Proskauer

Three Point Shot

September 2012

In Tennis Channel Carriage Dispute with Comcast, Ball is Now in Appeals Court

While Serena Williams may be playing the best tennis of her career on the hard courts this summer, Tennis Channel, Inc. has been matched up against Comcast in the law courts.

In July 2012, in a 3-2 vote, the Federal Communications Commission found that Comcast discriminated against Tennis Channel by not distributing its video programming more broadly to Comcast subscribers; specifically by not positioning Tennis Channel on the same tier as Comcast affiliates Golf Channel and NBC Sports Network (formerly known as Versus). This latest ruling stems from a 2010 Tennis Channel complaint against Comcast under Section 616 of the Communications Act, 47 U.S.C. § 536, which pertains to discrimination in carriage agreements. The FCC's ruling is the first time that a cable network has prevailed against a distributor regarding discrimination in carriage under Section 616.

Section 616 was added to the Communications Act through the Cable Television Consumer Protection and Competition Act of 1992, which was enacted to "amend the Communications Act of 1934 to provide increased consumer protection and to promote increased competition in the cable television and related markets. . . ." Paragraph (a)(3) of Section 613 prohibits a multichannel video programming distributor ("MVPD") (such as Comcast) from "unreasonably restrain[ing] the ability of an unaffiliated video programming vendor [such as Tennis Channel] to compete fairly by discriminating in video programming distribution on the basis of affiliation or nonaffiliation of vendors in the selection, terms, or conditions for carriage of video programming provided by such vendors." The FCC implemented Section 616 in an administrative regulation at 47 C.F.R. § 76.1301.

The FCC's Media Bureau initially heard the matter and determined that Tennis Channel's complaint was not barred by the statute of limitations and the complaint made out a *prima facie* case of carriage discrimination under Section 616. An administrative law judge agreed, and ordered Comcast to pay a $375,000 fine and carry Tennis Channel at the same distribution level as Golf Channel and NBC Sports Network (while compensating Tennis Channel appropriately for that distribution level). The ALJ also ordered Comcast to provide Tennis Channel with "equitable treatment" with respect to channel placement.

In its July ruling on Comcast's appeal from the decision of the ALJ, the Commission affirmed the ALJ's fine and equal distribution decision. The equal distribution remedy means that Tennis Channel has to be carried on the same distribution tier as Golf Channel and NBC Sports Network. But the Commission vacated the ALJ's decision to grant the equitable channel placement remedy because "the record does not sufficiently establish that Tennis Channel's ability to compete fairly was unreasonably restrained by its channel placement." The equitable channel placement remedy would have required Comcast to place Tennis Channel close to Golf Channel and NBC Sports Network in its channel listings.

The majority of FCC commissioners determined that Tennis Channel is similarly situated to Golf Channel and NBC Sports Network because they carry similar sports programming, appeal to similar viewer demographics, solicit similar advertisers, and have almost identical ratings. The majority determined that Comcast's position as the dominant MVPD created a "ripple effect," such that "one MVPD's decision to carry a network at a specific level of distribution increases the likelihood that another MVPD will carry that network at the same level of distribution." Therefore, they reasoned, the fact that other MVPDs carried the Tennis Channel at a similar or worse tier than Comcast was the result of Comcast's decision and could not be used as objective evidence of where the market would carry the Tennis Channel but for Comcast's choice. The majority also gave no weight to Comcast's claim that it conducted a cost-benefit analysis in determining Tennis Channel's placement because a Comcast executive admitted that "she gave no thought to preparing an analysis of 'what Comcast might have gained by moving The Tennis Channel to a more widely-distributed tier.'"

The dissent disagreed with the "ripple effect" argument and believed that Comcast could not have discriminated against Tennis Channel because the evidence showed that its treatment of Tennis Channel was "within the industry mainstream."

Comcast has appealed the FCC's order in the United States Court of Appeals for the District of Columbia on the ground that the decision is "arbitrary, capricious, and an abuse of discretion." While the FCC denied Comcast's petition for a stay of the FCC's order pending the federal court decision, the circuit court summarily granted a stay pending appeal.

It took Roger Federer four hours to defeat Juan Martin del Potro and advance to the 2012 Olympics gold medal round, where Andy Murray prevailed and took home the gold. Comcast's current set versus Tennis Channel will take much longer. The ramifications of this decision may shape the future of programming and carriage antidiscrimination complaints before the FCC. We will have to wait and see who will win this match.

Crimson Tide Infringement Claims Turned Back by Artist's Fair Use Defense

It usually takes an entire opposing team to defeat a determined 'Bama offense, but in June 2012, artist Daniel A. Moore managed to do that single-handedly (if you don't count his lawyers and a panel of appeals court judges). In University of Alabama Board of Trustees v. New Life Art, Inc., the U.S. Court of Appeals for the Eleventh Circuit handed Moore a decisive win against the school's claims that his paintings, prints and calendars depicting Crimson Tide football players in team colors infringe the University's trademarks.

Moore's relationship with the University goes way back, as does the course of conduct between them with respect to the creation and distribution of his work. And that course of conduct was to have a bearing on the ultimate outcome of their dispute in the appellate court.

Moore is a 'Bama alum, and, according to him, a proud supporter of the school. He graduated from the University with a B.A. in Fine Arts in 1976. A few years thereafter, he began producing and selling "historic" depictions of the team in uniform, including helmets and jerseys showing the Alabama crimson and white team colors. Until 1990 Moore produced these works without any licensing or other agreement with the University. The school was aware of his work, however, and ordered and resold prints of his work on numerous occasions.

Beginning in 1991, Moore and the University entered into a series of licensing agreements that, among other things, provided for the use of University trademarks on the border or packaging of specific items. Items such as mugs, cups, flags, towels and t-shirts, “and other mundane products,” were referenced in the agreements. Despite those agreements, Moore continued to produce and distribute paintings and prints that were not licensed, as well as redistribute works created prior to 1991. The University was aware of those unlicensed works. For example, the University provided Moore with press credentials to enable him to obtain material for his work, and asked him to create an unlicensed painting on live television during a football game, among other things.

But in 2002, the University informed Moore that his paintings and prints would have to be licensed because they utilized the University’s trademarks; in particular, the football uniforms in the team colors. When negotiations failed, the University filed suit under the Lanham Act. After what the appeals court referred to as a “meandering path” through the district court, the dispute arrived in the Eleventh Circuit.

The appeals court first addressed the issue of whether Moore’s paintings, prints and calendars were covered by the 1991 and subsequent licensing agreements. Having concluded that the licensing agreements were ambiguous as to coverage of these items, the court relied on Alabama law, which counsels attention to the parties’ course of conduct in resolving contract interpretation ambiguities. Based upon that course of conduct, the court determined that the University clearly did not intend that Moore would need a license every time he portrayed the team uniforms in paintings, prints and calendars.

The court then turned to the question of whether the depiction of the uniforms constituted trademark infringement, and on this issue, the court deployed the First Amendment defense. The University argued that the paintings, prints and calendars were “more commercial than expressive speech” and thus were entitled to a lesser degree of First Amendment protection than purely expressive speech. But the court ruled that the paintings, prints and calendars were entitled to “full protection under the First Amendment.”

The court applied the balancing test enunciated in Rogers v. Grimaldi (2d Cir. 1989), under which the Lanham Act is read narrowly. To avoid impinging on First Amendment speech, the Second Circuit ruled, the Act "should apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression." This balancing test was referenced by the Sixth Circuit in ETW Corp. v. Jireh Publishing, Inc. (6th Cir. 2003), in which Tiger Woods's publicity company sued an artist who created and sold prints of a collage memorializing the golfer's 1997 win at the Masters of Augusta. There, the appeals court applied the Rogers v. Grimaldi balancing test in concluding that the depiction of Woods was protected because it "had artistic relevance to the underlying work" and did not explicitly mislead as to the source of the work.

The Eleventh Circuit concluded that Moore's work was similarly protected under the Rogers balancing test, because the team uniform colors and designs "are needed for a realistic portrayal of scenes from Alabama football history." There was no evidence, the court found, that Moore marketed unlicensed products as sponsored or endorsed by, or otherwise affiliated with, the University. The "mere inclusion" and "necessary inclusion" of the University's trademarks, the court found, was to "memorialize and enhance a particular play or event in the University's football history."

As to the cups, mugs and other "mundane items" at issue, the case was returned to the district court for the resolution of factual issues.

Meanwhile, the Tide rolls on. Alabama crushed Michigan in its season opener and regained the top spot in the AP college football rankings. That's no doubt a win for Moore as well, and for the market for his work.

Citius, Altius, Litigious: USOC, IOC Keep Olympic Footage out of 2012 Presidential Ads

As Barack Obama and Mitt Romney campaign for the presidency and the title of Most Powerful Man in the Free World, each man and their supporters have determined that there are some powers even they dare not challenge – like the Olympics.

On July 25, Priorities USA Action, a Democratic Party super PAC, pulled a political advertisement from the Web hours after receiving a warning from the United States Olympic Committee that footage from the 2002 Salt Lake City Winter Olympics used in the ad violated the Committee's copyright. Priorities USA Action also agreed not to cut a version of the ad for television. Priorities USA Action's advertisement showed clips from the 2002 Opening Ceremony's parade of nations, highlighting countries where Romney has held foreign investments or bank accounts or to where he allegedly outsourced jobs. The next day, a political ad released earlier in the year by Mitt Romney's campaign that included a short clip from the Salt Lake City Games was marked "private" on the Romney campaign's YouTube page.

"The Olympic Games are a celebration of friendship, excellence and respect," USOC spokesperson Patrick Sandusky said. "The attacks, using Olympic themes and images, need to stop." The USOC's warning was backed by the International Olympic Committee, whose spokesman said that it "does not allow footage of the Olympic games or an association with the Olympic rings to be used for political purposes, in line with the Olympic Charter." While the Olympic Charter does not specifically reference a ban on the use of Olympic marks by politicians or political movements, part of the "Mission and Role of the IOC" is "to oppose any political and commercial abuse of sport and athletes."

Throughout its history, the modern Olympic Games have been a venue for powerful political and social statements – Jesse Owens repudiating Hitler's propaganda in Berlin in 1936, Tommie Smith and John Carlos on a Mexico City medal stand in 1968. For decades, the Games turned United States and Soviet-bloc athletes into de facto single-combat warriors in quadrennial tests of Cold War supremacy. However, throughout that time the IOC claimed a position of political neutrality, and has been vigilant in protecting its brand from being co-opted not just by political organizations but by anyone who would use the word "Olympics" or use Olympic footage without license.

Four years ago during the Beijing Olympics, the IOC made a similar copyright infringement claim to try to remove a YouTube protest video titled "Beijing Olympics Opening Ceremony," produced by the Free Tibet movement, in which the Olympic rings were briefly shown. (Under pressure from free-speech advocates, the IOC ultimately withdrew that claim.) In previous cases, the USOC forced the organizers of the "Gay Olympics" to change its name to the "Gay Games," and, more recently, used the threat of a copyright infringement claim to prevent a man in Hebron, Maine from dubbing his games a "Redneck Olympics."

Even Pippa isn't beyond the reach of the five rings.

Some commentators have noted that it's unclear whether such use of Olympic footage by presidential campaigns or their related super PACs could truly be outlawed. Priorities USA Action could have presented the argument that their ad was a "fair use" of the footage. The "fair use" doctrine allows for copyrighted material to be used without license for purposes such as criticism, comment, news reporting, teaching, scholarship and research. While "fair use" material is not always easily defined, Section 107 of the Copyright Act sets forth four factors to be considered: (1) the purpose and character of the use, (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. During this campaign season, the Romney campaign used a clip of President Obama singing Al Green's "Let's Stay Together"; after briefly being taken down from YouTube, the ad was ultimately declared a fair use of Green's work and put back onto the video-sharing site.

But ultimately this was not a legal fight that either campaign was willing to have with the Olympic movement. "Once we were assured that Mitt Romney and his allies would be held to the same standard, we were glad to take the ad down from our website," said Priorities USA President Bill Burton. And so the Olympics-starved among us are left to explore more important and confounding questions, such as the source of Bob Costas' magical youth elixir.

Related Professionals

- **Howard Z. Robbins**
  Partner

- **Joseph M. Leccese**
  Chairman Emeritus of the Firm
- **Robert E. Freeman**
  Partner
- **Bradley I. Ruskin**
  Partner
- **Wayne D. Katz**
  Partner