, at 91.

95 Azmy & Reiss, *supra* note 19, at 662.

96 *Id.*

97 FederalReserve.gov, Consumer Handbook on Adjustable-Rate Mortgages, http://www.federalreserve.gov/pubs/arms/arms_english.htm (last visited Jan. 5, 2008). Many adjustable rate mortgages "limit, or cap, the amount your monthly payment may increase at the time of each adjustment. . . . Any interest you don't pay because of the payment cap will be added to the balance of your loan." *Id.*

98 Azmy & Reiss, *supra* note 19, at 662.

99 FreddieMac.com, Automated Underwriting Report, http://www.freddiemac.com/corporate/reports/moseley/chap5.htm (last visited Jan. 8, 2008). "A recent poll of the 50 most active subprime lenders supports this conclusion. The survey found that up to 50 percent of subprime mortgages could qualify as investment-grade mortgages, although some of these loans would fail to meet certain secondary market criteria." *Id.*

100 GOLDSTEIN & SON, *supra* note 85, at 4. Disturbingly, it is often minorities being steered into these subprime loans. "Nationwide, 50% of all loans in predominately African-American neighborhoods are subprime, compared to only 9% in predominately white neighborhoods." Azmy & Reiss, *supra* note 19, at 654–55. The root of this problem could trace back to when redlining. "Redlining—categorically restricting or precluding residential lending in minority neighborhoods—was openly practiced by banks and government agencies prior to the Fair Housing Act of 1968." WILLIAM H. SIMON, THE COMMUNITY ECONOMIC DEVELOPMENT MOVEMENT 26 (2001). Unfortunately, "[d]espite that statute and the subsequent Equal Credit Opportunity Act of 1975, studies continue to find that people of color, or people who reside in predominately minority neighborhoods, are less likely to have success in applying for credit than white people and people in white neighborhoods in otherwise comparable economic circumstances." *Id* at 26–27. "Subprime lending is geographically concentrated in the same minority neighborhoods once denied access to banks and excluded from federal homeownership programs because of their racial composition." Benjamin Howell, *Exploiting Race and Space: Concentrated Subprime Lending as Housing Discrimination*, 94 CAL. L. REV. 101, 103–04 (2006). "The minority concentration of the neighborhood is also positively associated with a higher probability of receiving a prepayment penalty on a subprime loan." John Farris & Christopher A. Richardson, The Geography of Subprime Mortgage Prepayment Penalty Patterns, Housing Policy Debate, 687, 712 (2004) *available at* http://www.fanniemaefoundation.org/programs/hpd/pdf/hpd_1503_Farris.pdf. *See*

This is troubling because while the prime market has remained relatively unchanged in recent years, the distinction between the legitimate subprime market and the predatory market has become extremely blurred. Today, more and more subprime loans carry terms that were once primarily associated with predatory loans. As discussed above, eighty percent of subprime loans carry prepayment penalties,[101] a particularly volatile mix considering that there has been a corresponding rise in adjustable rate mortgages.[102] When lenders make adjustable rate subprime mortgages without the borrower's ability to repay at an adjusted rate, most borrowers will inevitably have to refinance to be able to afford their monthly payments and will have to pay the prepayment penalties.[103] This disregard for the borrower's ability to repay also gives lenders increased potential to flip the borrower's loan.

D. Lack of Borrower Knowledge Further Blurs the Distinction Between Predatory and Subprime Loans

Traditionally predatory lenders have targeted borrowers that are not connected to the credit market in order to exploit the borrower's lack of information.[104] The terms discussed above may not independently be predatory, but that caveat quickly disappears when they are imposed on uninformed consumers.[105] Scholars site the asymmetry of information and knowledge between borrowers and lenders as highly problematic.[106] Ex-

---

also, *Ending Mortgage Abuse*, Calhoun Testimony, *supra* note 65, at 9.

101 GOLDSTEIN & SON, *supra* note 85, at 2.

102 Richard K. Green & Susan M. Wachter, *The American Mortgage in Historical and International Context*, 19 J. ECON. PERSP. 93, 99 (2005), *available at* http://repository.upenn.edu/cgi/viewcontent.cgi?article=1000&context=penniur_papers. In 2004, adjustable rate mortgages ("ARMs") accounted for thirty-six percent of the mortgages that year. This has marked the highest percent of adjustable rate mortgages in ten years. *Id* at 99–100.

103 *Lending Mess*, *supra* note 50. Many "[ARMs] carried prepayment penalties making it prohibitively expensive for borrowers to refinance when their payments got too high. Buyers qualified based on the initial low 'teaser' rate, even though they might not be able to shoulder the higher payments that could come if the rate adjusted upward." *Id.*

104 Engel & McCoy, *supra* note 34, at 1271. "These homeowners tend to be very unsophisticated about mortgage products and largely disconnected from the financial services market." Azmy & Reiss, *supra* note 19, at 656.

105 Stark, *supra* note 9, at 145. Consider:

> [I]f the borrower is planning to move and sell the home in three years, then a loan with a balloon payment due in five years should not be problematic. If the borrower is taking classes at night and working during the day but expects to graduate and has a high-paying job waiting for her in a year, then a loan that accrues interest at a higher rate than it is payable at for a one-year period (causing negative amortization) would not be problematic and may best suit that particular borrower's needs.

Id.

106 *See, e.g.*, Engel & McCoy, *supra* note 34, at 1271; Memorandum from Richard K. Green & Susan M. Wachter, on The Housing Finance Revolution to the Federal Research Bank of Kansas City's 31st Economic Policy Symposium in Jackson Hole, Wyo. 34–35, 38–41 (Aug. 31, 2007), *available at* http://www.kansascityfed.org/publicat/sympos/2007/PDF/2007.08.21.WachterandGreen.pdf. In a recent study published by the Woodstock Institute, an alarming thirty-four percent of borrowers did not know whether their loans carry a fixed or adjustable interest rate. *Many Borrowers Unaware of Mortgage Interest Rate Details: Foreclosures Affect Neighbors, Too*, WOODSTOCK DEV. (Woodstock Inst.,

ploitation of unequal knowledge and information is becoming equally problematic in the subprime industry,[107] and this has caused many subprime loans to have the same ending as their predatory counterparts—foreclosure.[108]

II. Current Federal Legislation has not Been Enough to Protect Borrowers

A. The Truth in Lending Act

In 1968, the federal government enacted the Truth in Lending Act ("TILA")[109] "as title I of the Consumer Credit Protection Act. . TILA, implemented by Regulation Z (12 CFR 226), became effective July 1, 1969."[110] TILA was passed in order to ensure that lenders disclose credit terms to borrowers in a way that allows them to compare the terms of credit that they have been offered.[111] TILA requires that the lender disclose certain terms to the borrower including the amount financed, finance charges, the annual percentage rate ("APR"), a statement whether the payments may "increase or decrease dramatically," and the total number of payments.[112]

Chicago, Ill.), Fall 2007, at 1, *available at* http://www.woodstockinst.org/publications/woodstock-developments-newsletter.

107 Kenneth R. Harney, *Mortgage Forms Sow Confusion*, WASH. POST, June 23, 2007, http:www.washingtonpost.com/wp-dyn/content/article/2007/06/22/AR2007062200867_pf.html). "Many borrowers simply do not understand their mortgages—especially subprime loans that come with complex features and costly penalties." *Id.*

> In a series of intensive interviews . . . researchers also found that 'many borrowers were confused by the current . . . mortgage cost disclosures' . . . .
>
> Many had loans that were significantly more costly than they believed, or contained significant restrictions, such as prepayment penalties, of which they were unaware.

Id.; *see also* FED. TRADE COMM'N, BUREAU OF ECON. STAFF REPORT, IMPROVING CONSUMER MORTGAGE DISCLOSURES: AN EMPIRICAL ASSESSMENT OF CURRENT AND PROTOTYPE DISCLOSURE FORMS, EXECUTIVE SUMMARY (2007) *available at* www.ftc.gov/os/2007/06/P025505Mortgage Disclosureexecutivesummary.pdf [hereinafter IMPROVING CONSUMER MORTGAGE DISCLOSURES].

108 Keyfetz, *supra* note 55, at 157–58 "There is a strong connection between the growth and concentration of subprime lending and increases in foreclosures—not just in recent weeks, but in recent years." *What We Need is a Meaningful, National Standard for Mortgage Underwriting*, WOODSTOCK DEV. (Woodstock Inst., Chicago, Ill.), Fall 2007, at 3, *available at* http://www.woodstockinst.org/component/option,com_docman/Itemid,260/task,cat_view/gid,98/.

109 15 U.S.C.S. § 1602 (2005).

110 OFFICE OF THE COMPTROLLER OF CURRENCY, TRUTH IN LENDING: COMPTROLLER'S HANDBOOK 1 (2006), *available at* http://www.occ.gov/handbook/til.pdf [hereinafter COMPTROLLER'S HANDBOOK].

111 *Id.* at 4.

112 15 U.S.C.S. § 1638 (2005). It should be noted that TILA does not fully address advertising issues that arise in the subprime loan context. Patricia A. McCoy, *Rethinking Disclosure in a World of Risk-Based Pricing*, 44 HARV. J. ON LEGIS. 123, 129–30 (2007). McCoy writes:

> Advertisements featuring low introductory rates on variable-rate loans—known as 'teaser rates'—raise other difficulties that TILA fails to fully resolve. Under TILA, an advertisement touting a teaser rate must state how long the teaser rate lasts and advise readers that the APR could rise after consummation. However, nothing in TILA requires an ad to describe the rate increase, its limits, or how it would affect the payment schedule. This allows lenders to entice borrowers with promises of low interest without revealing how high their interest rate could eventually go.

B. Home Ownership Equity Protection Act of 1994

Congress amended TILA to include the Home Ownership Equity Protection Act of 1994 ("HOEPA") in order to help combat predatory lending.[113] HOEPA requires additional disclosures and imposes "substantive limitations on certain closed-end mortgage loans bearing rates or fees above a certain percentage or amount."[114] HOEPA provisions are triggered in two cases. First, HOEPA provisions are triggered when the initial APR is 8% higher than the yield on Treasury securities for first-lien mortgages with comparable maturity periods, or that are 10% higher for subordinate-lien mortgages.[115] Second, the provisions are triggered when the points and fees that the consumer will pay at or before the closing are greater than 8% of the entire loan amount or $400.[116]

For mortgages subject to HOEPA, some of the disclosures that lenders must make to borrowers include: the APR; the amount of regular payments and any balloon payments; the total amount borrowed; and for adjustable rate mortgages, a statement that the APR and monthly payments may increase.[117] "HOEPA prohibits negative amortization without exception, balloon payments on loans with terms of less than five years, [and] loan terms that increase the interest rate in the event of a default . . . "[118] HOEPA, however, does not apply to mortgages used to purchase homes or to home equity credit lines, and has been criticized by many consumer advocates due to the high amounts required to trigger HOEPA's protections.[119] These high trigger amounts allow many lenders to evade compliance with HOEPA by making loans that fall just below the amounts which trigger HOEPA's protections.[120]

As illustrated by the current foreclosure rate, the disclosure requirements mandated by HOEPA and TILA are not enough to protect consumers or to give them enough information to make informed credit decisions.[121]

Id. at 129.

113 Press Release, Federal Reserve Board, Home Equity Lending Market; Notice of Hearings [Docket No. OP-1288] (May 29, 2007), http://www.federalreserve.gov/newsevents/press/bcreg/20070529b.htm.

114 COMPTROLLER'S HANDBOOK, *supra* note 110, at 2.

115 12 C.F.R. § 226.32(a)(1)(i) (2007); *see also* Azmy & Reiss, *supra* note 19, at 666.

116 12 C.F.R. § 226.32(a)(1)(ii) (2007); *see also* Azmy & Reiss, *supra* note 19, at 666. Note, the $400, is adjusted annually to reflect inflation. *Id.*

117 12 C.F.R. § 226.32(c)(1)–(5) (2007).

118 Azmy & Reiss, *supra* note 19, at 666.

119 *Id.* at 667; Stark, *supra* note 9, at 144.

120 Stark, *supra* note 9, at 144. Stark is also critical of the main protections that the HOEPA offers overall. She claims that these protections are inadequate, citing required disclosures that borrowers do not understand or read as an example. *Id.*; *see Ending Mortgage Abuse*, Calhoun Testimony , *supra* note 65, at 6–7.

121 Azmy & Reiss, *supra* note 19, at 665–68. "[TILA] fails to include more obvious and less technical disclosures that traditionally unsophisticated victims of predatory lending need. . . . [T]he disclosures that TILA does require need only be made at the loan closing . . . . The disclosures are also too confusing where they come included in a bewildering stack of loan documents." *Id.* at 665–66; *see supra* note 106.

In a recent Federal Trade Commission study of prime and subprime loans that met current federal disclosure requirements, two-thirds of borrowers did not detect the sizeable penalty that would be incurred for refinancing within the first two years.[122] Further, a Consumer Federation of America study from 2004 concluded that borrowers "most likely to purchase complex ARMs were among the least likely to understand these products."[123] Many states have recognized the inadequacies of the current federal protections and mandated disclosures, and have enacted their own laws in order to curb lending abuses and to fill in the gaps left open by federal law.[124]

III. SOME STATES HAVE ENACTED THEIR OWN LAWS THAT REQUIRE CONSUMER EDUCATION IN ORDER TO COMBAT PREDATORY LENDING PRACTICES

In 1999, North Carolina was the first state to try to cure the failures of the federal legislation and passed its own anti-predatory lending statute.[125] Since then, many states have passed some form of legislation intended to curb predatory lending.[126] One of the unique features of North Carolina's law is that it requires consumer education when loans contain certain terms.[127] Only a handful of states have mirrored the requirement of con-

---

122 Harney, *supra* note 107; *see generally* IMPROVING CONSUMER MORTGAGE DISCLOSURES, *supra* note 107.

123 *The Federal Government's Role in Empowering Americans to Make Informed Financial Decisions Before the Subcomm. on Oversight of Government Management, the Fed. Workforce, and the District of Columbia of the S. Comm. on Homeland Security and Governmental Affairs*; 110th Cong. (2007) (statement of Sheila C. Bair, Chairman, Fed. Deposit Insurance Corporation), *available at* http://www.fdic.gov/news/news/speeches/archives/2007/chairman/spapr3007.html.

124 *See* Christopher R. Childs, Comment, *So You've Been Preempted—What are You Going to Do Now?: Solutions for States Following Federal Preemption of State Predatory Lending Statutes*, 2004 BYU L. REV. 701, 703.

125 Kurt Eggert, *Lashed to the Mast and Crying for Help: How Self-Limitation of Autonomy Can Protect Elders from Predatory Lending*, 36 LOY. L.A. L. REV. 693, 711 (2003).

126 *Id.* at 712–14. It should be noted that there are federalism and preemption issues associated with the states enacting their own anti-predatory lending statutes. "The Office of the Comptroller of the Currency ('OCC') and the Office of Thrift Supervision ('OTS') have, via administrative fiat, aggressively pushed preemption of state laws for national banks and savings associations, especially since 1996." Deanne Loonin & Elizabeth Renuart, *The Life and Debt Cycle: The Growing Debt Burdens of Older Consumers and Related Policy Recommendations*, 44 HARV. J. ON LEGIS. 167, 175 (2007). This had impacted the states' abilities to enforce their own predatory lending laws. "The preemption rights accorded federal depositories by the OTS and the OCC make it very difficult for states to protect their consumers from abusive practices in the credit marketplace. For example, OCC and OTS decisions have trumped state anti-predatory lending laws enacted in recent years." *Id.* at 175–76. This allows "national banks, federal savings associations, and their operating subsidiaries [to] almost completely ignore these state laws." *Id.* at 176. It should be noted that the application of New Jersey's Home Ownership Security Act of 2002 is "preempted by federal law from applying to federal savings associations." Letter from Carolyn J. Buck, Chief Counsel, Office of Thrift Supervision, Regarding Preemption of New Jersey Predatory Lending Act (July 22, 2003), *available at* http://www.ots.treas.gov/docs/5/56305.pdf. A full discussion of federalism and preemption issues that accompany individual states' anti-predatory lending would go beyond the scope of this Comment. For discussion regarding preemption issues with regards to North Carolina's predatory lending law, see C. Bailey King, Jr., *Preemption and the North Carolina Predatory Lending Law*, 8 N.C. BANKING INST. 377 (2004). For discussion of preemption issues and state predatory lending statutes, see Childs, *supra* note 124.

127 N.C. GEN. STAT. § 24-1.1E(c) (LexisNexis 2007).

sumer education in their anti-predatory lending statutes.[128] In 2002, New Jersey followed North Carolina's lead and included a consumer education requirement in its Home Ownership Security Act,[129] and in 2006 Illinois began a pilot program requiring credit counseling for some borrowers.[130] The laws of these three states appear to have varying degrees of success, but they all reflect the belief that informed borrowers are important in combating abusive lending practices.[131]

A. North Carolina was the First State to Recognize the Power of an Informed Consumer

One of the main purposes behind North Carolina's anti-predatory lending statute is to promote public awareness by providing "education and counseling about predatory lenders."[132] The North Carolina anti-predatory lending statute prohibits a lender from making a high-cost home loan[133] without first receiving certification that the borrower has received home-ownership counseling.[134] Commentators have celebrated North Carolina's law because it has not impinged on subprime borrowing.[135]

---

128 Consumer education has not been able to show its strengths in combating predatory lending because subprime lenders have largely been able to avoid the items that trigger the protection of these states' acts. Stark, *supra* note 9, at 146. "Although five states have enacted mortgage counseling requirements for high-cost home loans, because the triggers for this protection are set at such high levels, they have become another reform to avoid rather than comply with." *Id.*

129 N.J. STAT. ANN. § 46:10B-26(g) (West Supp. 2007).

130 765 ILL. COMP. STAT. ANN. 77/70 (West Supp. 2007).

131 *See supra* notes 31, 32, 107, 162.

132 1999 N.C. Sess. Laws 332.

133 A "high-cost home loan" is defined as a loan where: (1) the principal amount of the loan does not exceed the lesser of the conforming loan size limit for a single-family dwelling that is established by Fannie Mae, or $300,000, (2) the borrower is a natural person, (3) the debt the borrower incurs is mainly for personal family, or household purposes, (4) the loan is secured by either a security interest in a manufactured home that the borrower does or will occupy as her principal dwelling, or a mortgage or deed of trust on real estate where there is or will be a structure, or structures, designed for one to four families' occupancy, which is or will be occupied by the borrower as her principal dwelling, and (5) the loan exceeds one or more of the thresholds in section 6. N.C. GEN. STAT. ANN. § 24-1.1E(a)(4) (LexisNexis 2007).

134 "A lender may not make a high-cost home loan without first receiving certification from a counselor approved by the North Carolina Housing Finance Agency that the borrower has received counseling on the advisability of the loan transaction and the appropriate loan for the borrower." *Id* § 24-1.1E(c)(1).

135 "Without question, North Carolina has reduced predatory lending. At the same time, evidence shows borrowers in North Carolina continue to have access to a wide variety of competitively priced loans from a wide variety of lenders." CENTER FOR RESPONSIBLE LENDING, CRL POLICY BRIEF NO. 10, SUPPORT H.R. 1182: THE PROHIBIT PREDATORY LENDING ACT 1 (2005), *available at* http://www.responsiblelending.org/pdfs/pb010-MillerWattFrank-0305.pdf (last visited Mar. 22, 2008). The anti-predatory lending statute has not reduced the number of subprime loans made in North Carolina, in fact, "North Carolina had 15% more subprime home loans per capita than the rest of the nation as a whole in 2000." *Id.* at 2. "[T]he subprime market behaved essentially as the law intended: There was a reduction in predatory loans but no change in the cost of subprime credit or reduction in access to credit for high-risk borrowers." Roberto G. Quercia et al., The Impact of North Carolina's Anti-Predatory Lending Law: A Descriptive Assessment 1 (June 25, 2003) (unpublished manuscript, on file with the Ctr. for Cmty. Capitalism, Univ. of N.C. at Chapel Hill), *available at* http://www.responsiblelending.org/pdfs/PredLendingStudy.pdf (last visited Mar. 22, 2008). It should be noted that North Carolina's statute prohibits high cost home loans from carrying any of the following terms: (1) No call provisions

It should be noted that recent statistics show that North Carolina has not been able to dodge the foreclosure wave that has hit the rest of the nation.[136] The number of foreclosures in North Carolina has not been attributed to the failure of consumer education programs, and may be connected to the thresholds which must be met in order to trigger the statute's provisions.[137] In fact, the North Carolina Justice Center still recommends that "investment . . . in programs designed to promote responsible homeownership, such as housing counseling and financial literacy" be considered in order to fight against the problem of increased foreclosures in North Carolina.[138]

B. New Jersey Included a Consumer Education Requirement in the Home Ownership Security Act of 2002

New Jersey sought to combat the state's high concentration of predatory lending by enacting the Home Ownership Security Act of 2002.[139] The Act "bans numerous additional loan terms when made in connection with High-Cost Home Loans,[[140]] such as balloon payments, negative amortizations, and default interest rates, while also mandating clear disclosures and, in certain cases, loan counseling."[141] New Jersey requires loan counseling[142] when a borrower will be financing points and fees in connec-

---

that allow the lender to unilaterally to accelerate the borrower's indebtedness, (2) No balloon payments that exceed the sum of two average earlier scheduled payments, (3) No negative amortization, (4) No increased interest rate triggered by default, (5) No advance payments, (6) No modification or deferral fees, (7) No lending without lender's reasonable belief that the borrower will be able to repay the loan, (8) Fees and charges may not be directly or indirectly financed, (9) Lender may not charge additional points and fees when refinancing an existing high-cost home loan held by the same lender. N.C. GEN. STAT. Ann. § 24-1.1E(b)–(c) (LexisNexis 2007).

136 In 2006, there were 46,512 foreclosures filed in North Carolina. "This level represents an increase of over 173 percent from the 16,630 filings in 1998." Al Ripley, *A Good Session Addressing Foreclosure: But More Work Remains*, N.C. JUST. CENTER COMMUNITY NEWS, Fall 2007, at 6, *available at* http://www.ncjustice.org/assets/library/1072_cnfall2007.pdf. Data also shows that the number of foreclosures in 2007 will surpass those of 2006. "Many experts predict that nationwide the height of the crisis will not peak until 2008 or 2009 . . . ." *Id.* The record number of foreclosures has sent North Carolina legislators back to the drawing board to search for a way to combat predatory lending. In 2007, the General Assembly of North Carolina passed House Bill 1817 "to protect North Carolinians from predatory mortgage lending practices that increase foreclosure." *Id.*

137 Stark argues that, like HOEPA, the triggers for the statute's protection are set so high that lenders can avoid compliance with the statute. Stark, *supra* note 9, at 146.

138 *Hearing on Home Foreclosures Before the H. Select Comm. on Rising Home Foreclosurses*, 2005–09 Reg. Sess. (N.C. Feb. 28, 2006) (statement of Carlene McNulty, Staff Attorney, N.C. Just. Ctr.) *available at* http://www.ncjustice.org/assets/library/670_ncjcforeclosepres.pdf.

139 *See* N.J. STAT. ANN. § 46:10B-26(g) (West Supp. 2007); *see also* Azmy & Reiss, *supra* note 19, at 649.

140 The statute defines a "High-cost home loan" as a loan where the principal amount does not exceed $350,000, "which. . . shall be adjusted annually to include the last published increase of the housing component of the national Consumer Price Index, New York-Northeastern New Jersey Region, in which the terms of the loan meet or exceed one or more of the thresholds as defined in this section." N.J. STAT. ANN. § 46:10B-24 (West Supp. 2007).

141 Azmy & Reiss, *supra* note 19, at 671–72; *see also* N.J. STAT. ANN. § 46:10B-26(a)–(g) (West Supp. 2007).

142 It should be noted that there is a difference between consumer education and consumer counseling. "Counseling is specific and is tailored to the particular needs of the individual, while education

tion with a High-Cost Home Loan.[143] While consumer counseling is only required for loans where borrowers will be financing points and fees, creditors can not make any High Cost Home Loan without the borrower first signing a notice that urges the borrower to contact a credit counselor.[144] Scholars projected that the Home Ownership Security Act would curb the "worst abuses of predatory lending while preserving the availability of credit to all New Jersey consumers who need it."[145] Unfortunately, New Jersey has also been unable to avoid a growing number of foreclosures in recent years.[146] Despite the growing number of foreclosures, the New Jersey Department of Banking and Insurance continues to focus on the importance of an educated and informed public.[147]

C. Illinois Enacted Legislation that Requires Mandatory Counseling for Certain Loans

Illinois enacted House Bill 4050[148] in an attempt to "eradicate predatory lending practices. HB 4050 [was] designed to increase homeowner's knowledge about the loans they are considering and to reduce the number of foreclosures resulting from overly expensive homes."[149] The statute provides that brokers or loan originators of mortgages on residential properties within the pilot program area,[150] must submit the information re-

---

typically is administered in a generic program." HIRAD & ZORN, *supra* note 33, at 5

143 § 46:10B-26(g). The New Jersey legislature found that "[t]he financing of points and fees in these loans provides immediate income to the originator and encourages the repeated refinancing of home loans." § 46:10B-23(a). Identifying the connection between the financing of points and fees and repeated refinancing, a known predatory term as discussed above, may have motivated the legislature to require consumer counseling with respect to this loan term.

144 "You [the borrower] should consult an attorney-at-law and a qualified independent credit counselor or other experienced financial advisor regarding the rate, fees and provisions of this mortgage loan before you proceed. A list of qualified counselors is available by contacting the New Jersey Department of Banking and Insurance." § 46:10B-26(f) (original in all caps).

145 Azmy & Reiss, *supra* note 19, at 670.

146 Based on the number of homes in the state in May 2007, New Jersey had the fifteenth highest number of foreclosures in the country—approximately "one foreclosure filing for every 843 households . . . ." Kathleen M. Howley, *U.S. Mortgage Foreclosure Filings Rise 90% in May*, BLOOMBERG.COM, June 12, 2007, http://www.bloomberg.com/apps/news?pid=20601087&sid=av3bqU7edFDs&refer=home. This statistic was drawn from information provided by RealtyTrac, Inc. *Id.*

147 The Department of Banking and Finance announced in September 2007 that it would be launching additional education and counseling programs to address and prevent foreclosures. Commissioner Steven M. Goldman stated, "Educating and informing the public is the best defense against business arrangements with potentially catastrophic consequences." Press Release, State of New Jersey Department of Banking and Insurance, DOBI Announces Public Forums, Education Plan to Address Mortgage Lending Issue: Focus on Consumer Education, Foreclosure Prevention (Sept. 26, 2007) http://www.state.nj.us/dobi/pressreleases/pr070926.htm.

148 H.B. 4050, 94th Gen. Assemb., Reg. Sess. (Ill. 2005).

149 HB4050info.com, Homepage, http://www.hb4050info.com/Public_Web/home.aspx (last visited Mar. 25, 2008).

150 The "Pilot Program Area" is defined by statute as "all areas within Cook County designated as such by the Department [of Financial and Professional Regulation] due to the high rate of foreclosure on residential home mortgages that is primarily the result of predatory lending practices." 765 ILL. COMP. STAT. ANN. 77/70(a) (West Supp. 2007). Originally the pilot program area consisted of ten zip codes in Cook County. HB4050info.com, Introduction to the Predatory Lending Database Pilot Pro-

quired by statute[151] to the predatory lending database established and administered by the Secretary of the Department of Financial and Professional Regulation ("DFPR")[152] within ten days of taking a mortgage application.[153] After reviewing the information, the DFPR will issue a ruling within seven days, stating whether the borrower must undergo mandatory credit counseling.[154]

Though foreclosure rates in Illinois and Cook County still remain high,[155] HB 4050 only went into effect on January 1, 2006.[156] Since the statute did not go into effect until then, many of the loans that led to the foreclosures in 2007 were not subject to the statute.[157] Further, it should be

---

gram, *available at* https://www.hb4050info.com/pdfs/HB4050_intro.pdf. However, after receiving information that suggested that this designation "may be detrimental to the Pilot Program's purpose, namely, to curb predatory lending practices in areas with high rates of foreclosure on residential home mortgages[,]" the Secretary of the Department of Financial and Professional Regulation (the "Secretary") withdrew that designation. Press Release, Illinois Dept. of Fin. & Prof'l Regulation, Re-Designation of Pilot Program Area Pursuant to Public Act 94-280 (HB 4050) (Jan. 19, 2007), https://www.hb4050info.com/pdfs/4050Scan001.pdf. The Secretary withdrew the designation and designated that the Pilot Program Area had no areas or zip codes. *Id.* Some critics had claimed that the originally designated area was a result of racism. *See* Amy Merrick, *Illinois Tries New Tack Against Predatory Loans: Its First Effort Drew Charges of Racism; Mortgage Brokers Revolt*, WALL ST. J., Aug. 21, 2007, at A1. A further examination of this claim goes beyond the scope of this Comment.

151 765 ILL. COMP. STAT. ANN. 77/72 (West Supp. 2007). The information required includes information about the borrower, such as name, address, social security number, the mortgage's interest rate and related material terms, information about the loan originator or employer including license number and fees being charged to the borrower as well as "[a]ll information indicated on the Good Faith Estimate and Truth in Lending statement disclosures given to the borrower by the broker or originator." *Id.* § 77/72(6).

152 § 77/70(b).

153 § 77/70(c).

154 *Id.* The law requires that the Department create a database for the loan applications that it receives. The database would collect information from all of the loans issued in the Pilot Areas. "Under the program, mortgage companies and brokers must enter information about the borrower and the borrower's loan into the Internet-based database. This database will be able to automatically analyze the details of each loan and determine if the loan agreement meets credit counseling standards set by the Department." Press Release, Governor's Office, Gov. Blagojevich Signs Law to Protect Homebuyers in At-Risk Communities From Predatory Lenders (July 21, 2005), http://www.illinois.gov/PressReleases/ShowPressRelease.cfm?SubjectID=3&RecNum=4166 [hereinafter Press Release, Law to Protect Homebuyers]. The determination shall be based on the Department's comparison of the information provided and the Department's credit counseling standards. *Id.* If the Department determines that the borrower must undergo counseling, this requirement may not be waived by the borrower. *Id.*

155 From January to June of 2007, there were 42,998 foreclosures filed in Illinois, one for every 120 households. Press Release, RealtyTrac.com, Foreclosure Activity up Over 55 Percent in the First Half of 2007 (July 30, 2007), http://www.realtytrac.com/ContentManagement/pressrelease.aspx?ChannelID=9&ItemID=2932&accnt=64847. "Cook County reported 3,721 foreclosure filings in May [2007], a 27 percent decrease from the previous month but still the most of any county in the [Chicago] metro area." Press Release, RealtyTrac.com, Chicago Foreclosure Activity Decreases 20 Percent in May (June 30, 2007), http://www.realtytrac.com/ContentManagement/pressrelease.aspx?ChannelID=9&ItemID=3011&accnt=64847. "The county's foreclosure rate of one foreclosure filing for every 563 households was sixth highest among metro counties and 1.2 times the national average." *Id.*

156 *See* 765 ILL. COMP. STAT. ANN. 77/70 (West Supp. 2007).

157 Many of the foreclosures that are occurring now are due to the interest rates of ARMs being reset. *See supra* notes 12, 17 and accompanying text; SCHLOEMER, *supra* note 14, at 5. Until recently, 2/28 ARMs were the most common type of subprime loan. Holden Lewis, *Popular 2/28 Mortgages are No More*, BANKRATE.COM, July 26, 2007, http://biz.yahoo.com/brn/070726/22748.html?.v=1. "A 2/28 subprime ARM has a low initial rate that lasts two years. After that, the loan resets, which means that

noted that HB 4050 was enacted after, and in response to, the large number of foreclosures in Cook County.[158] In fact, HB 4050 was an attempt to curb the number of foreclosures and help families harmed by loans that they did not understand.[159]

D. These Laws Strive to Give Borrowers the Knowledge Necessary to Avoid Abusive Loan Terms

Though foreclosure statistics since the enactment of North Carolina, New Jersey, and Illinois' respective anti-predatory lending statutes may not initially indicate success, these states are definitely on the right track.[160] In the Center for Responsible Lending's 2006 report assessing state predatory lending laws, New Jersey and North Carolina were listed among the states with the strongest predatory lending laws.[161] Consumer counseling and education is aimed at curing the problems caused by unequal information and knowledge possessed by borrowers and lenders.[162] These states aim to provide borrowers with the knowledge they need to avoid abusive loan terms while still allowing borrowers to make the ultimate decision about how to invest.[163]

Eleven HUD certified counseling agencies participated in the HB 4050 Predatory Lending Database Pilot Program during the twenty-week period between September 1, 2006 and January 19, 2007.[164] In the Pilot Program's twenty weeks, about 1,200 borrowers received credit counseling, or a "File Review," from a HUD-certified counseling agency.[165] "The overwhelming majority of borrowers who were receiving adjustable-rate

---

the rate is adjusted upward or downward. At the first jump, the rate can conceivably climb 2 to 6 percentage points, causing monthly payments to skyrocket." *Id.*

158 In 2003 Cook County had more foreclosures than any other U.S. county. Sarah Max, *The Next Big Trend: Foreclosure*, CNNMONEY.COM, Feb. 5, 2004, http://money.cnn.com/2004/02/04/pf/yourhome/foreclosures/index.htm.

159 Press Release, Law to Protect Homebuyers, *supra* note 154. "A recent analysis by The Chicago Reporter, an investigative newsmagazine, found that the Chicago area ranks first among United States metropolitan areas in the number of subprime loans issued to homeowners from 2004 through 2006." Morgenson, *supra* note 1.

160 *See supra* notes 137, 155–159 and accompanying text (discussing potential reasons why North Carolina and Illinois' statutes may have failed to produce a decrease in the numbers of recent foreclosures).

161 Wei Li & Keith S. Ernst, *The Best Value in the Subprime Market. State Predatory Lending Reforms*, CRL REPORT (Ctr. Resp. Lending, Durham, N.C.), Feb. 23, 2006, at 7, *available at* http://www.responsiblelending.org/pdfs/rr010-State_Effects-0206.pdf. States were evaluated using HOEPA's protections as a baseline and then by considering six aspects of a "typical subprime loan: (1) types of loans covered, (2) treatment of points and fees, including covered charges and amount of charges that activate high-cost protections, (3) prepayment penalties, (4) anti-flipping rules, (5) substantive protections applicable to high-cost loans, and (6) remedies available to borrowers." *Id.* at 6.

162 *See supra* note 106 and accompanying text.

163 "Nothing in this Article is intended to prevent a borrower from making his or her own decision as to whether to proceed with a transaction." 765 ILL. COMP. STAT. ANN. 77/70(i) (West Supp. 2007).

164 *Findings From the HB 4050 Predatory Lending Database Pilot Program*, HOUSING ACTION ILL. (Housing Action Illinois, Chicago, Ill.), Apr. 4, 2007, at 1, *available at* http://www.housingactionil.org/downloads/HB4050Findings.pdf [hereinafter *Findings HB 4050*].

165 *Id.*

loans were surprised when the HUD-certified Counseling Agency informed them that they were receiving an adjustable-rate loan and not a loan with a fixed rate for the entire term of the loan."[166] The counseling agencies' research indicates that borrowers who received counseling were better able to "understand the costs and terms of their loans, leading to better-informed decision-making."[167] These findings correspond with those in a 2001 study, which found that pre-purchase mortgage counseling is effective in reducing the number of delinquent mortgage payments.[168]

IV. THE FEDERAL GOVERNMENT SHOULD ENACT FEDERAL LEGISLATION REQUIRING CONSUMER EDUCATION WHEN A MORTGAGE CONTAINS CERTAIN TERMS

The federal government should enact legislation requiring borrowers to participate in a consumer education program before borrowers can commit to a loan that contains an adjustable interest rate, prepayment penalties, or balloon payment(s); a loan that does, or has the potential to, negatively amortize; or a loan in which points and fees will be financed along with the principal.[169] Requiring borrowers to complete a consumer education program will give borrowers the tools necessary to understand the meaning of each of these terms, as well as their potential benefits and dangers. At the completion of all consumer education programs, extra one-on-one counseling should be made available to all borrowers who desire additional assistance in understanding the terms of their loans. The federal government forces subprime lenders to face an educated consumer by requiring consumer education when these terms are present.[170] Giving borrowers information and education will help to eliminate the asymmetry of knowledge between borrowers and lenders, which has been cited as one of

166 *Id.* at 3. It appears that when lenders told borrowers that the term of the mortgage was fixed they did not reveal that the term was only fixed for a short amount of time. "Truth in Lending Act (TILA) disclosures do not adequately disclose this to the unsophisticated borrower. . . . Most borrowers also did not understand that they were being charged substantial fees/costs for the loan." *Id.* at 4.

167 *Id.* at 1.

168 HIRAD & ZORN, *supra* note 33, at 3.

169 It has been argued that, "it is important to emphasize that prevention, including counseling and education, is never a substitute for strong regulation. Education is not a panacea as long as creditors are allowed to push dangerous, unaffordable credit on the most vulnerable." Loonin & Renuart, *supra* note 126, at 197; *see also Ending Mortgage Abuse*, Calhoun Testimony, *supra* note 65, at 7. It should be noted that this Comment does not contend that only consumer education should be used to prevent predatory and abusive loan terms, but merely that its potential for success and inherent strengths should not be overlooked.

170 State and federal laws have been criticized because the triggers that evoke the laws' protections are set too high. Stark, *supra* note 9, at 144–46. Triggers further encourage lenders to simply avoid the triggers rather than comply with the laws. *Id.* at 146. As Malcolm Bush, President of the Woodstock Institute, notes, in calling for national underwriting standards: "Previous laws failed to prevent the problems we are now seeing for a very straightforward reason. The nature of predatory lending is such that any attempt to regulate specific products or practices simply serves as an impetus for unscrupulous lenders to develop new methods for preying on vulnerable home owners." Malcolm Bush, *What We Need is a Meaningful, National Standard for Mortgage Underwriting*, WOODSTOCK DEV. (Woodstock Inst., Chicago, Ill.), Fall 2007, at 3, *available at* http://www.woodstockinst.org/component/option.com_docman/Itemid,260/task,cat_view/gid,98/.

the largest driving forces behind predatory lending practices.[171] Moreover, having the consumer education requirement tied to specific loan terms rather than interest rate or fee triggers, helps to ensure that lenders cannot avoid compliance.[172]

Some have criticized consumer education and counseling because it puts the "burden of the problem on the victim . . ."[173] This Comment's proposal should not be viewed as forcing borrowers to shoulder additional burdens when taking out loans with certain terms; it should be viewed as empowering borrowers by giving them the tools necessary to assess risk[174] and make informed financial decisions. Exotic mortgages[175] should be available to consumers who decide to enter into them with full knowledge of their potential consequences.[176] Federal implementation of a basic consumer education requirement would be most efficient and ensure that all states have a basic education requirement.[177] This would allow lenders to still offer exotic mortgages, but would assist borrowers in making more informed decisions.[178] Despite the criticism that has been directed at the consumer education requirement in the bankruptcy system, a consumer education requirement for home mortgages would have advantages[179] and has been shown to help reduce mortgage delinquencies.[180] One of the easiest ways to ensure compliance with a consumer education requirement would be to require that lenders show proof that borrowers have completed the re-

---

171 Engel and McCoy argue "that today's home-mortgage market is replete with information asymmetries that predatory lenders have exploited to the detriment of borrowers who are disconnected from the credit market." Engel & McCoy, *supra* note 34, at 1271. A twenty-week study of Illinois HB 4050 conducted by eleven HUD-Certified Counseling Agencies revealed that "[b]orrowers tend to trust what they are told by their loan originator and do not understand what is written in the voluminous disclosures given to them." *Findings HB 4050*, *supra* note 164, at 3. "Additionally, borrowers often operate under the mistaken presumption that their loan originator has an obligation to obtain the best loan and interest rate for them." *Id.* at 4. "Buying or refinancing a home is the biggest investment that most families ever make, and particularly in the subprime market, this transaction is often decisive in determining a family's future financial security. The broker has specialized market knowledge that the borrower lacks and relies on." *Ending Mortgage Abuse*, Calhoun Testimony, *supra* note 65, at 8.

172 *See supra* note 170 and accompanying text.

173 Stark, *supra* note 9, at 131. "A solution founded on education or counseling puts the onus on potential victims to avoid predatory-loan terms, rather than on the perpetrators. Such reliance is nothing more than caveat emptor served up with an informational brochure or loan counseling." Engel & McCoy, *supra* note 34, at 1310–11.

174 "[R]isk means the chance that something *different* than expected will happen." ERIC A. CHIAPPINELLI, CASES AND MATERIALS ON BUSINESS ENTITIES 44 (2006). For borrowers, foreclosure should be something different than what is expected to happen when they take out a mortgage.

175 Exotic mortgages are mortgages with non-traditional terms, such as adjustable interest rates, prepayment penalties, balloon payment(s), negative amortization, or financed points and fees.

176 *Maxed Out*, a documentary on debt in America, begins with a realtor in Las Vegas discussing how she had taken out a "loan to value" mortgage to build a large custom home. She admits that, if the "interest rate goes up by the time we move-in in April, I might not be able to afford the house anymore." MAXED OUT (Magnolia Home Entertainment 2006). This is a markedly different situation from a borrower who has entered into a loan, not even knowing that his/her loan carries an adjustable interest rate.

177 *See infra* notes 182–186 and accompanying text.

178 *See supra* note 105 and accompanying text.

179 *See infra* Part IV.B.

180 *See* HIRAD & ZORN, *supra* note 33, at 3.

quired consumer education before they are allowed to securitize their loans and sell them on the secondary market.[181]

A. Federal Legislation Should Establish a Baseline for the Consumer Education Requirement

The consumer education requirement proposed in this Comment should be federally enacted, but it should only be viewed as a baseline for the states to follow. Though this approach may not be favored by multi-state lenders due to potential variances between states,[182] it is favorable to purely federal legislation and to legislation that is left solely to the states for a number of reasons. Implementing the consumer education requirement in this manner ensures that all states will have an efficient consumer education requirement.[183] Further, because the federal legislation provides only a baseline, states will be allowed to pass stricter legislation if they believe it is necessary. For example, states may add additional terms which would also require consumer education. This allows the states some level of freedom to experiment and gives each state the ability to account for its individual needs.[184] This proposal may be workable as an amendment to existing federal law, such as the TILA,[185] or it may require an entirely new piece of legislation. In addition to federal implementation of the consumer education requirement, the federal government should provide the states with federal funds to implement the consumer education requirement.[186]

Some of the main concerns of requiring a consumer education requirement are how to fund this education, and how to find and train enough educators.[187] This Comment proposes that the federal government bear the costs of the consumer education programs, since the requirement will be federally mandated and cannot be waived by borrowers whose loans contain certain terms.[188] One possible way for the government to fund and implement this requirement would be for the federal government to allot an additional budget to the Department of Housing and Urban Development ("HUD") for consumer education programs.[189]

---

181 The ease of securitization of loans has led to the boom in the subprime market and the growth of predatory lending practices. *See supra* Part I.A.

182 "Lenders would prefer a uniform approach . . . because with a uniform law, multi-state lenders will have only one set of rules to comply with, making compliance with the law easier and cheaper to administer." Stark, *supra* note 9, at 150.

183 Stark argues for a uniform federally enacted mortgage counseling intervention requirement, noting that it is preferable to the state-by-state approach, because "consumer advocates fear that in light of the current holders of national office, it is unlikely that as effective a law will be enacted as might be enacted by certain states." *Id.*

184 *Cf. id.* at 150–51 (arguing that a uniform federal requirement would be preferable to a state-by-state approach).

185 Stark's article proposes consumer counseling as an amendment to the TILA. *Id.* at 150.

186 *Id.* at 141.

187 *Id.*

188 *Id.* at 141–42.

189 *Id.*

Currently, HUD has already approved housing counseling agencies across the country.[190] Having HUD develop uniform counseling criteria—to be adjusted to suit stricter state laws if necessary[191]—for these already approved counseling agencies to adopt, may be one of the easiest and most efficient ways for a consumer education requirement to be implemented. Though additional educators may still need to be trained,[192] the existence of an already established network of counselors would cure some of the initial burden during the implementation stage of the consumer education requirement.[193] This pre-existing network of government-approved housing counselors would put a consumer education requirement for mortgages steps ahead of the consumer education and counseling requirements in the bankruptcy system.[194]

B. Though Consumer Education has not been Successful in Bankruptcy, it can Succeed in Protecting Borrowers

In 2005, Congress reformed the bankruptcy system.[195] The new law,

---

190 For a listing of HUD-approved housing counseling agencies, see HUD.gov, HUD Approved Housing Counseling Agencies, http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm (last visited Mar. 15, 2008). There are over 125 approved housing counseling agencies in California alone. *See id.*

191 Should states enact stricter legislation in addition to the federal legislation, the states should be expected to make budgetary contributions to account for the additional counseling that will have to be given in that state.

192 Since the education requirement cannot be waived, additional counselors who speak languages other than English will need to be trained in some locations. Some of the approved housing counseling agencies in the current HUD network offer services in languages other than English, and some do not. *See* HUD.gov, Find a Housing Counselor, http://www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm (last visited Mar. 15, 2008). Being able to provide services in languages other than English is of vital importance in some regions in the United States, particularly considering evidence which shows a correlation between a borrower's inability to read or speak English and his/her vulnerability to predatory lending practices. *See, e.g.*, C. Lincoln Combs, Comment, *Banking Law and Regulation: Predatory Lending in Arizona*, 38 ARIZ. ST. L.J. 617, 623 (2006). Combs' article notes the trend in Arizona, where the state's immigrants from Latin America and Mexico have become targets of predatory lending. One of the main reasons that these people have been targeted by predatory lenders is because "they are often not able to read the documents in English that are presented to them to sign . . . ." *Id.*

193 During the twenty-week study of Illinois HB 4050 conducted by eleven HUD-Certified Counseling Agencies, there were forty-one counselors trained to provide the Bill's required File Review. "All borrowers referred for File Review were able to schedule and complete the File Review with a participating HUD-certified Counseling Agency within the 10-day statutory time frame." *Findings HB 4050*, *supra* note 164, at 2. Moreover, "[t]here were no documented delays in the closing of loans because of a lack of counselors or delays in providing the File Review." *Id.*

194 *See infra* notes 206–09 (discussing criticism of the lack of direction given to US trustees regarding training and qualification of bankruptcy counselors).

195 Loonin & Renuart, *supra* note 126, at 186. *See also* Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, Pub. L. No. 109-8, 119 Stat. 23 (codified as amended in scattered sections of 11 U.S.C.). "BAPCPA . . . [is] the most substantial revision of bankruptcy law since the 1978 Bankruptcy Code. BAPCPA generally became effective as to cases filed on or after October 17, 2005." Eugene R. Wedoff, *Major Consumer Bankruptcy Effects of BAPCPA*, 2007 U. ILL. L. REV. 31, 31. "By the early 2000s, more people filed for bankruptcy each year than suffered a heart attack. More filed bankruptcy than were diagnosed with cancer. More filed bankruptcy than graduated from college. . . . Americans filed more petitions for bankruptcy than for divorce." Elizabeth Warren, *A New Conversation About the Middle Class*, 44 HARV. J. ON LEGIS. 119, 120 (2007). Due to the overwhelming number of Americans filing for bankruptcy each year, BAPCPA was enacted in order to prevent abuse of the bankruptcy system and its protections and to make affordable credit more accessible. Press Release, The White House, President Signs Bankruptcy Abuse Prevention, Consumer Protection Act

the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 ("BAPCPA"), made many significant changes to American bankruptcy law.[196] One of the major changes BAPCPA made to the Bankruptcy Code was the addition of consumer counseling and consumer education requirements.[197] First, to be able to qualify as a debtor under BAPCPA, individuals must now receive consumer counseling, in the form of a briefing, within 180 days of filing for bankruptcy.[198] This briefing can take place in a one-on-one or group setting, and can be done over the phone or the internet.[199] "Specifically, the credit briefing must outline opportunities for credit counseling, provide a budget analysis, and provide an analysis of financial conditions, factors that caused such financial conditions, and how the debtor can develop a plan of action for dealing with the debt without incurring negative amortization of debt."[200] Second, in order to be able to qualify for discharge, debtors must also complete a personal financial management course.[201]

Congress enacted the consumer education and counseling requirements of BAPCPA in response to concerns that consumers were filing bankruptcy in cases when it was not their only option.[202] BAPCPA's con-

---

(Apr. 20, 2005), *available at* http://www.whitehouse.gov./news/releases/2005/04/20050420-5.html. Scholars and practitioners have expressed doubt that these goals can be achieved through BAPCPA and have sharply criticized the law. "BAPCPA likely prevents bankruptcy abuse if only because it limits the number of people eligible to file for bankruptcy protection. By reducing the number of overall bankruptcy filings, BAPCPA likely curbs abusive bankruptcy filings. Of course, . . . BAPCPA also prohibits good faith filers from obtaining bankruptcy relief, leaving them at the mercy of their creditors and state exemption laws." Alan D. Eisler, *The BAPCPA's Chilling Effect on Debtor's Counsel*, 55 AM. U. L. REV. 1333, 1334 (2006). *See generally* David K. Stein, Comment, *Wrong Problem, Wrong Solution: How Congress Failed the American Consumer*, 23 EMORY BANKR. DEV. J. 619 (2007).

196 Wedoff, *supra* note 195, at 31.

197 11 U.S.C.A. §§ 109(h), 111 (West 2007).

198 § 109(h); *see also* Wedoff, *supra* note 195, at 36; Martin & Tama y Sweet, *supra* note 20, at 518; Karen Gross and Susan Block-Lieb, *Empty Mandate or Opportunity for Innovation? Pre-Petition Credit Counseling and Post-Petition Financial Management Education*, 13 AM. BANKR. INST. L. REV. 549, 550 (2005). "Under new § 109(h), individuals are ineligible for relief under any chapter of the Code unless, within 180 days of their bankruptcy filing, they received 'an individual or group briefing' from a nonprofit budget and credit counseling agency approved by the U.S. trustee or bankruptcy administrator . . . ." Wedoff, *supra* note 195, at 36 (quoting 11 U.S.C.A. § 109(h)(1) (West 2007)). There are some narrow exceptions for this requirement set forth in 11 U.S.C.A. § 109(h)(4).

199 11 U.S.C.A. § 109(h)(1) (2007); Wedoff, *supra* note 195, at 36.

200 Martin & Tama y Sweet, *supra* note 20, at 518. *See* 11 U.S.C.A. § 109(h)(1)(a) (2007).

201 11 U.S.C.A. § 111 (2007); Wedoff, *supra* note 195, at 37; Gross & Block-Lieb, *supra* note 198, at 551. Some narrow exceptions for this requirement are also set forth in 11 U.S.C.A. §109(h)(4) (2007). "According to the instructions distributed by The Executive Office of the United States Trustee ('EOUST') and memorialized in the Code of Federal Register, the entity charged with administering this requirement, the course must cover at least three areas of instruction: budget development, money management, and the wise use of credit." Martin & Tama y Sweet, *supra* note 20, at 519.

202 Michael Newman, *BAPCPA's New Section 109(h) Credit Counseling Requirement: Is It Having the Effect Congress Intended?*, 2007 UTAH L. REV. 489, 489–92. "Congress's intent in enacting the new credit counseling provisions of BAPCPA was thus to encourage individual consumer debtors to consider bankruptcy a 'remedy of last resort,' by forcing debtors to learn about the consequences of filing bankruptcy and the available non-bankruptcy alternatives." *Id.* at 490–91. "[BAPCPA] contains several provisions that seek to improve consumers' financial literacy in an attempt to decrease the total number of future bankruptcy filings." *Id.* at 489 (quoting 151 CONG. REC. E685, E704 (2005) (statement of Rep. Moore)).

sumer education and counseling requirements have received a great deal of criticism for a variety of reasons. Considering that the debtor is already on her way to file her bankruptcy petition, one of the main concerns is whether the required briefing[203] to obtain debtor status will be effective.[204] Further, it is argued that this requirement prevents people who would otherwise qualify for bankruptcy from being able to file for relief.[205]

Another large concern is the lack of direction given to the Executive Office of the United States Trustee regarding how to approve the private non-profit organizations that have been charged with the task of implementing the mandatory pre-bankruptcy counseling.[206] In the past, the credit counseling industry was funded by the consumer finance industry, but this has ended and, as a result, more aggressive consumer counseling agencies have emerged.[207] This has led to a litany of potential dangers for consumers who seek the help of these agencies, including "deceptive marketing, high pressure sales efforts, high fees and practices inconsistent with the best interests of their consumer customers."[208] Congress, aware of these problems in the credit counseling industry, still decided to require that everyone seeking to file bankruptcy receive counseling from an approved agency.[209]

Though the consumer education and counseling requirements of BAPCPA have been widely criticized, requiring consumer education or counseling for mortgages that carry certain specified terms could avoid many of these criticisms. First, and probably most importantly, the counseling will take place before the borrower enters into the mortgage agreement.[210] The timing of pre-purchase counseling distinguishes it from pre-bankruptcy consumer counseling for debtors. Pre-purchase counseling for borrowers takes place when borrowers still have the ability to decide not to enter into a mortgage, which is dramatically different from pre-bankruptcy counseling which takes place after consumers have already made credit decisions that have led them to the brink of bankruptcy.[211] More importantly,

---

203 11 U.S.C.A. §109(h) (2007).

204 Martin & Tama y Sweet, *supra* note 20, at 540. "[I]t is highly questionable whether *any* debtor education on the way into bankruptcy will be effective. . . . It is simply too late, at that point, to meaningfully affect any decision a debtor could make." *Id.*

205 "Given the timing and the stress levels of a person facing financial crisis, the first course serves no useful function. Importantly, this requirement also keeps deserving people out of bankruptcy." *Id.* at 519.

206 *See* Gross & Block-Lieb, *supra* note 198, at 553–58.

207 *Id.* at 554.

208 *Id.* Even though these are non-profit agencies, some "function as virtual for-profit businesses, aggressively advertising and selling DMPs [(debt management programs)] and a range of related services, maintaining close ties to for-profit firms, [and] reaping high revenues . . . ." *Id.* at 555.

209 *Id.* at 558.

210 Timing plays a large role in borrower education and counseling. Pre-purchase counseling and education tends to be "designed to better prepare families for the responsibilities of homeownership by explaining the home buying and financing process, encouraging financial planning and money management, and going over home maintenance and repair issues and concerns." HIRAD & ZORN, *supra* note 33, at 5.

211

it has been shown that pre-purchase consumer counseling and education does have a significant impact on mortgage delinquency rates.[212] Promoting lender compliance is also an integral component to ensuring that consumers are receiving the knowledge necessary to navigate the complicated terms in today's subprime mortgage market. One way to prompt lenders to adhere to this requirement would be to require proof that the borrower has completed the required consumer education program before lenders are allowed to securitize the loan.

C. Precluding Lenders from Securitizing Loans where Borrowers did not Participate in the Required Consumer Education will Promote Compliance

As discussed above, the boom in the subprime market is largely attributable to the rise in securitization of mortgages.[213] One of the biggest criticisms of subprime lending is that, due to securitization, loan originators do not have a reason to closely scrutinize the loans' anticipated future performance.[214] Since lenders are able to quickly sell their loans on the secondary market, lenders have become less concerned with borrowers' potential future defaults.[215] As a result, securitization has led to relaxed underwriting standards.[216] To prevent abusive lending practices there has been a call for

---

> [I]t is likely that some—perhaps many—debtors' financial situations will have so deteriorated before they seek prebankruptcy credit counseling that bankruptcy is their only recourse. A recent U.S. Government Accountability Office (GAO) study reports that anecdotal evidence suggests just that: By the time debtors seek prebankruptcy credit counseling, their financial situation is dire enough to allow few alternatives to bankruptcy . . . .

NOREEN CLANCY & STEPHEN J. CARROLL, PREBANKRUPTCY CREDIT COUNSELING 2 (2007), *available at* http://www.usdoj.gov/ust/eo/public_affairs/reports_studies/docs/Pre-Bankruptcy_Credit_Counseling_Report_Rand.pdf.

212 "Borrowers receiving individual counseling experience a 34 percent reduction in [90-day] delinquency rates. . . . [C]lassroom and home study counseling [reduce these delinquency rates by] 26 percent and 21 percent . . . respectively." HIRAD & ZORN, *supra* note 33, at 2. It should be noted that the data for this study came from loans originated from 1993 to 1998, and the authors note that, since counseling and education techniques have progressed since then, "[i]t is likely that these changes have improved counseling's effectiveness, and therefore our analysis likely underestimates the benefits of current counseling programs." *Id.* at 18–19. Further, unlike BAPCPA, it should be noted that this Comment's proposal does not allow for telephone or internet education. Telephone counseling and education have not been shown to effectively reduce delinquency rates. *Id.* at 18.

213 *See supra notes* 19, 51, 181; *see infra* notes 214, 216.

214 SCHLOEMER, *supra* note 14, at 5. "Lenders shield themselves from the full potential cost of foreclosures by selling their loans to investors through the secondary mortgage market. Together, third-party originations and the risk dispersion made possible through the secondary market help distance loan originators from seriously adverse consequences of foreclosures." *Id* Securitization also helps lenders to avoid legal responsibility for predatory loans. "A legal doctrine called the 'holder in due course' rule shields [the] loan assignee and ultimately the investors against liability for the predatory nature of the loans." Loonin & Renuart, *supra* note 126, at 178–79.

215 Eggert, *supra* note 19, at 550.

216 *Id.* at 550–51. "[S]ecuritization has encouraged the decline of stringent underwriting." *Id.* at 550. The effect that securitization would have on the underwriting standards has been around for some time. In a 1989 article, Edward Pittman wrote, "Today, approximately half of the private whole loan pass-through market is comprised of limited documentation loans. The increasing use of such loans, among other things, has been cited by some commentators as evidence of deterioration in the quality of securities that are being created" Edward L. Pittman, *Economic and Regulatory Developments Affect-*

more strictly enforced underwriting standards[217] and greater investor accountability.[218] Requiring lenders to show proof that a borrower has participated in the federally mandated consumer education program before the lender is able to securitize the loan would help serve these goals.

If a borrower has completed the consumer education courses, she should be in a position to assess the risks of her proposed investment, and will have been given the ability to contact an additional counselor if she has questions or concerns regarding her loan. These tools will enable the borrower to make an informed decision as to whether she should enter into a particular loan. If borrowers have undergone this process, then investors would be able to invest in mortgage-backed securities knowing that borrowers have assessed the risks of the loan,[219] therefore giving investors increased confidence that their investments are not furthering predatory lending practices.

If a borrower has not participated in consumer education, the lender will be precluded from securitizing the loan. This will force the lender to endure the consequences if the borrower should default on her mortgage in the future. Since it would not be in the lender's best interest for the borrower to default on the loan while the lender was still holding it in his portfolio due to the time and expense related to foreclosure proceedings, lenders would most likely reform underwriting standards or ensure that borrowers participate in the required consumer education courses to help them understand the terms of their loans.

---

ing Mortgage Related Securities, 64 NOTRE DAME L. REV. 497, 546 (1989). Today, scholars are still critical of the effects of securitization on underwriting standards. "Lax underwriting standards magnify the risk of loans that already include high-risk features. Subprime lenders who market exploding ARMs and other high-risk loans often do not adequately consider whether the homeowner will be able to pay when the loan's interest rate resets, even if rates stay constant." SCHLOEMER, *supra* note 14, at 5.

217 Bush, *supra* note 170, at 3.

218 "Investors should take reasonable steps to avoid supporting unsound lending, including refusing to purchase mortgages from lenders who make abusive loans and requiring that subprime lenders use appropriate underwriting standards to ensure that borrowers can repay the loan." SCHLOEMER, *supra* note 14, at 31.

219 Moral hazards should be considered. "In general, a moral hazard is the risk that a party with discretion to act will choose an action that decreases the expected value of the transaction to the other party in a way that the other party cannot effectively prohibit." CHIAPPINELLI, *supra* note 174, at 86. A full discussion of moral hazards and subprime loans would go beyond the scope of this Comment. But, briefly, one might claim that one of the main moral hazards to the lender is that a borrower may not care that there is a high probability of foreclosure associated with the mortgage and go through with the transaction anyway. A response to this argument could be that lenders can control this moral hazard by tightening their underwriting standards.

CONCLUSION

Consumer education can work. Illinois' law, HB 4050,[220] made Mr. Alvaro Cortez a believer.[221] In December of 2006, Mr. Cortez found his dream house and went through the counseling sessions mandated by HB 4050.[222] A loan counselor worked with Mr. Cortez and taught "him how to verify his mortgage's terms."[223] Mr. Cortez believes that his counseling "helped him stand up for himself when he went to his closing. There. . .the paperwork showed that he had an adjustable-rate loan, instead of the fixed-rate one he had been promised. The interest rate also was higher than he agreed to pay. Mr. Cortez refused to sign."[224] On Mr. Cortez' second closing date, the loan documents still did not reflect the loan he had been promised and he refused to sign once again.[225] At the third closing, Mr. Cortez finally signed loan documents reflecting the loan that he was promised.[226]

A federally mandated consumer education requirement would curtail abusive lending practices since lenders would not be as easily able to exploit borrowers' lack of knowledge of mortgage terms. To increase lender accountability and ensure their compliance with the consumer education requirement, lenders should be required to prove that borrowers have completed the mandatory education in order to securitize their loans. If the federal government were to implement a consumer education requirement for mortgages containing certain terms that have been commonly associated with predatory lending and are now prevalent in subprime loans, like Mr. Cortez, many borrowers would learn the skills necessary to protect themselves.

220 Codified as 765 ILL. COMP. STAT. ANN. 77/1, et seq. (West 2007); *see also* Merrick, *supra* note 150.

221 Merrick, *supra* note 150.

222 *Id.*

223 *Id.*

224 *Id.*

225 *Id.*

226 *Id.*