IP/ENTERTAINMENT LAW WEEKLY CASE UPDATE FOR MOTION PICTURE STUDIOS AND TELEVISION NETWORKS

May 11, 2011

Table of Contents

In Re NCAA Student-Athlete Name & Likeness Litigation, USDC N.D. California, May 2, 2011

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- Court denies motions of licensing company and athletic association to dismiss claims of breach of contract and civil conspiracy relating to the use of names and likenesses of student athletes in video games.

This proposed federal class action lawsuit originated as a number of individual lawsuits, including an action by plaintiff Sam Keller, a former starting quarterback for Arizona State University and the University of Nebraska, styled *Keller v. Electronic Arts, Inc.*, as well as actions alleging antitrust violations. The suits were consolidated and renamed *In Re NCAA Student-Athlete Name & Likeness Litigation*. Plaintiffs include two groups of former student football and basketball players, the Publicity Plaintiffs and the Antitrust Plaintiffs.

Publicity Plaintiffs allege that defendant Electronic Arts (EA) misappropriated the likenesses of student athletes in its sports-themed video games, which include its NCAA Football, NCAA Basketball and NCAA March Madness video game franchises. EA's games are allegedly developed and distributed pursuant to license agreements with defendant the National Collegiate Athletic Association (NCAA) and defendant Collegiate Licensing Company (CLC), a company that allegedly handles the licensing agreements for NCAA and NCAA member institutions.

Publicity Plaintiffs contend that, in these video games, consumers simulate football and basketball matches between teams from NCAA-member schools. The teams in the video games are comprised of virtual football and basketball players that Publicity Plaintiffs claim EA designed to resemble the actual student athletes on those teams. These virtual players purportedly share attributes of the student-athletes, including jersey numbers, height, weight, home state, skin tone and hair color. While EA omits the names of the virtual players, identifying them only by jersey number, Publicity Plaintiffs allege that EA has designed the games to allow consumers to upload team rosters created by third parties, having the effect of relabeling the virtual players with the respective student-athletes' names. Plaintiffs allege that the NCAA and CLC know that EA's video games are designed with these features, which enhance the games' realism.

Publicity Plaintiffs assert seven causes of action, based on the individual complaint filed by plaintiff Keller, including breach of contract and civil conspiracy claims against EA, NCAA and CLC.

Prior to the consolidation of the these action, defendant CLC had moved to dismiss the civil conspiracy claim in Keller's complaint, asserting that Keller failed to state a claim that CLC was involved in any conspiracy. The court denied CLC's motion. After consolidation, plaintiffs filed a Consolidated Amended Complaint, and defendant CLC moved to dismiss the conspiracy claims against it, asserting that plaintiffs had pleaded new allegations that contradict the notion that it was involved in any civil conspiracy. The court, considering only whether any new allegations warranted reconsideration of its previous ruling, found that no new allegation supported a different result.

The court distinguished the case before it from *Hart v. Electronic Arts, Inc.*, 740 F. Supp. 2d 658 (D.N.J. 2010), a similar case in which the court dismissed the conspiracy claim against defendant EA and which CLC argued was controlling. In *Hart*, the plaintiff also alleged that EA used his likeness without his consent. In that case, however, EA was the only defendant and the court held that the civil conspiracy claim failed because the complaint contained no allegations suggesting a conspiratorial agreement between EA and other parties to use plaintiff's image in disregard of his rights. Plaintiff Keller's allegations, on which Publicity Plaintiffs' allegations are based, were not similarly deficient, and the court denied CLC's motion to dismiss.

Defendant NCAA also moved to dismiss the Publicity Plaintiffs' breach of contract claim, as well as the claim based on civil conspiracy theory. Because the NCAA argued for dismissal of the conspiracy claim for the same reasons as defendant CLC, the court denied the motion to dismiss.

On the NCAA's motion to dismiss the breach of contact claim, the court found that the Publicity Plaintiffs had pleaded allegations to support the existence of a contract under California law. Prior to consolidation, the court had dismissed plaintiff Keller's breach of contract claim against the NCAA, finding that the allegations in the original complaint failed to state allegations supporting a contract between him and the NCAA. Defendant NCAA argued that the Publicity Plaintiffs had not cured the deficiency in pleading in the Consolidated Amended Complaint. The court disagreed. The court noted that plaintiffs alleged, among other things, that they offered as consideration to the NCAA a license to use their names or pictures to promote NCAA championships or other NCAA events, activities or programs, and that this license did not permit NCAA to use student-athletes' names, pictures and likenesses for commercial purposes. In exchange, NCAA allegedly agreed to grant players eligibility to participate in the NCAA athletics program.

The court disagreed with the NCAA's argument that this contract as alleged did not contain a promise not to use the Publicity Plaintiffs' names and likenesses for commercial purposes. Noting that contracts need not contain every term and condition, the court reasoned that it was "reasonable to infer that Publicity Plaintiffs understood that they granted a limited license to NCAA to use their names and likenesses to promote NCAA events and that the license did not permit the use of their names and likenesses for other purposes." While discovery in the lawsuit might reveal a different understanding, the court found that the Publicity Plaintiffs pleaded a contract sufficient to withstand the motion to dismiss.

The court also granted defendant EA's motion to dismiss the federal and California antitrust claims against it, but gave plaintiffs leave to file an amended complaint. The court denied CLC's and the NCAA's motions to dismiss the antitrust claims against them.

Arista Records LLC v. Lime Group LLC, USDC S.D. New York, April 29, 2011

Click here for a copy of the full decision.

- In damages phase of copyright infringement case against distributors of peer-to-peer file sharing system, court grants plaintiff record companies' motion to preclude defendants from arguing or offering expert testimony to show that other illegal services would have induced infringement even had defendants not.

In this copyright infringement case, the court granted summary judgment May 11, 2010, in favor of plaintiff record companies on their claims against defendants, distributors of a peer-to-peer file sharing program, for secondary copyright infringement. The court found that defendants had induced multiple users of the LimeWire online file-sharing program to infringe plaintiffs' copyrights in sound recordings. The litigation is now in the damages phase. Plaintiffs seek statutory damages for approximately 9,715 post-1972 sound recordings and actual damages for approximately 1,490 pre-1972 sound recordings.

Plaintiffs moved to preclude defendants from arguing or offering expert testimony to show that other illegal services would have induced infringement of plaintiffs' copyrights had Lime Wire had not done so. The courted granted the plaintiffs' motion.

The court noted that there is a dearth of case law on this precise question and looked to a few older patent cases as "the closest guidance" for the proposition that a court should not allow an infringer to escape liability (or reduce his liability) on the theory that even if he had not infringed, someone else would have done so. Acknowledging that the patent decisions are not binding, the court reasoned that the principle underlying them – "essentially a deterrence principle" – nonetheless applied with equal force in a copyright case. "In copyright, as in patent, an infringer should not be able to escape or reduce his liability based on a theory that, had he not infringed, others would have caused similar losses by purveying infringing works."

The court acknowledged that the application of the principle in both the patent and the copyright context requires a departure from "reality." In the patent cases, the patent holders would have faced competition from other infringers, had the defendants not infringed. The lost profits – the measure of damages in patent cases – would have been adjusted to reflect that reality. The courts in patent cases have held, however, that public policy outweighs the value of recognizing the presence of other infringers in the market. In the copyright context, the court held that, regardless of the fact that other infringing services did exist that could have caused losses to plaintiffs, defendants should be accountable for losses traceable to their own infringement.

The court stressed that its order did not entirely preclude the admission of evidence regarding other illegal services for all purposes. Evidence of other illegal services may be admissible to show that a diminution in plaintiffs' profits over time was only partially attributable to defendants, because others caused some of plaintiffs' actual losses, as well as to counter plaintiffs' argument that a large award would likely deter other infringers.

With respect to lost revenue, defendants may introduce the historical fact that other illegal services existed to show that not all illegal downloading took place through LimeWire, but they may not argue that they are not responsible for the actual infringement that did take place through their program because that same infringement could have taken place through another system.

As to deterrence, the court noted that plaintiff record companies were seeking to submit evidence regarding other illegal services to show that a large award in their favor is needed to deter infringing conduct by others, and that defendants were seeking to show that large damage awards against similar infringers in the past have failed to deter infringement of plaintiffs' copyrights. Because plaintiffs will use evidence of other illegal services to argue in favor of a large damage award, the court ordered that defendants should be permitted to rely on similar evidence to counter plaintiffs' arguments on the deterrent effect.

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