

# Sports Broadcasting and Virtual Advertising: Defining the Limits of Copyright Law and the Law of Unfair Competition

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## ARTICLE

# SPORTS BROADCASTING AND VIRTUAL ADVERTISING: DEFINING THE LIMITS OF COPYRIGHT LAW AND THE LAW OF UNFAIR COMPETITION

ASKAN DEUTSCH\*

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## I. INTRODUCTION

Constant technological development has introduced another player in sports broadcasting: virtual advertising, a form of digital technology that allows advertisers to insert computer-generated brand names, logos or animated images into previously recorded television programs or movies. In sporting events, the advertisements can even be inserted live as the game is played, as seen in Superbowl XXXIV on January 31, 2000.<sup>1</sup> This technology has been used since 1995, but has not experienced a major breakthrough yet. Several Major League Baseball (“MLB”) teams have made use of virtual advertisements along the wall behind home plate.<sup>2</sup> Beginning this 2000 season, the technology will be used in a minimum of twenty Sunday Night baseball games.<sup>3</sup> Some teams in the National Basketball Association (“NBA”) display virtual advertisements on their billboards on the sideline, while many collegiate conferences have already made use of virtual advertising in their regular season and tournament broadcasts.<sup>4</sup> The National Football League (“NFL”), however, has yet to approve the use of virtual advertisements during regular season games.<sup>5</sup> The Formula One, with some of the world’s largest sport-

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1. The New Jersey based company Princeton Video Image, Inc., at <http://www.princetonvideoimage.com/> (last visited Mar. 15, 2000), globally and regionally inserted advertisements for the past three Super Bowls, NFL pre-season and NFL Europe games, MLB games, professional soccer matches, motor sports and thoroughbred horse races.

2. For example, the games of three MLB teams, the San Francisco Giants, Philadelphia Philllies and San Diego Padres, included virtual advertisements last season. See Stuart Elliott, *Real or Virtual? You Call It*, N.Y. TIMES, Oct. 1, 1999, at C1.

3. The agreement with ESPN and Princeton Video Image, Inc., covers the use of virtual advertising in more nationally televised baseball games than in any other previous season and will begin with the first week of the baseball season. Press Release (Feb. 22, 2000), at [http://www.corporate-ir.net/ireye/ir\\_site.zhtml?ticker=PVII&script=410&layout=6&item\\_id=75829](http://www.corporate-ir.net/ireye/ir_site.zhtml?ticker=PVII&script=410&layout=6&item_id=75829) (last visited Mar. 15, 2000).

4. These conferences are the Mid Atlantic Athletic Conference, Atlantic 10, Big South, Midwestern Collegiate, and others. Pete Dougherty, *Virtual Reality Hits MAAC Telecasts*, TIMES UNION (Albany, NY), Mar. 5, 2000, at E6.

5. The NFL’s exercised restraint is probably based on the lack of control over the virtual images on the television screen because the advertisements could be eclipsed or overshadowed by virtual signs. Alan Snel, *These are Ads for All Stadiums; Only Home Viewers See ‘Virtual’ Logos*, SUN-SENTINEL (Fort Lauderdale), Dec. 31, 1998, at 1D. However, the NFL approved its use in high school and college broadcasts, as well as pre- or postseason professional games.

ing events, has successfully employed the technology in the third season for the international broadcast of races in countries where tobacco advertising is banned.<sup>6</sup> With the establishment of European and World soccer leagues, virtual advertisements open the advertising market for national or even regional advertisers and do not limit the advertising space to worldwide operating companies. However, in international soccer it was not until recently that the Federation Internationale de Football Association<sup>7</sup> ("FIFA") approved regulations that allow the use of virtual advertisements on any flat area in the stadium at any time, except on the playing field during the play itself.<sup>8</sup> Whereas in Latin America, where virtual advertising – even on the playing field – experiences a widespread acceptance for soccer telecasts, the several European soccer leagues are still struggling to adopt a uniform standard. With the rising popularity of the NFL in Europe, not to mention "NFL Europe," a similar development can be expected with regard to internationally broadcasted football games, which is not limited to the Superbowl.

Although virtual advertising allows signs, billboards, and other types of in-stadium and on-field advertisements to be inserted into the televised picture in virtually any empty space, the demand has been mediocre, mainly because of the high costs of insertion in the early days of the technology. Another reason for the reserved acceptance is the lack of judicial review. So far, broadcast stations have exercised a rule of self-restriction about use and abuse of virtual advertising, absent an agreement.<sup>9</sup> In fact, most professional marketing contracts are silent on rules on alteration by virtual advertising. There exists no explicit federal regulation with regard to virtual advertising. Despite the liberal advertising market in the United States, there are limits by virtue of common law.

6. Such as the races in EU member states England, France, Germany, and Belgium, but not in Monte Carlo. Johnny Watterson, *Sport and Tobacco Drifting Apart*, IRISH TIMES, May 24, 1997, at 8.

7. This is the governing body for world league soccer.

8. On January 1, 2000, FIFA's "Regulations for the Use of Virtual Advertising" became effective, available at [http://www.fifa2.com/fifa/handbook/Va/downloads/VirtualRegs\\_e.txt](http://www.fifa2.com/fifa/handbook/Va/downloads/VirtualRegs_e.txt) (last visited Mar. 15, 2000). The issue of these regulations is intended to ensure that virtual advertising is applied reasonably and the integrity of football matches maintained. See also, Reuters, *Fifa Yellow-Cards Virtual Ads*, WIRED NEWS, Dec. 22, 1999, available at <http://www.wired.com/news/print/0,1294,33232,00.html> (last visited Mar. 15, 2000).

9. Virtual placement has to be done "tastefully," *Virtual Ads, Real Problems*, ADVERTISING AGE, May 24, 1999, at 30; "responsibly," Bruce Horovitz, USA TODAY, Aug. 19, 1996, at 1B; "with taste and discretion," Patrick Allossery, *Virtual Ads Make Their Global Debut: Technology Draws Both Supporters and Detractors*, FIN. POST (Nat. Post), Oct. 8, 1999 at C3; and "in a subtle way," Dougherty, *supra* note 4, at E6.

First, conflicts arise when “real” advertisements are substituted by virtual advertisements without the consent of the owner of the physical location. This practice generates new forms of conflicts among adjacent parties, such as sponsors, different advertisers, team owners, broadcast stations, and the stadium owners.<sup>10</sup> The question often boils down to who owns the rights to place and sell those advertisements.<sup>11</sup> Furthermore, any altering of the appearance of the broadcasted event, with regard to the advertising, raises copyright issues under the existing doctrine of commercial substitution or may even violate Sections 111, 119, and 122 of the Copyright Act, as amended by the Satellite Home Viewer Improvement Act of 1999.<sup>12</sup> Finally, such behavior could constitute Unfair Competition under Section 43(a)(1)(B) of the Lanham Act.<sup>13</sup> Virtual advertising and product placement add a new level of commercialism to television broadcasts by blurring the line between advertising and programming, ultimately exposing the consumer to an ever-increasing stream of commercials. Whereas in Europe, a heated legal discussion has evolved on these issues, the American marketplace, with its liberal advertising policy, and the judiciary has not taken it into significant consideration. However, in the long run these problems will have to be faced.

The purpose of this analysis is to address these potential issues and present solutions that incorporate the international – especially European – standards for the use of virtual advertising.

## II. FEATURES OF VIRTUAL ADVERTISING

Virtual advertising is the use of high-power computers to place still or video images into live video broadcasts in real time so that they look

10. This form of advertising strategy is referred to as “ambush-ad,” see *infra* Part V.D.; e.g. when CBS covered up a Times Square Advertisement on New Years Eve’s broadcast with a CBS logo. Ned Potter, *Arbitrary Digital Advertising* (Jan. 31, 2000), available at [http://more.abcnews.go.com/onair/closerlook/wnt\\_000131\\_cldigitalads\\_feature.html](http://more.abcnews.go.com/onair/closerlook/wnt_000131_cldigitalads_feature.html) (last visited Mar. 15, 2000); Paul Vercammen, *Digital Developments: Networks Changing Images on Your TV*, available at <http://www.cnn.com/2000/SHOWBIZ/TV/01/25/digital.inserts/> (last visited Mar. 15, 2000); Alex Kuczynski, *On CBS News, Some of What You See Isn’t There*, N.Y. TIMES, Jan. 12, 2000, at A1. In the sports context, this may not always be a problem, because the teams control the sale of advertising space in the stadium and in the broadcast to both kinds of advertisers. However, problems do arise, when different entities are involved.

11. Dean Bonham, *‘Virtual Technology’ Takes the Field – With an Ad-Itude*, COMMERCIAL APPEAL (Memphis, TN), Feb. 21, 1999, at C1.

12. The Satellite Home Viewer Improvement Act, §1948, 106th Cong. (1999), available at [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=106\\_cong\\_bills&docid=f:s1948is.txt](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=106_cong_bills&docid=f:s1948is.txt) (last visited Mar. 15, 2000).

13. 15 U.S.C. § 1125 (1994 & Supp. III 1997).

as if they are part of the original scene. It works by tampering with the digital broadcast signal before it reaches our homes. In more technical terms, virtual advertising refers to the computer manipulation of authentic images, either live or delayed, and the substitution of various elements of those images with the purpose of implementing advertising messages into the signal transmitted by television or by similar current or future technologies (on-line, desktop publishing, single frame, DVD).<sup>14</sup> The technology is based on a patented adaptive occlusion process, a sophisticated version of something similar to the blue-screen technology used in broadcast weather forecast maps.<sup>15</sup> Before the broadcast, the cameras are set up at certain angles, so as to give the best impressions of the game while allowing in-stadium advertisements to be exposed to the viewer as well. In the virtual advertising system, a computer instantly superimposes the advertisement when it recognizes a previously designated spot and adjusts it accordingly as the camera follows the action. This technology allows advertisers to cover over existing advertising signage in a stadium and can even feature two- or three-dimensional animations.<sup>16</sup> Virtual advertising companies can disguise the video advertisements as standing billboards, banners blowing in the wind, or logos painted directly on the playing field. The advertisements also can be combined with special effects, such as the pitch speed indicator and game statistics. Players "occlude" the ad or logo so that they appear to move in front of it. The technology does not only occur in sports telecasts, but also in entertainment programs and even movies.<sup>17</sup>

Television exposure is the advertisers' most important benefit of any small advertisement, for which they sometimes pay millions of dollars per season. The advantages of virtual advertising are evident.<sup>18</sup> This technology enhances the possibilities available to advertisers and raises television advertising to a new level. It is possible to effectively reach consumers through unique marketing strategies by adjusting virtual ad-

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14. FIFA Regulations for the Use of Virtual Advertising § 2a, available at [http://www.fifa2.com/fifa/handbook/Va/downloads/VirtualRegs\\_e.txt](http://www.fifa2.com/fifa/handbook/Va/downloads/VirtualRegs_e.txt) (last visited Mar. 15, 2000).

15. It originated in various military forces around the world to mark targets on computerized maps. Peter Goddard, *The New Ad Fad*, TORONTO STAR, Feb. 12, 2000, at 1.

16. Princeton Video Image, Inc., at <http://www.princetonvideoimage.com/service/index.html> (last visited Mar. 15, 2000).

17. CBS uses virtual advertising in entertainment programs, such as "CBS Evening News," "48 Hours," and "The Early Show." Don Aucoin, *TV & Radio; CBS Faulted for Digital Inserts*, BOSTON GLOBE, Jan. 13, 2000, at D12.

18. Theresa E. McEvilly, *Virtual Advertising in Sports Venues and the Federal Lanham Act § 43 (a): Revolutionary Technology Creates Controversial Advertising Medium*, 8 SETON HALL J. SPORT L. 603, 606 (1998).

vertisements to respective geographic markets, such as foreign markets. Furthermore, adjusting the content of a televised event, with existing bans on television advertising for alcohol and tobacco, renders the use of advertisements more efficient for international broadcasts.<sup>19</sup> The system also allows previously unmarketed portions of the television screen to be sold to advertisers who do not have to wait for breaks in the action to get their image before the viewers. Virtual advertising contains elements of individualized advertising in cyberspace, where the banner advertisements are selected in accordance with information contained in a "cookie" of the consumer's computer or to the search words that are entered into a search engine as part of the content mix.<sup>20</sup> In both scenarios, the user is subject to individualized commercials, which offer the advertiser a more efficient means of reaching his target consumer market. At the same time, it is a tool against "channel zapping," because the viewer is exposed to advertisements during the sports coverage itself. The advertiser is rewarded with a guaranteed audience, while the broadcaster has a wonderful opportunity to increase revenues – provided the advertiser and broadcaster first gain the permission of the program's rights holder.<sup>21</sup> The element of product placement is rendered more valuable. Some television executives even contend that the technology is a means of reducing the amount of commercial breaks.

Virtual advertising may even make live attendance more attractive to sport fans because the technology allows the playing field and surrounding areas to be cleared of advertisements while television viewers at home are exposed to commercials. At the same time, however, team owners lose control over their broadcasts. As much as they used to be able to control the physical access of television teams to the stadium, the outcome of the television transmission, the placement of advertising, and their allocation during the broadcast, television transmissions are now subject to digital alteration at any point in the chain of transmissions throughout the country and even internationally. As much as the teams

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19. Virtual advertisements enable the worldwide Formula One broadcasts, which heavily depend on tobacco advertising, to continue and guarantee their future financial survival, even after several countries enacted a ban on tobacco advertising. This affects, for example, all races within the European Union. Watterson, *supra* note 6, at 8; Jimmy Burns, *Virtual Adverts Hit Harsh Reality*, FIN. TIMES, Apr. 25, 1997, at 14.

20. Dennis P. Wilkinson, *Virtual Ads Make Sense*, ADVERTISING AGE, June 14, 1999, at 36.

21. In Canada, broadcasters are restricted to 12 minutes of commercials every hour. Because the characterization of virtual advertising is unclear, regulators have yet to rule on virtual advertising so it is not counted as part of that allotment. Chris Zelkovich, *Virtual Advertising*, TORONTO STAR, Aug. 1, 1999, at 1.

and leagues seek to control misuse by contractual terms in their license and marketing agreements, the threat of alterations of the original broadcasts remains, especially for secondary transmissions under the compulsory license scheme.<sup>22</sup> On the downside, there is also a potential for a distracting application of the medium by inserting large animated images or offensive product placement, for example, products flying around the players during the action.<sup>23</sup>

The costs of virtual advertisements are somewhat equivalent or relative to conventional advertising. For instance, in baseball a half-inning of static virtual advertising is typically valued as equivalent to one thirty-second spot in the same broadcast.<sup>24</sup> However, the production costs of the virtual advertisement have to be added. Because the advantages of virtual advertising in light of the still high costs play out especially for trans-border sports broadcasting, the necessity for clear legal standards becomes crucial.

### III. FEDERAL COPYRIGHT INFRINGEMENT (SECTIONS 501(A), 106-122 OF THE COPYRIGHT ACT)

Section 501(a) of the Copyright Act of 1976<sup>25</sup> provides that the copyright owner can recover damages from anyone who infringes on one of the exclusive rights. Copyright infringement must be considered if the unauthorized deletion or substitution of existing advertisements by inserting virtual advertisements infringes the copyright owners' exclusive rights provided under sections 106-122 of the Copyright Act. Since the subject matter is television broadcasting, copyright infringement should be examined if the special provisions in sections 501(c)-(e), 111(c), 119(a)(5), and 122 of the Copyright Act on secondary transmissions are applicable.

#### A. *Sport Broadcasting and "Work of Authorship" (Section 102(a) of the Copyright Act)*

The Copyright Act protects only "original works of authorship fixed in any tangible medium of expression,"<sup>26</sup> including "motion pictures and

22. 17 U.S.C. §§ 111, 119, 122 (1999).

23. Jim Davies, *Connected: Advertising Conjuring Ads Out of Thin Air Using Pinpoint Technology Based on Military Tracking, Virtual Advertising Can Impose Images Tailored to Particular Countries, Tweaking the Display to Complement the Market*, DAILY TELEGRAPH (London), Dec. 11, 1999, at 6.

24. In Superbowl XXXIV a 30 second commercial cost \$ 1.6 million.

25. Copyright Act § 501, 17 U.S.C. § 501 (1999).

26. Copyright Act § 102(a).

other audiovisual works.”<sup>27</sup> With regard to virtual advertising in sports broadcasting, the first hurdle is to determine the rights in the broadcast that could be subject to litigation and if the placement of virtual and non-virtual advertisements in itself is part of the original expression of the work of authorship. If not, any substitution, insertion or deletion cannot constitute a violation of the rights provided in section 106 of the Copyright Act.

First, the telecasts of a sporting event have to meet the requirement of an “original work[s] of authorship.”<sup>28</sup> The requirement of originality actually subsumes two separate conditions, that is, the work must possess an independent origin and a minimal amount of creativity.<sup>29</sup> Section 102(a) of the Copyright Act lists eight categories of “works of authorship” covered by the act, including such categories as “literary works,” “musical works,” and “dramatic works.”<sup>30</sup> The list does not include athletic events and, although the list is concededly non-exclusive, such events are neither similar nor analogous to any of the listed categories.<sup>31</sup> Consequently, the underlying games of a sports telecast do not fall within the subject matter of federal copyright protection because they do not constitute “original works of authorship.”<sup>32</sup> If it were, any team that performs a unique combination or play could claim a copyright in it and enjoin other teams from competing with the same plays or combinations; after all, it would be impractical to include all participants – players, fans, the league, stadium workers, etc. – as copyright holders.<sup>33</sup>

As for the telecasts’ originality, courts have long recognized that photographing a person or filming an event involves creative labor.<sup>34</sup> But sporting events are not authored in any common sense of the word. They do not rely on an underlying script;<sup>35</sup> moreover, the thrill of a sporting event is just the fact that there is no underlying predetermined

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27. Copyright Act § 102(a)(6).

28. Copyright Act § 102(a).

29. See, e.g., *Batlin & Son, Inc. v. Snyder*, 536 F.2d 486, 490 (2d Cir.), cert. denied, 429 U.S. 857 (1976); *Withol v. Wells*, 231 F.2d 550, 553 (7th Cir. 1956); see also, MELVILLE B. NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT* § 2.01 (1999).

30. Copyright Act § 102(a).

31. *National Basketball Assoc. v. Motorola, Inc.*, 105 F.3d 841, 846 (2d Cir. 1997).

32. *Id.*

33. NIMMER & NIMMER, *supra* note 29, § 2.09[F].

34. *Baltimore Orioles, Inc. v. Major League Baseball Players Ass’n.*, 805 F.2d 663, 668 (7th Cir. 1986); *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 60 (1884); *Time Inc. v. Bernard Geis Assoc.*, 293 F.Supp. 130, 143 (S.D.N.Y. 1968).

35. Anne M. Wall, *Sports Marketing and the Law: Protecting Proprietary Interests in Sports Entertainment Events*, 7 MARQ. SPORTS L.J. 77, 145 (1996).

sequence of events.<sup>36</sup> Even so, the elements of surprise, improvisation, and wholly unanticipated occurrences create the attractiveness of a sporting event. However, the creative element of the original work of authorship that underlies a sporting event rests in unique selection of sequences and the like. The many decisions that must be made during the broadcast of a baseball game concerning camera angles, types of shots, the use of instant replays and split screens, and shot selection similarly supply the creativity required for the copyrightability of the telecasts. When a football game is being covered by four television cameras, with a director guiding the activities of the cameramen and choosing which of their electronic images are sent out to the public and in what order, there is little doubt that what the cameramen and the director are doing constitutes "authorship."<sup>37</sup> These decisions by the director therefore create a work of authorship and hence a property right in the broadcast of the games, which reaches full copyright status at the moment of transmission and simultaneous recording.<sup>38</sup>

Furthermore, the telecasts are audiovisual works, which under section 102(a)(6) of the Copyright Act come within the subject matter of copyright.<sup>39</sup> Section 101 of the Copyright Act defines an "audiovisual work" as a work that consists "of a series of related images which are intrinsically intended to be shown by the use of machines, or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the [work is] embodied."<sup>40</sup> For purposes of section 101, the statutory term "series" need not be interpreted to mean a rigid, predetermined sequence.<sup>41</sup> This is precisely what a television broadcast of a sporting event consists of, in spite of its lack of predetermination. The telecasts are, therefore, copyrightable works.

However, the copyright protection only extends to those components of a work that are original to the author.<sup>42</sup> Therefore, it does not extend to the basic ideas or facts of the game, such as statistics and basic data, as opposed to the described broadcast expression. Only the constituent cre-

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36. *Motorola*, 105 F.3d at 846.

37. H.R. REP. NO. 94-1476, at 52 (1976). See also, National Ass'n of Broad. Stations v. Copyright Royalty Tribunal, 675 F.2d 367, 378 n.18 (D.C. 1982); *Motorola*, 105 F.3d at 847.

38. David E. Shipley, *Three Strikes and They're Out at the Old Ball Game: Preemption of Performers' Rights of Publicity Under the Copyright Act of 1976*, 20 ARIZ. ST. L.J. 369, 371, 390 (1988); The elements of this "fixation" in the sport broadcasting context are discussed *infra*.

39. Copyright Act § 102(a)(6).

40. Copyright Act § 101.

41. *WGN Cont'l Broad. Co. v. United Video, Inc.*, 693 F.2d 622, 629 (7th Cir. 1982).

42. *Feist Publ'ns v. Rural Tel. Servs.*, 499 U.S. 340, 345 (1991); *Motorola*, 105 F.3d at 846.

ative elements of a work of authorship constitute the original expression of ideas that is protected by copyright.<sup>43</sup> Notwithstanding, in the leading case, *Burrow-Giles Lithographic Co. v. Sarony*, the Supreme Court granted copyright protection to a photograph because it exhibited sufficient originality for the arrangement of the setting, the light and shade and the selection of the camera, costume.<sup>44</sup> The protection extends to the fact that the game and the particular televised selection of the action, and not the inserted commercials and station breaks, constitute the work of authorship.<sup>45</sup>

The question arises as to whether advertisements as part of the broadcasted event are part of the "original expression of authorship" of this broadcasting. Generally, the author of the specific advertisement is the owner of its copyright, not the broadcast station.<sup>46</sup> However, the placement of the advertising and the specific capturing by camera could be part of the original expression of the broadcast.<sup>47</sup> While the arrangement of facts in an alphabetical order lacks the minimum amount of creativity or originality, the arrangement of the advertisements in the background of a television recording requires more artistic elements.<sup>48</sup> First, the involved entities have to make decisions about the number, size and style of advertisements and include respective terms in the marketing contracts. Because the viewer will only accept a certain amount of tasteful advertisements in a television broadcast before he switches channels, a producer then has to make a choice about the placement of such advertising in the broadcast. Nonetheless, especially with the possibility of inserting advertisements subsequently, the contribution of the

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43. *Feist Publ'ns*, 499 U.S. at 348; *see also*, *Chamberlin v. Uris Sales Corp.*, 150 F.2d 512, 513; *NIMMER & NIMMER*, *supra* note 29, § 2.08[B][1] ("a very modest quantum of originality will suffice").

44. *Burrow-Giles*, 111 U.S. at 61 (granting protection for a picture of Oscar Wilde); *followed by* *Bleistein v. Donaldson Lithographic Co.*, 188 U.S. 239 (1903) (upholding a copyright in a circus poster); *Time*, 293 F. Supp. at 142 (for the protection of a home movie film ["the selection of the kind of camera, the kind of film, the kind of lens, the area in which the picture were to be taken, the time they were taken, and the spot on which the camera would be operated {constituted sufficient originality}"]). *See also*, *NIMMER & NIMMER*, *supra* note 29, § 2.08[E][1][2].

45. *National Football League v. McBee & Bruno's, Inc.*, 792 F.2d 726, 732 (8th Cir. 1986).

46. The advertisement in itself is clearly copyrightable. *NIMMER & NIMMER*, *supra* note 29, § 2.08 [E][4].

47. *Cable News Network, Inc. v. Video Monitoring Servs. of Am., Inc.*, 940 F.2d 1471, 1477 (11th Cir. 1991) (finding the creative reportage of events, replete with moving images, graphics, etc. to be copyrightable).

48. *Southern Bell Tel. & Tel. Co. v. Assoc. Tel. Directory Publishers*, 756 F.2d 801 (D.C.Ga. 1985) (Arguments based on lack of originality failed to defeat validity of copyright in telephone book infringed by defendant's solicitation of yellow pages advertising).

original producer's selective interpretation is minimized. The intention of how and where to place advertising certainly plays an important role. However, it does not constitute an integral part of a television broadcast. There is no other reason for the appearance of advertisements other than the appearance itself, but it is also a contractual obligation for the creator. Moreover, the intent rather undermines a non-creative element of advertising and, therefore, weighs against copyrightability. Nevertheless, these criteria do not help for copyright analysis, because copyright is not based on monetary or contractual considerations. A producer has to make a creative choice about camera angles and the sequence of images to be seen, even with regard to green walls, on which virtual advertising could be added later. The Seventh Circuit approached the issue with respect to teletext by comparing it to subtitles on television: If subtitles were part of the performance intended to be seen, they should be considered "related images" within the meaning of the statutory definition of an audiovisual work.<sup>49</sup>

After all, the placement of advertisements and their incorporation into a television broadcast may not be an ingenuous thing to do, but it is part of the viewer's overall artistic impression of the broadcast and therefore should generally be considered copyrightable.

*B. The Fixation Element and the Television Broadcast System  
(Sections 111, 119, and 122 of the Copyright Act)*

Section 102(a) of the Copyright Act states that a work of authorship needs to be fixed in a tangible medium of expression in order to obtain statutory protection.<sup>50</sup> The mere act of thinking or the underlying ideas are not protected as long as they remain unfixed or intangible.<sup>51</sup> As for live broadcasts, such as the football games, the Copyright Act states that a "work consisting of sounds, images, or both, that are being transmitted, is 'fixed' if a fixation of the work is being made simultaneously with its transmission," and thereby explicitly includes sports broadcasts once they are broadcast and simultaneously recorded.<sup>52</sup> Under section 101 of

49. *WGN*, 693 F.2d at 626 ("[I]t is clear that United Video may not use it for that purpose without WGN's permission, any more than if the publisher of a book leaves the inside covers blank the book seller (or book wholesaler, to make the analogy more precise) may inscribe the Lord's Prayer on them in order to broaden the book's appeal.") (citing *National Bank of Commerce v. Shaklee Corp.*, 503 F.Supp. 533, 543-44 (W.D.Tex. 1980)).

50. Copyright Act § 102(a).

51. *Estate of Hemingway v. Random House, Inc.*, 244 N.E.2d 250, 254 (N.Y. 1968).

52. At the urging of the sports leagues, Congress afforded copyright protection to live sports programming by devising an appropriate definition of "fixation" in Copyright Act § 101. "The committee was persuaded that . . . the content of a live transmission should be

the Copyright Act, the simultaneous recording of a transmission suffices for the element of fixation in a tangible medium of expression.<sup>53</sup> To "transmit" is defined as "to communicate . . . by any device or process whereby images or sounds are received beyond the place from which they are sent."<sup>54</sup> This leads us into the complex regulation of primary and secondary transmissions for television broadcasts, which is set forth in sections 111, 119, and 122 of the Copyright Act.

Originally, these definitions of copyright in broadcasts were designed for television stations and networks. After the introduction of cable television, the Supreme Court rejected copyright protection for the original broadcasts under the 1909 Copyright Act against retransmissions by cable networks, because they did not "perform" within the meaning of the statute.<sup>55</sup> With rising sophistication of cable networks, Congress eventually amended section 111(c)-(d) of the Copyright Act, which granted cable networks a compulsory license to retransmit certain broadcast signals.<sup>56</sup> In return, a semiannual fee in the form of statutorily prescribed royalties is collected and distributed by the Copyright Royalty Tribunal to indemnify copyright owners of the sports broadcasts.<sup>57</sup> The compulsory license program now covers retransmissions of distant

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regarded as 'fixed' and should be accorded statutory protection if it is being recorded simultaneously with its transmission." H. REP. NO. 94-1476, at 54 (1976). "The bill seeks to resolve, through the definition of 'fixation' in section 101, the status of live broadcasts— sports, news coverage, live performances of music, etc.— that are reaching the public in unfixated form but that are simultaneously being recorded." *Id.* at 52; *see also*, *Copyright Royalty Tribunal*, 675 F.2d at 378 n.17-18; *Baltimore Orioles*, 805 F.2d at 668.

53. *Motorola*, 105 F.3d at 847.

54. Copyright Act § 101. Specifically, Copyright Act § 111(f) defines a primary transmission as:

a transmission made to the public by the transmitting facility whose signals are being received and further transmitted by the secondary transmission service, regardless of where or when the performance or display was first transmitted" [as opposed to a] "secondary transmission," [which] is the further transmitting of a primary transmission simultaneously with the primary transmission, or nonsimultaneously with the primary transmission if by a "cable system" not located in whole or in part within the boundary of the . . . states.

55. *Teleprompter Corp. v. Columbia Broad. Sys., Inc.*, 415 U.S. 394 (1974); *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390 (1968); *see also*, *Capital Cities Cable, Inc. v. Crisp*, 467 U.S. 691, 708 (1984) (a state ban on alcohol advertisement conflicts with the requirements of a cable operator's obligation to refrain from deleting commercial advertising under the compulsory license system).

56. H.R. REP. NO. 94-1476, at 89, *reprinted in* 1976 U.S.C.C.A.N. 5659, 5704; NIMMER & NIMMER, *supra* note 29, at § 8.18[B].

57. Copyright Act § 111(d)(2). The first suit over the compulsory license was *Eastern Microwave v. Doubleday Sports*, 691 F.2d 125 (2d Cir. 1982); *see also*, PAUL C. WEILER & GARY R. ROBERTS, *SPORTS AND THE LAW* 413 (2d ed. 1998).

network programming for cable television services. After the Eleventh Circuit ruled that a satellite carrier is like a cable system within the meaning of section 111 of the Copyright Act and therefore subject to a compulsory license for the retransmission of distant signals,<sup>58</sup> Congress added section 119 of the Copyright Act for satellite carriers<sup>59</sup>. Additionally, the Satellite Home Viewer Improvement Act of 1999 extended the compulsory license explicitly for satellite carriers to include retransmissions of local broadcasts to rural areas in section 122 of the Copyright Act.<sup>60</sup> Nonetheless, the compulsory license in these cases applies only to those carriers who exercise no “control over the selection of the primary transmission,” and “whose activities with respect to the secondary transmission consist solely of providing wires, cables, or other communications channels for the use of others,” turning the secondary transmitter into merely a passive figure (“passive carrier exemption”).<sup>61</sup> Moreover, any retransmission under either type of broadcasts must be without any deletions or editing of any material, including commercials, contained in the original programming.<sup>62</sup>

This compulsory license scheme plays an important role with regard to the advertising provided, since technology enables cable-network providers to edit the program itself and alter the content of commercial breaks. This was precisely the scenario in *Hubbard Broadcasting, Inc. v. Southern Satellite Systems, Inc.*, where WTBS made use of a new technology that could insert different advertising in the programming trans-

58. *Nat'l Broad. Co. v. Satellite Broad. Networks*, 940 F.2d 1467 (11th Cir. 1991); *Satellite Broad. & Communications Assoc. v. Oman*, 26 U.S.P.Q. 2d 1313 (BNA) (N.D. Ga. 1993), *rev'd*, 17 F.3d 344 (11th Cir. 1994), *cert. denied*, 513 U.S. 823 (1994).

59. Satellite Home Viewer Act of 1988, Pub. L. No. 100-667, §§ 201-02.

60. Copyright Act § 122(a)(3) as amended by the Satellite Home Viewer Improvement Act of 1999. The purpose of the Act is to promote competition among satellite and cable industries in derogation of the exclusive property rights granted by the Copyright Act to copyright holders. Similar to sections 111 and 119 of the Copyright Act, section 122 requires strict compliance with limitations, such as the prohibition to willfully alter the programming. 145 CONG. REC. H11769 (daily ed. Nov. 9, 1999); *see also*, 145 CONG. REC. H11811 (daily ed. Nov. 9, 1999) (statement of Rep. Tauzin & Rep. Markey).

61. Copyright Act § 111(a)(3); *see also* NIMMER & NIMMER, *supra* note 29, §§ 8.18[E], 8.18[F], 12.04[B][3] (providing an overview on the compulsory license scheme).

62. See the general provisions of Copyright Act §§111(c)(3), (e)(1) for cable systems, the specific prohibitions of Copyright Act § 119(a)(4) for satellite carriers and Copyright Act § 122(e) for satellite carriers in rural areas. Any secondary transmission that does not satisfy all of the compulsory license requirements is an unlicensed and hence infringing transmission. NIMMER & NIMMER, *supra* note 29, §§ 8.18[E][9]; 8.18[F][3][c]; *Cablevision Co. v. Motion Picture Ass'n of Am., Inc.*, 641 F.Supp. 1154, 1163 (D.C. 1986), *stay denied*, 836 F.2d 599, 616 (D.C. Cir. 1988), *cert. denied*, 487 U.S. 1235 (1988); *see also*, *Lottie Joplin Thomas Trust v. Crown Publishers, Inc.*, 456 F.Supp. 531 (S.D.N.Y. 1977); *Hubbard Broad., Inc., v. Southern Satellite Sys., Inc.*, 777 F.2d 393 (8th Cir. 1985) and discussion *infra* Part III.D.3.

mitted to distant cable systems from that incorporated in the original programming, for example substituting commercials and editing the original broadcast.<sup>63</sup> The court's primary concern was whether the compulsory license scheme covered the new technology of microwave links and the attached opportunity to substitute commercials.<sup>64</sup> The court found that Southern Satellite Systems did not exceed their compulsory license by using the new technology and that the accompanying quality improvement was consistent with the principle goal of the Copyright Act; to make copyrighted work readily available to the public, while still allowing the copyright owner to protect his or her interests as long as the content remained original.<sup>65</sup> Also, *Hubbard* failed to show that *WTBS* had ever substituted commercials or even attempted to do so.<sup>66</sup> Therefore, no infringement occurred.

This detailed legislation and the accompanying judicial authority on retransmissions provides important information for construing the Copyright Act with regard to the alteration of virtual advertising even under a non-compulsory license – which is the case in most sports broadcasting – and will, therefore, have to be kept in mind. However, before turning to the analysis of copyright violations in this context, it is necessary to identify the copyright owner in order to distinguish him from any potential infringer.

### C. *Owner of the Copyright (Sections 201(a), (b) of the Copyright Act)*

The threshold of any litigation for property rights is the determination of the ownership of the rights in question.<sup>67</sup> Having determined that there exists a copyright in a broadcast sporting event – and presumably in the arrangement and capture of the advertisements as a part of the overall work of authorship – the question now turns to who has the right to place and sell the advertisements in connection with a sporting event? The issue does not arise if the event, the television broadcast rights, and the stadium signs' property rights are in one hand. A broadcast entity that directs, produces and, therefore, creates a protectible work of authorship is often required to transfer some or all of the copyrights in the broadcast to the sports team or club as an initial condition of being au-

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63. *Hubbard*, 777 F.2d at 397.

64. *Id.* at 399, 401.

65. *Id.* at 403-04.

66. *Id.* at 402.

67. *Topolos v. Caldewey*, 698 F.2d 991 (Cal. Ct. App. 1983).

thorized to broadcast the games.<sup>68</sup> The underlying reason is that the clubs have a legitimate property interest in their games, which they can sell and license exclusively to broadcasting companies that in turn value them as affording advertising mediums.<sup>69</sup> However, the legal challenge erupts if several different entities are involved and the contract terms do not address the issue or are invalid.

According to section 201(a) of the Copyright Act, the copyright in a work vests initially in the “author” of the work.<sup>70</sup> In general, the author is the person that created the work. However, in the case of “works made for hire” under section 201(b) of the Copyright Act, the employer or other person for whom the work was prepared is considered the author and, therefore, the owner of the rights comprised in the copyright.<sup>71</sup> Section 101(1) of the Copyright Act defines a work made for hire as a “work prepared by an employee within the scope of his employment.”<sup>72</sup> The parties may expressly agree that the employee shall be deemed to own the copyright in all works produced in the employment relationship.<sup>73</sup> Likewise, the parties may expressly agree that all works produced by the employee during the period of the employment relationship shall belong entirely to the employer.

In professional sports, if the teams are part of a league like the MLB, the NFL, or the NBA, the ownership rights will be distributed according to the terms of their agreements. The underlying authorization is based on the collective bargaining agreement of the respective organization with the members of the league, which serves as a basis for the internal rules, such as the League’s Constitution, the bylaws, and the Uniform Player’s Contract.<sup>74</sup> Externally, the collective bargaining agreement serves as a basis for the collective marketing and broadcasting agreements with regard to these games. All major team sports include terms in their collective bargaining agreements and the uniform players contracts that grant any rights in the games to the club or the respective

68. Shipley, *supra* note 38, at 392; *Pittsburgh Athletic Co. v. KQV Broad.*, 24 F.Supp. 490 (W.D.Pa. 1938).

69. *Pittsburgh Athletic Co.*, 24 F.Supp. at 492; Shipley, *supra* note 38, at 393.

70. Copyright Act § 201(a).

71. *Id.* § 201(b).

72. *Id.* § 101(1).

73. For the interpretation of a work for hire absent an agreement, see *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989); NIMMER & NIMMER, *supra* note 29, § 5.03[B].

74. The Uniform Player’s Contract is the standard form contract between individual players and their respective clubs. *Baltimore Orioles*, 805 F.2d at 671.

league, turning it into a work made for hire.<sup>75</sup> The NFL, for example, is the owner of the copyrights of the games involved on behalf of its member clubs and the clubs as to their games.<sup>76</sup> Since television marketing generates most of the revenue in football, baseball and basketball, the agreements with local, national, and superstations are crucial. The NBA, for example, deals with national television exposure; however, the revenues generated therefrom are shared among the teams. In baseball, the league ordinarily permits each team control over arrangement for local telecasts in its home city under the Federal Communications "Syndicated Exclusivity Rules," which allow the teams to keep the local revenue. The Syndicated Exclusivity Rules also prohibit retransmissions of local broadcasts in order to protect the local markets. The underlying purpose of this distribution scheme is to protect the unique competition in professional sports nationwide and maintain its attractiveness to the viewer.<sup>77</sup> Some doubts arose in 1980s baseball, when baseball players challenged their contracts claiming to be the owners of the copyright in the baseball games.<sup>78</sup> The players contended that the baseball games were performed outside the scope of their employment and, therefore, would not be encompassed by the work for hire doctrine.<sup>79</sup> Hence, players claimed that the baseball clubs did not own the exclusive rights to the televised performances of the players during major league baseball games. The court disagreed since the parties did not expressly agree to this respect, as is required by section 201(b) of the Copyright Act. Moreover, the Uniform Players Contract provided the opposite.<sup>80</sup> Professional baseball today allows almost unlimited broadcasting over superstations, while claiming a portion of the revenues for distribution among the clubs.<sup>81</sup> Most in-game advertising is sold directly through the networks, such as Turner Network Television ("TNT"), TBS or NBC. It

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75. Pamela R. Lester, *Marketing the Athlete: Endorsement Contracts*, SD58 ALI-ABA 385, 390 (1999).

76. *McBee & Bruno's, Inc.*, 621 F.Supp at 885, *aff'd*, 792 F.2d 726 (8th Cir. 1986) ("Such game programs were duly registered in the United States Copyright office and those registrations were valid and enforceable"). *Id.* at 885.

77. Franklin M. Fisher, et. al., *The Economics of Sports Leagues - The Chicago Bulls Case*, 10 MARQ. SPORTS L.J. 1, 8, 9 (1999).

78. *Baltimore Orioles*, 805 F.2d at 666.

79. *Id.* at 667-68.

80. *Id.* at 679. (In rejecting the player's arguments, the court left it to the players to attain their objective by bargaining with the Clubs for a contractual declaration that they own a joint or an exclusive interest in the copyright of the telecasts).

81. *Chicago Prof'l Sports Ltd. P'ship & WGN v. National Basketball Ass'n*, 754 F.Supp. 1336, 1339-1445 (N.D. Ill. 1991); *see also*, WEILER & ROBERTS, *supra* note 57, at 583 (contracts provide the exclusive broadcasting of the games by ESPN or Fox).

is not clear, however, whether the original copyrights in the telecasts of the various games are owned separately by individual clubs or jointly by some combination of clubs. It is also unclear whether the copyrights in the telecasts are owned exclusively by the clubs or jointly by the clubs and the television stations or networks that record and broadcast the games.

These issues have been addressed for the NBA in *Chicago Professional Sports Limited Partnership & WGN v. National Basketball Association*.<sup>82</sup> Although the NBA has transferred the exclusive rights to broadcast most of the games to TNT, this did not limit the individual clubs to broadcast other contests on local over-the-air broadcast stations. Both the contracts and the league's articles and bylaws reserve to the individual clubs the full copyright interest in all games that the league has not sold to networks.<sup>83</sup> The question then turns to whether the copyrighted game broadcasts stem from a single source or rather a joint venture.<sup>84</sup> One theory viewed the NBA as a single firm producing the product "games," and a group of potential competitors selling them.<sup>85</sup> Following a series of decisions, Judge Easterbrook found that the NBA, when acting in the broadcast market, was closer to a single firm than to a group of independent firms, calling it a "single bargaining employer."<sup>86</sup> Following his opinion, the NBA is best understood as one firm when selling broadcast rights to a network in competition with a thousand other producers of entertainment.<sup>87</sup> Therefore, the NBA, as an agent acting on behalf of the individual club when selling the broadcast rights collectively, is closer to being considered the owner of the copyright by virtue of the collective bargaining agreement than the individual club. Otherwise, the league would not be in a position to sell these rights in the first place.

With regard to secondary transmission, section 501(e) of the Copyright Act provides that a network station holding a copyright or other license to transmit or perform the same version of that work shall be treated as owner of the work.<sup>88</sup> Therefore, in the established licensing

82. 754 F.Supp. 1336

83. *Chicago Prof. Sports*, 961 F.2d at 671, *vacated and remanded*, 95 F.3d 593 (7th Cir. 1996). Following this series of decisions the Chicago Bulls and TNT eventually settled their dispute with an intermediary solution.

84. *Chicago Prof. Sports*, 95 F.3d at 596; WEILER & ROBERTS, *supra* note 57, at 583.

85. *Chicago Professional Sports*, 961 F.2d at 672; Fisher, et. al., *supra* note 77, at 5 (providing a sound description of the genuine 'product' in the sports context).

86. But only for antitrust purposes, see *Chicago Prof. Sports*, 95 F.3d at 598.

87. *Id.* at 600.

88. Copyright Act § 501(e).

chain for sports broadcasting, any legal or beneficiary owner of such a compulsory or contractual license shall be treated as the owner of the copyright with standing to sue.

*D. Copying of the Owner's Rights (Section 106 of the Copyright Act)*

The Copyright Act does not give the copyright holder control over all uses of a copyrighted work; instead, it enumerates several "rights" that are made exclusive to the copyright holder.<sup>89</sup> "Copying" is the shorthand reference to the act of infringing on any of the copyright owner's five exclusive rights set forth in section 106 *et seq.* of the Copyright Act.<sup>90</sup> The infringing act by substituting advertising could constitute the preparation of a reproduction, a performance or the preparation of a derivative work. In the absence of one or more of these enumerated results, the claim of violation of the copyright law by unlawful distribution of a work is barred.<sup>91</sup> Courts have been unclear in defining the specific infringing action in television broadcasts, even calling it the "right to make changes."<sup>92</sup> However, the underlying theory mostly points towards the preparation of a derivative work under section 106(2) of the Copyright Act.<sup>93</sup>

Section 101 of the Copyright Act defines a "derivative work" as "a work based upon one or more pre-existing works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted."<sup>94</sup> A derivative work consists of a contribution of original material to a pre-existing work so as to recast, transform or adapt the pre-existing work.<sup>95</sup> It consists of editorial revisions, annotations, elaborations, or other modifications, which, as a whole, represent an original

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89. *Fortnightly Corp.*, 392 U.S. at 393-94 (1968); *Capital Cities Cable*, 467 U.S. at 710; *WGN Continental Broad. Co. v. United Video, Inc.*, 693 F.2d 622, 624 (7th Cir. 1982).

90. *Paramount Pictures Corp. v. Video Broad. Sys., Inc.*, 724 F.Supp. 808, 819 (D.Kan. 1989); *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081 (9th Cir. 1989). See also, *NIMMER & NIMMER*, *supra* note 29, § 8.01[A].

91. *Paramount*, 724 F.Supp. at 821.

92. *NIMMER & NIMMER*, *supra* note 29, § 8D.04 [A][1] ("the license to reproduce and/or perform is limited to reproduction and/or performance in the form in which the authors wrote the work, so that a material departure from such form goes beyond the terms of the license, and hence results in an infringement of the reproduction and/or performance rights"); *Oddo v. Ries*, 743 F.2d 630, 634 (9th Cir. 1984). Another court called the infringement 'unauthorized revision,' see *Nat'l Bank*, 503 F.Supp. at 544.

93. Copyright Act § 106 (2); *Paramount*, 724 F.Supp. at 819.

94. Copyright Act § 101.

95. *NIMMER & NIMMER*, *supra* note 29, § 3.03.

work of authorship.<sup>96</sup> The alteration of television signals with virtual advertising is such a modification of the television broadcast as a whole. However, a work will be considered a derivative work only if the material that it has derived from a pre-existing work had been taken without the consent of a copyright proprietor of such pre-existing work.<sup>97</sup> While advertisement as a part of the sport-broadcast is an original work under the described circumstances and the insertion of virtual advertising constitutes the preparation of a derivative work, the television broadcasts are made with the consent of the copyright owner by virtue of compulsory or non-compulsory licenses. The author can always grant the right to make changes to the work. In sports broadcasts, the leagues' and the clubs' agreements with the broadcast stations include detailed terms about the right to insert commercials. But these assignments or licenses are silent with respect to the right to make changes in the work by using virtual advertisement, except for the explicit rights to use virtual advertising in certain games' broadcasts, such as Superbowl XXXIV. Also, the broadcast agreements do not encompass the statutory compulsory license scheme for any number of retransmissions. Finally, sections 111(c)(3), 119(a)(4), and 122(e) of the Copyright Act impose limitations on alterations for retransmissions under the passive common carrier exemption. These detailed rules also provide helpful hints for interpreting the effect of alterations on the copyrights with respect to non-compulsory licenses by virtue of analogy absent an agreement.

By taking into consideration these elements in the context of sports television broadcasts, it has to be determined if the unauthorized insertion of virtual advertising meets the legislative and common law standards for "copying" under sections 106, 111, 119, and 122 of the Copyright Act.

### 1. Legislative History of the Passive Carrier Exemptions

Section 111(c)(3) of the Copyright Act provides that a cable system is fully subject to the remedies provided for copyright infringement if the cable system willfully alters the original transmission through changes, deletions, or additions.<sup>98</sup> Included in this prohibition are commercial messages and station announcements during the program, so as to ensure a continuous ban on the so-called "commercial substitution."<sup>99</sup> In

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96. Copyright Act § 101.

97. NIMMER & NIMMER, *supra* note 29, § 3.01 n.10.

98. Copyright Act § 111(c)(3).

99. 122 CONG. REC. H10727- 8 (daily ed. Sept. 21, 1976).

adopting section 111(c)(3) of the Copyright Act, Congress concluded that to allow cable television systems to alter the primary transmission by substituting commercials would significantly alter the basic nature of the cable retransmission service and make its function similar to that of a broadcast station and hence constitute copyright infringement.<sup>100</sup> Further, the placement of substitute advertising in a program by a cable system on a "local" signal harms the advertiser, and, in turn, the copyright owner, whose compensation for the work is directly related to the size of the audience that the advertiser's message is calculated to reach. On a "distant" signal, the placement of substitute advertising harms the local broadcast station in the distant market, because the cable system is then competing for local broadcasting dollars without having comparable programming costs.<sup>101</sup> Congress, in prohibiting commercial substitution by cable systems, primarily sought to ensure the competitive compatibility of the cable system and the local broadcast station while also protecting the copyright owner.<sup>102</sup> Cable systems, when retransmitting local signals, would retransmit exactly what was received, and in doing so would neither undercut the local broadcast station's ability to generate local advertising revenues nor jeopardize the ability of creators of programming to receive a fair return for their product based upon the size of the audience that the advertiser's message was calculated to reach.<sup>103</sup> In other words, the status quo relationship between local broadcast stations and copyright holders would be protected and facilitated.<sup>104</sup> Cable or satellite retransmissions enlarge a television station's audience and increase the value of station advertising. As the 1975 Congressional Hearings pointed out, the impact of cable retransmissions is vital to college sports, because they depend on the distribution of those

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100. H. R. REP. NO. 94-1476, at 91 (1976) ("The cutting out of advertising, the running in of new commercials, or any other change in the signal relayed would subject the secondary transmitter to full liability"); see also, NIMMER & NIMMER, *supra* note 29, § 8.18[C][1][b].

101. H.R. REP. NO. 94-1476, at 93-94, *reprinted in* 1976 U.S.C.C.A.N 5708. Consequently, Congress "attempted broadly to proscribe the availability of the compulsory license if a cable system substitutes commercial messages." *Id.* at 94; *Hubbard*, 777 F.2d at 404.

102. *Final Report on the Inquiry into Professional Sports*, H.R. REP. NO. 1786, at 115 (1977).

103. H.R. REP. NO. 94-1476, at 94, *reprinted in* 1976 U.S.C.C.A.N 5708.

104. H.R. REP. NO. 1487, at 92 (1976) ("Further, the placement of substitute advertising in a program by a cable system on a 'local' signal harms the advertiser and, in turn, the copyright owner, whose compensation for the work is directly related to the size of the audience that the advertiser's message is calculated to reach").

revenues,<sup>105</sup> inasmuch as professional sports rely on advertising revenue.<sup>106</sup>

The underlying intent points to the protection of the copyright holders' exclusive rights in the work against alteration while still promoting broad public availability of literature, music, and the other arts, as provided in the Commerce Clause of the Constitution.<sup>107</sup> Since the issues with regard to virtual advertising arise in large part from the use of technology perfected after the enactment of the Copyright Act of 1976, these goals of the Copyright Act will have to be kept in mind. In such a situation, courts looked to the "common sense" of the statute, to its purpose, and to the practical consequences of the suggested interpretations "for what light each inquiry might shed."<sup>108</sup> As the Supreme Court stated: "When technological change has rendered its literal terms ambiguous, the Copyright Act must be construed in light of [its] basic purpose, [which is to stimulate artistic creativity for the general public good.]"<sup>109</sup>

## 2. Common Law

In applying these legislative standards, courts in the 1980s have been remotely split on the question of "copying" under the theory of "commercial substitution" in television broadcasts.

In the landmark case of *Gilliam v. ABC Inc.* the defendant bought rights to three separate television programs produced by the British Broadcasting Corporation.<sup>110</sup> The plaintiffs-authors of the script for these programs, known collectively as "Monty Python," held the copyright on the script and objected when the defendant edited the programs

105. Hearings on H.R. 2223 Before the Subcomm. on Courts, Civil Liberties, and the Administration of Justice of the House Comm. on the Judiciary, 94th Cong., 1823 (1975) (testimony of Barbara Ringer, Register of Copyrights); see also, *Copyright Royalty Tribunal*, 675 F.2d at 379 n.20. The NFL agreed with Fox on the exclusive rights in sports broadcasting for a four-year package worth \$1.66 billion. The NFL created a total revenue of \$ 2.2 billion in 1998. WEILER & ROBERTS, *supra* note 57, at 585.

106. H.R. REP. NO.1786, at 115 ("[C]able should be regulated in its own right and allowed to grow, but this growth should not be based on its use of copyrighted material in a way which would financially injure the copyright owner").

107. U.S. CONST. art. I, § 8; see also, *Hubbard*, 777 F.2d at 396; *Capital Cities Cable, Inc.*, 467 U.S. at 710; *Eastern Microwave, Inc.*, 691 F.2d at 132 (2d Cir. 1982); *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975).

108. *Hubbard*, 777 F.2d at 399; *Eastern Microwave, Inc.*, 691 F.2d at 127; *New York State Comm'n on Cable Television v. Fed. Communications Comm'n*, 571 F.2d 95, 98 (2d Cir. 1977), *cert. denied*, 439 U.S. 820 (1978).

109. *Hubbard*, 777 F.2d at 399 (citing *Sony Corp. of America v. Universal City Studios*, 464 U.S. 417, 432-33 (1984); *Twentieth Century Music Corp.*, 422 U.S. at 156).

110. 538 F.2d 14, 17 (2d Cir. 1976).

to such an extent that the script was materially altered by deletion, editing, and insertion of commercial breaks.<sup>111</sup> In view of the material changes and the substantive editing of the original broadcast, the court found that absent an express agreement as to what alterations could be made to a television program, unauthorized changes in the work that are so extensive as to impair the integrity of the original work constitute copyright infringement.<sup>112</sup> Even though the defendant had a valid license to prepare a derivative work, this permission to use the original work "may not exceed the specific purpose for which permission was granted."<sup>113</sup> The rationale for this result lies in the need to allow the proprietor of the underlying work to control the method of exploitation.<sup>114</sup>

The first significant ruling involving only the unauthorized insertion of advertising into an existing work was *National Bank of Commerce v. Shaklee Corp.*<sup>115</sup> This case involved a book with an original collection of household hints, which was published by the defendant Shaklee.<sup>116</sup> In the published version, Shaklee added a number of advertisements related to household items without the consent of the author.<sup>117</sup> The court held that a licensee infringes a copyright by exceeding his license and that an author should have control over the context and manner in which his or her work is presented.<sup>118</sup> "[The] author has a right to protect the integrity of his or her work and unauthorized changes in the work violate the author's rights even when he has parted with the publishing rights."<sup>119</sup>

In *WGN Continental Broadcasting Co. v. United Video, Inc.*, a television broadcasting company sought to enjoin a telecommunications common carrier from retransmitting its copyrighted television program into the carrier's cable television system after stripping the vertical blanking interval of teletext information.<sup>120</sup> The original teletext portion was sub-

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111. *Id.* at 17-18.

112. *Id.* at 22; *Oddo*, 743 F.2d at 634.

113. *Gilliam*, 538 F.2d at 20.

114. *Id.* at 21.

115. 503 F.Supp. 533 (W.D. Tex. 1980).

116. *National Bank*, 503 F. Supp. at 536.

117. *Id.* at 538.

118. *Id.* at 543 (acknowledging the lack of authority, the court relied on *Gilliam*, 538 F.2d 14 (2d Cir. 1976)). However, it did not specify the type of copyright – moral right, the right to prepare derivative work, etc.

119. *National Bank*, 503 F.Supp. at 543; *Bonner v. Westbound Records, Inc.*, 364 N.E.2d 570, 575 (Ill. App. Ct. 1977); *Chesler v. Hearst Publ'ns, Inc.*, 352 N.Y.S.2d 552, 555 (1973).

120. 693 F.2d 622 (7th Cir. 1982).

sequently inserted into the program alternatively as an integral part of the news program or on a different channel and contained additional information for the viewer, such as ballgame scores or weather reports.<sup>121</sup> The defendant did not retransmit this information along with the original news, but instead substituted teletext supplied with other sources.<sup>122</sup> As a general rule, the court found that a copyright licensee who “makes an unauthorized use of the underlying work by publishing it in a truncated version” is an infringer.<sup>123</sup> Absent an agreement with the copyright owner, the carrier may not even delete commercials.<sup>124</sup> Section 111(c)(3) of the Copyright Act requires that any cable system that wants to retransmit a broadcast signal without negotiating with the broadcast station or copyright owner must transmit intact any commercials it receives from that station.<sup>125</sup>

The district court in *Paramount Pictures Corp. v. Video Broadcasting Systems, Inc.* did not follow the prior rulings in *WGN v. United Video* and *National Bank v. Shaklee*.<sup>126</sup> Here, the defendant had placed commercials for local businesses at the beginning of the producer-plaintiff’s motion-picture videocassettes.<sup>127</sup> The court focused on the elements of a copyrightable work and found that – unlike the holding in *WGN* – the additions of advertisements would not always constitute an infringement.<sup>128</sup> The unauthorized use of the protected work in a manner outside the scope of any of the copyright holder’s exclusive rights, therefore, is not an infringement of the copyright.<sup>129</sup> The “related images” that the court in *WGN* relied upon did not encompass the advertisement at the beginning of rental videocassettes containing motion pictures.<sup>130</sup> Those advertisements were insignificant and, in fact, did not alter the motion picture in any way.<sup>131</sup> This was not a case where the substance of the protected work was significantly altered and its quality and integrity compromised by a licensee or grantee that oversteps his authority.<sup>132</sup>

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121. *Id.* at 623-24.

122. *Id.* at 624.

123. *Id.* at 625 (citing *Gilliam*, 538 F.2d at 20 [“any unauthorized editing of the underlying work, if proven, would constitute an infringement of the copyright in that work similar to any other use of a work that exceeded the license granted by the proprietor of the copyright”]).

124. *Id.* at 624.

125. *WGN Cont. Broad.*, 693 F.2d at 624-25.

126. *Paramount*, 724 F.Supp. at 820.

127. *Id.* at 812.

128. *Id.* at 821.

129. *Id.* at 820; *Twentieth Century Corp.*, 422 U.S. at 155.

130. *Paramount*, 724 F. Supp. at 820.

131. *Id.* at 820-21.

132. *Id.*

While defendant's advertisement was an original work, the court did not "recognize the addition of it to a videocassette in any way recasting, transforming, or adapting the motion picture."<sup>133</sup> The result is not a new version of the copyrighted motion picture.<sup>134</sup>

### 3. Discussion

While courts have been inconsistent in defining the nature of the infringed right of section 106 of the Copyright Act, the bottom line is that the alteration of advertisement constitutes a copyright infringement, if the changes are substantial. The scope of protection is even broader for television broadcasts: Sections 111(c)(3), 119(a)(4), and 122(e) of the Copyright Act proscribe any willful alteration of a licensed retransmission if such a license falls within the scope of the statutory compulsory license scheme. Congress' intent indicates that this protection applies to the content and the advertising. Sections 111, 119, and 122 of the Copyright Act and most of the above-mentioned decisions were based on the compulsory license scheme. However, with regard to contractual licenses that cover the entire market in sports broadcasting and absent any agreement to the alterations of the original programming by using virtual advertising, the detailed rules serve as precedent and help construe the application of the Copyright Act to unauthorized virtual advertising. Applying the language of section 111(c)(3) of the Copyright Act in the detailed framework for compulsory licenses, Congress implicates that absent an agreement, willful alterations of television broadcasts constitute a copyright infringement. Clearly, the element of willfulness will have to be imputed in the scenarios at hand. Even if the license agreements contained a term on commercial substitution in general, the changes made with virtual advertising will have to be construed in light of this legislation and the precedents.

Congress intended to protect the author's monetary interest in a reasonable return for the creation when section 111 of the Copyright Act was amended.<sup>135</sup> This interest explicitly involved advertising. As with all statutory licenses, they have to be interpreted narrowly, because statutory licenses are a derogation of the exclusive rights granted and in turn the limitations have to be construed broadly.<sup>136</sup> Congress was also aware of future technological development. Having these interests in mind, vir-

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133. *Id.* at 821.

134. *Id.*

135. 145 CONG. REC. H11811, 11812 (daily ed. Nov. 9, 1999) (statement of Rep. Coble).

136. 145 CONG. REC. H11769 (daily ed. Nov. 9, 1999) (text of conference report).

tual advertising opens new alleys for the unauthorized substitution and deletion of existing advertising and thereby keeps the author from receiving a financial return for the work he created. In *Midway Manufacturing Co. v. Artic International Inc.*, the court held that a speeded-up video game that was created by a licensee with the circuit boards that were supplied by the licensor was a derivative work based upon a copyrighted video game.<sup>137</sup> The preparation of this altered version by the licensee therefore constituted an infringement of these copyrighted works.<sup>138</sup> The court reasoned that the speeded-up version is a “substantially different product from the original game and generated more license revenue per game, which was deprived from the copyright owner without his consent.”<sup>139</sup> This amounts to a free ride of the violator on someone else’s creation. Section 111 of the Copyright Act was created to protect this interest. Even if the specific scenario in section 111 of the Copyright Act does not apply to all transmitters, the underlying ideas promote the copyright protection of advertising against virtual alterations under section 106(2) of the Copyright Act.

Virtual advertising can be inserted into an existing television program after the work is completed or it may be inserted into pre-designated spots, such as green walls, with the consent of the author. The unauthorized rearrangement, inserting, combining, or cutting of elements in an existing program distorts the original work, using the unique adaptive occlusion process.<sup>140</sup> Those changes take away some of the original expression from the work by altering the overall arrangement and selection of advertising in the background of a sports performance. A significant change in the scenery of a broadcast, such as a large advertisement on or next to the football or baseball field, constitutes a copying, since the selection of camera angles, the placement and size of the advertisements constitute original and creative elements. Even if the changes are not significant, there may still be an infringement.<sup>141</sup>

“It is obvious that the commercial success of live television sports and entertainment depends substantially on advertising.”<sup>142</sup> Advertising

137. 704 F.2d 1009, 1014 (7th Cir. 1983).

138. *Id.* at 1013-14.

139. *Id.* at 1014.

140. *See infra* Part II.

141. *Gerlach-Barklow Co. v. Morris & Bendien, Inc.*, 23 F.2d 159, 161 (2d Cir. 1927) (Slight differences between picture, observable by close scrutiny, do not avoid infringement); Raphael Winick, *Intellectual Property, Defamation and the Digital Alteration of Visual Images*, 21 COLUM.-VLA J.L. & ARTS 143, 155 (1997).

142. *McBee & Bruno's, Inc.*, 621 F.Supp. at 886, *aff'd*, 792 F.2d 726, 728 (8th Cir. 1986).

is normally inserted at a network control point.<sup>143</sup> “Any live show, including football games, requires at least two satellite transmissions, one with a clean feed of the show itself to the control point and the other of the dirty feed including the show and commercials to broadcast stations.”<sup>144</sup> The sole purpose for the clean feed broadcast is to transmit this signal from satellite so that the network control point could receive it and insert the economically vital commercials.<sup>145</sup> With the adaptive occlusion processing, this clear differentiation is watered down to a point where any broadcast station, transmitter, or retransmitter or any cable network is in a position to alter the content, needless to say the commercials of a television broadcast. Unlike the scenario in *Hubbard*, the satellite carriers and cable network providers today are in a position to exercise control over the content and the selection of the broadcast by using virtual advertising.<sup>146</sup> The ultimate beneficiary of subsequent insertion of virtual advertising is the broadcast station. The loser is the first advertiser, who paid to have his advertisement placed – either physically, or even by using virtual advertising in the first place – and the consumer, who is exposed to an ever-increasing stream of commercials, now even as part of the game. The original copyright owner also loses control over his work and its distribution.<sup>147</sup> Copyright law seeks to prevent such a scenario. The right for the exploitation of a copyrighted work rests in the owner. Therefore, any subsequent alteration should be banned if it harms the interest of the original owner or the public.<sup>148</sup> Therefore, the unauthorized deletion or substitution of existing advertisements in a television broadcast by inserting virtual advertising can constitute copyright infringement.

#### IV. VIOLATION OF THE RIGHT OF PUBLICITY

Another cause of action against unauthorized virtual advertising in sports telecasts could be the player’s right of publicity, if the virtual advertisement appears in a distorting manner in the background of the player’s performance during the game. The right of publicity was created

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143. *Id.*, 621 F. Supp. at 886.

144. *Id.*

145. *Id.*

146. *Hubbard*, 777 F.2d at 402.

147. Winick, *supra* note 141, at 155.

148. After all, any state statute and/or common law is preempted by the Federal Copyright Act, if they are applicable. *Motorola*, 105 F.3d at 848.

in the sports world by a number of cases involving celebrities.<sup>149</sup> The right of publicity protects an individual's right to control the commercial exploitation of his or her identity. The present statutory or common law in over thirty states recognizes a right to control the commercial appropriation of an individual's name, likeness, and reputation.<sup>150</sup> Sport celebrities were the most prominent figures in advertising of the 1990s. In due course, a player's good reputation is likely to be the subject of advertisers' messages. However, there are limits as to the free use of a celebrity's image, even under an existing advertising agreement. For example, if a player is exposed in front of beer commercials that catch the eye of the viewer, he is automatically affiliated with this product. In *O'Brien v. Pabst Sales Co.*, the plaintiff, a famous football player, alleged invasion of his right of privacy when his picture was placed next to the defendant's beer advertisement.<sup>151</sup> The court denied his allegations under the evidence presented, stating that he had lost his right of privacy by consenting to widespread publicity, and the advertising did not falsely indicate that the player used, endorsed, or recommended the beer advertised.<sup>152</sup> Nevertheless, New York statutory law acknowledges a right of privacy as a personal and non-assignable right not to have his feelings hurt by unauthorized publications, and the common law even adds the protection for a famous person's right of publicity.<sup>153</sup> Other states agreed that a right of publicity exists that grants personal control over commercial display and exploitation of the personality and the exercise of a person's talents.<sup>154</sup> The Supreme Court upheld such common law and/or state legislation.<sup>155</sup>

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149. See generally, *Hirsch v. S.C. Johnson*, 280 N.W.2d (1979); *Ali v. Playgirl*, 447 F.Supp. 723, (S.D.N.Y. 1978); *Uhlaender v. Henricksen*, 316 F.Supp. 1277 (D.Minn. 1970).

150. David H. Bernstein, *Current Developments in False Advertising and Right of Publicity*, 1148 PLI/CORP 133, 174 (Nov. 1999); Laura Lee Stapleton & Matt McMurphy, *The Professional Athlete's Right of Publicity*, 10 MARQ. SPORTS L.J. 23 (1999); J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION §§ 11:14, 28:1 (4th ed. 1999).

151. 124 F.2d 167, 168 (5th Cir. 1941).

152. *Id.* at 170.

153. *Halean Lab., Inc. v. Topps Chewing Gum, Inc.*, 202 F.2d 866, 868 (2d Cir. 1953) (Famous persons "would feel sorely deprived if they no longer received money for authorizing advertisements"). See also, *Pirone v. Macmillan Inc.*, 894 F.2d 579, 585 (2d Cir. 1990).

154. *Zacchini v. Scripps-Howard Broad. Co.*, 376 N.E.2d 582 (1978), *rev'd*, 433 U.S. 562, 569 (1977) (holding that state law could award damages to an entertainer who attempted to restrict the showing of his act to those who paid admission, when a television station broadcast his entire act (a 15 second "Human Cannonball" stunt)); *Housh v. Pety*, 133 N.E.2d 340, 341 (1956).

155. *Zacchini*, 433 U.S. at 579.

In professional sports, the right of publicity is ordinarily transferred to the clubs with regard to the players' appearances and their performances during the game. However, this does not affect the individual player's right to exploit his or her personal image commercially outside the playing field.<sup>156</sup> Today, players' associations exercise the group marketing of certain publicity rights. The issue is whether certain virtual advertisements can violate the individual player's right of publicity under state law in spite of and independent of these group-marketing agreements. Within the NBA, no rules exist to prevent companies from signing NBA players to advertising contracts.<sup>157</sup> Players in all major sports are free to enter into endorsement agreements in accordance with the player's contracts that regularly provide the requirement of the written consent of the club, which in turn shall not be withheld except in the reasonable interests of the club or the sport.<sup>158</sup> Similarly, the FIFA seeks to protect the integrity of the sport of soccer by a set of rules, parts of which are the rules about virtual advertising. This legislation is embedded into the European framework of keeping program and advertising separate.<sup>159</sup> Players and their performance should not be exploited by businesses solely as objects of commercials by inserting virtual advertisements during the player's performance. The line has to be drawn by the governing authorities of the respective sport and – absent any rules – by the judiciary. However, every player today is exposed to widespread publicity, far excessive from the standard in *O'Brien*.<sup>160</sup> The club and the league largely control the publicity. With this in mind, it seems unlikely that a court would not assume or imply the player's consent to the advertisements.

After all, there exists no federal right of publicity.<sup>161</sup> Moreover, it appears well settled that any potential individual player's publicity right is preempted by section 301 of the Copyright Act with regard to the rights in the broadcast.<sup>162</sup> Any such claims would interfere with the uni-

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156. However, most professional sports leagues prohibit their athletes from endorsements of alcoholic beverages and tobacco products, *see* Lester, *supra* note 75, at 390, 393.

157. Robert N. Davis, *Ambushing the Olympic Games*, 3 VILL. SPORTS & ENT. L.J. 423, 427 (1996).

158. Lester, *supra* note 75, at 390.

159. *See infra* Part VI.

160. *O'Brien*, 124 F. 2d at 170.

161. Bernstein, *supra* note 150, at 182.

162. Under Copyright Act § 301, a state law claim is preempted when: (i) the state law claim seeks to vindicate "legal or equitable rights that are equivalent" to one of the bundle of exclusive rights already protected by copyright law under Copyright Act § 301 — styled the "general scope requirement;" and (ii) the particular work to which the state law claim is being

formity of the copyright system and the exploitation of the works by the author.<sup>163</sup> Although game broadcasts are copyrightable while the underlying games are not, the Copyright Act should not be read to distinguish between the two when analyzing the preemption of a claim based on copying or taking from the copyrightable work.<sup>164</sup> Especially with regard to virtual advertising, any player's right of publicity based on distorting advertising would be essentially equivalent to the right to prepare derivative work, which falls under the Copyright Act.<sup>165</sup> Even if the copyright claim allegedly does not encompass the uncopyrightable elements within the work, it has been held that section 301 of the Copyright Act preemption bars state law claims even with respect to both copyrightable and uncopyrightable elements.<sup>166</sup> Moreover, the Uniform Players Contract in all major team sports, in connection with the collective bargaining agreement, explicitly states that the clubs and not the players own the rights to the names,<sup>167</sup> photographs or electronic images, including television pictures. However, such rights may be assigned to the players association.<sup>168</sup> In spite of the discrepancy in interpreting preemption, it is safe to say that preemption applies, if a falsity claim is based upon state law and merely alleges that defendant prepared a derivative work from the plaintiff's original work and sold it under defendant's name.<sup>169</sup>

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applied falls within the type of works protected by the Copyright Act under §§ 102, 103—styled the “subject matter requirement.” *Motorola*, 105 F.3d at 848; *Baltimore Orioles*, 805 F.2d 663 at 674; distinguished by, *Brown v. Ames*, No. 98-20736 2000 WL 48992, at \*6 (5th Cir. Feb. 7, 2000); in support of a right of publicity, *Shipley*, *supra* note 38, 384-88, 402; Shelley Ross Saxon, *Baltimore Orioles, Inc. v. Major League Baseball Players Association: The Right of Publicity in Game Performances and Federal Copyright Preemption*, 36 UCLA L.Rev. 861, 870 (1989). The 9th Circuit rejected preemption in *Midler v. Ford Motor Co.*, 849 F.2d 460 (9th Cir. 1988).

163. *Brown*, 2000 WL 48992, at \*6; *Bonito Boats, Inc. v. Thunder Craft Boat, Inc.*, 489 U.S. 141, 162 (1989) (“One of the fundamental purposes behind the . . . Copyright Clauses of the Constitution was to promote national uniformity in the realm of intellectual property”).

164. It has been argued, however, that even if one owns the copyright to a photograph or other visual image, one does not necessarily also own the right to commercially exploit the images of the persons appearing in that image; see *Winick*, *supra* note 141, at 179 (citing *Bi-Rite Enters., Inc. v. Bruce Miner Co.*, 757 F.2d 440, 446 (1st Cir. 1985)); *National Bank*, 503 F.Supp. at 540; RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 46 Cmt. I (1995); MCCARTHY, *supra* note 150, §§ 11:14 [B], [C].

165. *Ahn v. Midway Mfg. Co.*, 965 F.Supp. 1134, 1138 (N.D.Ill. 1997). However, a copyright is not a license to engage in unfair competition; see *World Championship Wrestling v. Titan Sports, Inc.*, 46 F.Supp. 2d 118, 126 (D.Conn. 1999); see *infra* Part VI.

166. *Motorola*, 105 F.3d at 849.

167. *Baltimore Orioles*, 805 F.2d at 675. In fact, the Major League Players Association acts as the assignee of the individual publicity rights of all players; see *Cardtoons, L.C. v. Major League Players Assoc.*, 95 F.3d 959, 963 (10th Cir. 1996).

168. *Lester*, *supra* note 75, at 390-91.

169. MCCARTHY, *supra* note 150, § 6:27.

Taking into consideration these problems in pursuing a cause of action under state law, it seems more appropriate under federal law to apply a cause of action under section 43(a) of the Lanham Act.<sup>170</sup>

#### V. FALSE ADVERTISING UNDER FEDERAL UNFAIR COMPETITION (SECTION 43(A)(1)(B) OF THE LANHAM ACT)

Section 43(a) of the Lanham Act was amended, effective November 1989, to expressly prohibit, among other things, the use of any symbol or device which is likely to deceive consumers as to the association, sponsorship, or approval of goods or services by another person.<sup>171</sup> Due to the broad language of section 43(a) of the Lanham Act, the elements of such a cause of action are remotely unclear.<sup>172</sup> However, courts have established certain groups of unfair behavior in the marketplace that fall under section 43(a) of the Lanham Act. The Ninth Circuit has read the amended language to encompass the so-called "false endorsement" claims.<sup>173</sup> Section 43(a) of the Lanham Act even allows competitors to invoke a cause of action for unfair competition to prevent others from marketing altered versions of copyrighted works.<sup>174</sup> Furthermore, sporting events in particular are often faced with "ambush advertising," another type of false advertising. Since the judicial analysis often left the public with little guidance with regard to the specific elements of false

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170. Copyright does not affect liability under the Lanham Act, *see World Championship Wrestling*, 46 F.Supp. 2d at 126.

171. Lanham Act § 43(a) provides:

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which (A) is likely to cause confusion . . . as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

172. Jean Wegman Burns, *Confused Jurisprudence: False Advertising Under the Lanham Act*, 79 B.U. L. REV. 807, 808 (1999).

173. *Waits v. Frito-Lay, Inc.*, 978 F.2d 1093, 1107 (9th Cir. 1992), *cert. denied*, 506 U.S. 1080 (1993); Katherine C. Spelman, *Advertising and Promotions under Federal and California Law* 1999, 552 PLI/PAT 271 (1999). In *Abdul-Jabbar v. General Motors Corp.*, 75 F.3d 1391, 1401 (9th Cir. 1996), the Ninth Circuit held that the use of basketball star Kareem Abdul-Jabbar's former name, Lew Alcindor, in a television commercial for automobiles aired during a national men's basketball tournament raised an issue of fact as to whether consumers would believe Jabbar endorsed defendants' products.

174. *See, e.g., Gilliam*, 538 F.2d at 24.

advertising, commentators have tried to narrow down and define the elements of the specific violations and establish groups of violations.<sup>175</sup> The following analysis focuses on critical elements and emphasizes the most suitable types of false advertising as applied to virtual advertising.

### A. General Requirements

To establish a federal cause of action for false advertising under section 43(a)(1) of the Lanham Act, the plaintiff must show either that the allegedly infringing representation of fact is literally false, or that it is likely to deceive or confuse consumers.<sup>176</sup> False advertising claims are thus predicated on a statement or assertion that confuses customers.<sup>177</sup> Furthermore, “falsely suggesting the existence of affiliation with a well-known business by usurping the latter’s goodwill constitutes. . . unfair competition.”<sup>178</sup> Specifically, to state a claim for false advertising under the Lanham Act, a plaintiff must allege: (1) that defendant has made a false or misleading description or representation of fact; (2) in interstate commerce; (3) in connection with goods or services; (4) in commercial advertising and promotion; (5) when the description or representation misrepresents the nature, qualities or geographic origin of the defendant’s or another person’s goods, services or commercial activities; and (6) that there is likelihood of injury to plaintiff in terms of declining sales, loss of goodwill, etc.<sup>179</sup>

The traditional plaintiff under section 43(a) of the Lanham Act has been a competitor injured in its line of business as a result of false advertising.<sup>180</sup> Hence, a cause of action could be available not only for the

175. McCARTHY, *supra* note 150, § 27:24; McEvelly, *supra* note 18, at 620-21; Wegman Burns, *supra* note 205, at 864-67.

176. *Motorola*, 105 F.3d at 855 (citing *Lipton v. Nature Co.*, 71 F.3d 464, 474 (2d Cir. 1995)).

177. Craig K. Weaver, *Signposts to Oblivion? Meta-Tags Signal the Judiciary to Stop Commercial Internet Regulation and Yield to the Electronic Marketplace*, 22 SEATTLE U. L. REV. 667, 677 n.75 (1998).

178. *Showtime/The Movie Channel v. Covered Bridge Condo. Ass’n, Inc.*, 693 F.Supp. 1080, 1089 (S.D. Fla. 1988); *Playboy Enters., Inc. v. Frena*, 839 F.Supp. 1552, 1561 (M.D.Fla. 1993); *Burger King v. Mason*, 710 F.2d 1480, 1492 (11th Cir. 1983).

179. McCARTHY, *supra* note 150, § 27.24; *Ditri v. Coldwell Banker Residential Affiliates, Inc.*, 954 F.2d 869, 872 (3d Cir. 1992).

180. *Halicki v. United Artists Communications, Inc.*, 812 F.2d 1213, 1214 (9th Cir. 1987); *Waits*, 978 F.2d at 1109. False advertising claims can be brought by corporations as well as individuals, *see Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 205 (2d Cir. 1979) (recognizing Section 43(a) of the Lanham Act claim where uniform worn by star of X-rated movie was confusingly similar to plaintiffs’ trademark uniforms, falsely creating impression that plaintiffs “sponsored or otherwise approved the use” of uniform).

copyright owner or licensee of the broadcast, but also for advertisers of in-stadium advertisements, such as billboards or other fixed advertisements that are being subsequently substituted without the assignment of any copyright claims by the owner of the broadcast. Even if it can be assumed that the parties using virtual advertising compete for the most effective television commercials, most courts have held that the parties need not always be in direct competition for the plaintiff to have standing under section 43(a) of the Lanham Act.<sup>181</sup> The Fifth Circuit stated: In order for representations to constitute commercial advertising or promotion they must be by a defendant who is in commercial competition with plaintiff for the purpose of influencing consumers to buy defendant's goods or services.<sup>182</sup> If a party advertises, he is necessarily involved in commercial activity. As soon as both parties use the same advertising channel, they are necessarily competitors. Therefore, standing can be established fairly easily.

A claim of false advertising may be asserted against "all those allegedly responsible for falsely describing and placing in commerce the advertised goods."<sup>183</sup> This includes advertisers as well as contributory infringers.<sup>184</sup> However, the media is generally not liable for acting as passive carriers for false advertising.<sup>185</sup> But this exemption involves only innocent communicators of otherwise misleading or false advertising. A broadcasting company that willfully inserts virtual advertisements without the consent of the involved parties is to be considered in violation of the Lanham Act. Just like the limitation of the passive carrier exemption for willful alterations, section 43(a) of the Lanham Act is applicable if the defendant did not act innocently.<sup>186</sup>

Just like any advertising in sports, virtual advertising implicates a statement of affiliation between the advertised product or service and the object of sponsorship. It implicates the sponsorship or other type of

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181. McCarthy, *supra* note 150, § 27:32, p.27-53 ("with the possible exception of the 9th Circuit"); *Waits*, 978 F.2d at 1107, *cert. denied*, 506 U.S. 1080 (1993); *see also*, McEvelly, *supra* note 18, at 618-19; *Wegman Burns*, *supra* note 205, at 838-39; *Bernstein*, *supra* note 150, at 134.

182. *Seven-Up Co. v. Coca-Cola Co.*, 86 F.3d 1379, 1384 (5th Cir. 1996). Using this language reveals that it is in fact difficult to separate the elements of false advertising.

183. *Grant Airmass Corp. v. Gaymar Indus., Inc.*, 645 F. Supp. 1507, 1511 (S.D.N.Y. 1986).

184. *Bernstein*, *supra* note 150, at 135.

185. *Grant Airmass Corp.*, 645 F. Supp. at 1512; *McCarthy*, *supra* note 150, §§ 27:52, p.27-78; 27:70, p.27-105.

186. *McCarthy*, *supra* note 150, § 27:83 (quoting 134 CONG. REC. H10420 (daily ed. Oct. 19, 1988) (remarks of Rep. Kastenmeier on S.1883)).

affiliation between the subsequently inserted or substituted advertisement and the teams, clubs, the respective league or the sport in general. These representations typically occur in the context of “false endorsement” and “ambush advertising.”

### B. *False Endorsement*

Falsity may be established by proving that the advertising is literally false as a factual matter, or although the advertisement is literally true, it is likely to deceive or confuse consumers or viewers as to the sponsorship or affiliation of the goods or services.<sup>187</sup> This scenario is often called “false endorsement.”<sup>188</sup> Although a virtual advertisement in itself correctly represents the nature and origin of the advertised goods, the falsity has to be established in connection with the sponsorship and affiliation of the advertisement to the sporting event. The error occurs in the viewer’s mind, when he or she unknowingly denies the right to public credit for the sponsorship of the event to the original advertiser, while affiliating the virtual advertiser’s goodwill with the sponsorship.<sup>189</sup> The attractiveness of sports advertising is based on the popularity of the teams and the players. No other television events attract greater audiences than the major sporting events. In turn, advertisers are willing to pay large sums of money for their appearance in such an event. Even though there is no direct affiliation or proof of a product’s quality in such an advertisement, the public associates the large sums paid with the good quality of a product. This behavior generates a company’s goodwill that is attached to its products.<sup>190</sup> The goodwill of a manufacturer is the

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187. *Lipton*, 71 F.3d at 474.

188. Lanham Act § 43(a) prohibits the imitation of a person’s distinctive attributes without authorization where the imitation misrepresents, expressly or by implication, the person’s association with or endorsement of a product. *See Waits*, 978 F.2d at 1106 (establishing a likelihood of consumer confusion that Waits endorsed Doritos); *Allen v. Men’s World Outlet, Inc.*, 679 F. Supp. 360, 371 (S.D.N.Y. 1988) (granting summary judgment on Woody Allen’s Lanham Act § 43(a) claim where ad featured photo of look-alike with clarinet and ad copy evoking “schlemiel” persona, falsely representing that products were associated with him).

189. *See also, Playboy Enter., Inc.*, 839 F.Supp. at 1562. The trademarks were obliterated from the photographs, and then defendant Frena attempted to take credit for plaintiff’s work by placing its own advertising with the photographs. Thus, plaintiff has been denied the right to public credit for the success and quality of its goods. *Roho, Inc. v. Marquis*, 902 F.2d 356, 357 (5th Cir. 1990).

190. Jacob Laufer, *Good Faith and Fair Dealing with the American Consumer*, 1987 COLUM. BUS. L. REV. 167, 173-74 (1987); states that trademarks serve three basic purposes: 1) to indicate origin; 2) to guarantee equal quality of all goods under that mark; and 3) as an embodiment of goodwill – buyers will recognize high-quality products by its trademark and the seller eventually will benefit from this recognition by increased sales. *See also*, William M.

result of high-quality work combined with a strong effort in advertising, which is all embodied in the affiliated trademark. The substitution or deletion of an advertisement creates a false mental association in the viewer's mind between the large expenditure on sponsorship and the product. Furthermore, in-stadium advertisers have an interest in being exposed over an entire season to achieve an ultimate and lasting mental association for the viewer between the advertised product or service and the sport broadcastings. This goodwill is wrongfully transferred to the virtual advertiser resulting in a corresponding loss of goodwill for the original advertiser. Section 43(a)(1)(B) of the Lanham Act was designed to protect trademark owners and competitors from precisely this type of free ride on a company's goodwill by false endorsement.

### C. *Copyrights and Section 43(a) of the Lanham Act*

Even though the Lanham Act is a trademark statute, it has been recognized that it applies to copyrights as well if they are used in connection with any goods or services.<sup>191</sup> A violation of false advertising prohibitions can arise in connection with the unauthorized use of copyrighted materials in several ways. The unauthorized editing of a creative work in connection with the original author's name can constitute a false representation that this is the author's work when in fact it is a distorted version of the author's talents. Also, the unauthorized reproduction or distribution of a copyrighted work in connection with the true owner or creator's name or mark can falsely imply that the copyright owner has agreed to this use of its work.<sup>192</sup> The situations before us involve an overlap between copyright and protection by virtue of unfair competition; in addition to and independent of receiving copyright protection, advertising matter may be protectible under false advertising law. The scope and extent of protection of each area of law have to be distinguished accurately.<sup>193</sup>

In *Gilliam*, the court held, notwithstanding the copyright infringement, that the editing by the defendant also misrepresented the origin of the "Monty Python" show and therefore violated section 43(a) of the Lanham Act, stating that it:

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Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 269 (1970).

191. *Gilliam*, 538 F.2d at 26.

192. MCCARTHY, *supra* note 150, §§ 6:27; 27:82; 27:83.

193. *Id.* § 6:30.

impaired the integrity of appellants' work and represented to the public as the product of appellants what was actually a mere caricature of their talents. . . . To deform his work is to present [an artist] to the public as the creator of a work not his own, and thus makes him subject to criticism for work he has not done. Thus an allegation that a defendant has presented to the public a "garbled," distorted version of plaintiff's work seeks to redress the very rights sought to be protected by the Lanham Act.<sup>194</sup>

The general rule that can be derived from this landmark case is where a copyright licensee acts outside the scope of the license to make unpermitted editing resulting in a distorted travesty of the original work, use of the author's name is a false representation. In effect, a work not created by the author is falsely attributed to the author.<sup>195</sup> However, where the unauthorized alterations are relatively minor and inconsequential and lack the kind of distortion found in the "Monty Python" case, there will be no violation of section 43(a) of the Lanham Act.<sup>196</sup> For example, in one such case, the court said that the issue is whether the edited version "departed so substantially from the original work that [plaintiff] may be said not to be its author." The court distinguished the "Monty Python" case as one in which the unpermitted editing resulted in an "edited version [that] simply made no sense."

It is against this background that commentators have argued that the colorization of a motion picture without the permission of the author may be found to confuse consumers into believing that those creators approved of or created the altered version.<sup>197</sup> Courts have acknowledged that substantial alterations may violate unfair competition laws.<sup>198</sup> Nonetheless, similar to the copyright analysis, minor changes would not lead consumers to confuse products or their affiliation with a certain source. The changes need to be material in order to deceive consumers.<sup>199</sup> Otherwise, section 43(a) of the Lanham Act would be construed as a general moral rights statute, which does not enjoy federal protection.<sup>200</sup> In addition, a broad interpretation of the unfair competition cause of action

194. *Gilliam*, 538 F.2d at 24-5; Winick, *supra* note 141, at 172, 174.

195. *Gilliam*, 538 F.2d at 24-5; McCARTHY, *supra* note 150, § 27:83.

196. McCARTHY, *supra* note 150, § 27:83; Choe v. Fordham Univ. Sch. of Law, 920 F. Supp. 44, 48 (S.D.N.Y. 1995); *Considine v. Penguin, U.S.A.*, 24 U.S.P.Q.2d (BNA) 1947 (S.D.N.Y. 1992).

197. Winick, *supra* note 141, at 174 n.143.

198. Under the doctrine of false designation of origin, *see Stevens v. Nat'l Broad. Co.*, 148 U.S.P.Q. (BNA) 755, 757 (Cal. 1966); *Schatt v. Curtis Mgmt. Group, Inc.*, 764 F.Supp. 902, 913 (S.D.N.Y. 1991).

199. *Paramount*, 724 F.Supp. at 821; Winick, *supra* note 141, at 175-76.

200. *Gilliam*, 538 F.2d at 26; McCARTHY, *supra* note 150, § 27.08[2][c][iii], [2][d].

would undermine the standards that Congress intended to set with the Copyright Act. The unfair competition claim merely gives competitors other than the copyright owner or licensee legal standing. It would undermine the copyright owner's rights in the work and its monopoly to market and exploit the works, if a competitor with some financial interest at stake is allowed to pursue these interests. Such a result causes an unacceptable tension between competitor's rights and the rights of the copyright holder.<sup>201</sup>

#### D. Ambush Advertising

Section 43(a) of the Lanham Act can be triggered in cases of "ambush advertising." Although section 43(a) of the Lanham Act is primarily designed to protect consumers from confusion, it is well established that it also protects commercial interests of competitors.<sup>202</sup> Consumer confusion, however, is not the primary concern in ambush marketing cases; the courts ultimately seek to protect legitimate business interests and sponsorship agreements. Much similar to the false endorsement category, ambush advertising is a type of marketing by a company that is not an official sponsor of an event, but which centers its advertising campaign around the event to induce customers to pay attention to the advertisement and appears to be one of the official sponsors.<sup>203</sup> The advertisement may only remind customers of the event, or it may go further to create the misleading impression that the company is an official sponsor regarding these goods or services or is affiliated with the event. In any event, a misleading impression is created that may lead the public to believe that the owner of the advertisement sponsored or otherwise approved the use of the advertisement.<sup>204</sup> Through advertising and promotional campaigns, the ambushing company tries to confuse consumers and to misrepresent the official sponsorship of the event. In a broader sense, rather than such direct and intentional misrepresentation, ambush marketing refers to a company's attempt "to capitalize on the goodwill, reputation and popularity of a particular sport or sporting event by creating an association without the authorization or consent of

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201. Winick, *supra* note 141, at 176.

202. McCARTHY, *supra* note 150, § 27:25, p.27-40; *see also*, S. REP. NO. 100-515, at 4 (1988), reprinted in 1988 U.S.C.C.A.N. 5577, 5580.

203. Davis, *supra* note 157, at 430; McCARTHY, *supra* note 150, § 27:66, p. 27-100.

204. Mastercard Int'l, Inc. v. Sprint Communications Co., 30 U.S.P.Q.2d (BNA) 1963, 1966 (S.D.N.Y. 1994) (*following Dallas Cowboys Cheerleaders*, 604 F.2d at 205).

the necessary parties.”<sup>205</sup> Another type of ambush advertising may arise when a company, which has a valid license from the event sponsor for a defined market, uses the event to also promote goods or services outside of its defined market. This, in effect, impinges on the rights of another company who has exclusive rights in the invaded market.<sup>206</sup> This scenario applies to professional sports in a unique manner: All of the major sports leagues prohibit non-sponsors from using league logos, official team uniforms, hats and insignia in advertisements, but nothing prohibits them from sponsoring individual teams. In an event where the market is invaded by another non-exclusive sponsor, the company whose market has been invaded may have standing to sue for false advertising.<sup>207</sup>

Virtual advertising opens a whole new field of possibilities for these types of ambush advertising.<sup>208</sup> Virtual advertisements appear in the background of the broadcast of the sporting event. They implicate that the copyright owner of the game, the clubs and/or the owner of the original advertisement approved the advertised products for just that location. If this is not the case, the advertisements create the misleading impression that the virtual advertiser invested large sums in sponsoring the sporting event, which the category of ambush advertising under section 43(a)(1)(B) of the Lanham Act seeks to prevent. In due course, the virtual advertiser capitalizes on the reputation and goodwill of the sporting event and gains a free-ride on the goodwill of the exclusive or official sponsors.<sup>209</sup> The sponsors spend enormous amounts of money to be called the exclusive sponsor of major sporting events.<sup>210</sup> “By diluting the value of the corporate sponsorship, ambush marketing ultimately jeopard-

205. Lori L. Bean, *Ambush Marketing: Sports Sponsorship Confusion and the Lanham Act*, 75 B.U. L. REV. 1099, 1100 (1995).

206. See limitations for official sponsorship in *Nat'l Hockey League v. Pepsi-Cola Canada, Ltd.*, 92 D.L.R. 4th 349, 369 (Brit. Columbia Sup.Ct. June 2, 1992).

207. McCARTHY, *supra* note 150, § 27:66; *Mastercard Int'l*, 30 U.S.P.Q.2d at 1965-66.

208. Goddard, *supra* note 15, at 1 (comparing the situation with ambush advertisements in *Mastercard Int'l*, 30 U.S.P.Q.2d at 1966; John A. Nagy, *Today's Column Brought to Us By (Your Ad Here)*, GREENSBORO NEWS & REC., July 28, 1997; Wayne Walley, *SciDel's Virtual Ads Stay Underfoot*, ELECTRONIC MEDIA, Nov. 27, 1995, at A2 (acknowledging the possibility of ambush advertising). Advertisers argue that because teams control the sale of space to both kinds of advertisers, “that doesn't happen,” see William Power, *Signs of the Times; Virtual Promotions Give Sports Advertisers a State-of-the-Art Advantage*, FORT WORTH STAR-TELEGRAM, Aug. 2, 1998, at B4; the fact is, however, that virtual advertising enables third parties to alter and therefore control the broadcast signal, allowing ambush advertising; see Snel, *supra* note 5, at 1D.

209. Bean, *supra* note 205, at 1100; Davis, *supra* note 157, at 430; Wall, *supra* note 35, at 144.

210. Davis, *supra* note 125, at 424.

dizes the financial vitality of sporting events.”<sup>211</sup> “One popular indirect ambush technique involves buying commercial time prior to and during event broadcasts.”<sup>212</sup> Virtual advertising goes beyond that by not only lessening the quality of the original advertising or the sporting event itself, but also by lessening the value of the advertisements during commercial breaks. These advertisers may seek to prevent virtual advertisers from diluting the distinction between program and commercial breaks, which may eventually generate the impression of an advertising channel. Finally, if consumers are exposed to virtual advertising, this does not necessarily mean that there are fewer commercials. In turn, sports broadcasting is abused for commercial exploitation.<sup>213</sup> Even though virtual advertising does not always depict the typical scenario, in which an advertiser seeks to create a mental association between the consumer and the non-existing sponsorship by advertising in addition to the existing sponsorship advertisements, the scenario resembles ambushing in an obtrusive manner. Not only can virtual advertisements be added to the broadcast without the knowledge of the involved parties, for example, other advertisers, virtual advertisers are also enabled to delete, or even substitute the existing banners. Such anticompetitive behavior should therefore be banned as well.

“Still, because the traditional consumer protection approach to section 43(a) [Lanham Act] is irrelevant to sponsorship and licensing contracts and because ambush marketing claims are relatively new, courts have yet to establish an appropriate analysis to deal with the protection of sponsorship agreements.”<sup>214</sup> Section 43(a) of the Lanham Act constitutes an appropriate and useful basis to fill the gap between contract law and copyright law in order to protect third party advertisers. After all, official sponsors and licensees who spend millions of dollars to affiliate themselves with an event and a trademark surely will not hesitate to enforce their exclusive rights.

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211. Bean, *supra* note 205, at 1100-01.

212. *Id.* at 1103. In order to counter Visa’s advertisement of its wide acceptance at the Olympics, American Express bought substantial advertising time on major networks. *Id.*

213. Jim Abbott, *A Different Playing Field*, ORLANDO SENTINEL, Nov. 26, 1998, at D1.

214. Bean, *supra* note 205, at 1129.

### E. Impact of Consumer Protection

Section 43(a) of the Lanham Act was designed to protect consumers as well as commercial interests from the effect of false advertising.<sup>215</sup> One dangerous element of virtual advertising is that it is part of a trend in which the advertiser shapes the entertainment and information content of this society.<sup>216</sup> The consumers' perception of reality in the shape of a live or recorded television broadcast is ultimately diluted, distorted, and cluttered.<sup>217</sup> Consumers are "blanketed in a continuous fog of sponsored pitches."<sup>218</sup> The development begins to highlight the possibility to touch content and change it.<sup>219</sup> To prevent this blurring of reality by engendering virtual images, the viewer could be informed of the existence of virtual advertisements. Early on, some teams and broadcasting companies ran disclaimers in their broadcasts to disclose that some advertisements viewers would see were virtual substitutes or inserts. But this practice has stopped.<sup>220</sup> The average consumer in today's age of digitalization may even be well aware of the fact that he is constantly exposed to advertising and hence does not need such a disclaimer. On the contrary, virtual advertisement puts television on better competitive footing with the Internet, where viewers readily accept promotional messages as part of the content mix.<sup>221</sup> However, the intrusion of the television viewer's privacy deserves even more protection, because by virtue of a remote control he is not capable of choosing the setup of his television screen, like he is when surfing the World Wide Web.

The issue is if this topic is merely a question of morality or ethics<sup>222</sup> or if the law should step in, as it does in Europe for certain situations.<sup>223</sup> Even in the liberal American advertising market, this technology can push commercialism just over the line, leading to a William Gibson or

215. *Vidal Sassoon, Inc. v. Bristol-Myers, Co.*, 661 F.2d 272, 277-78 (2d Cir. 1981); *Coca-Cola Co. v. Procter & Gamble Co.*, 822 F.2d 28, 31 (6th Cir. 1987); see Wegman Burns, *supra* note 205, at 833-34.

216. Paul Farhi, *Finding Versatility in the 'Virtual Ad'; Sports Broadcast Stations, Advertisers Warm Up to Billboards That Aren't Really There*, WASH. POST, Aug. 18, 1998, at C1.

217. *Virtual Advertising Comes up Roses For Sponsors Bowl Viewers to See Logos Not Really There*, FLA. TIMES-UNION, Jan. 1, 1999; *Digital Deception; TV Can Insert Ads Into Programs After They're Filmed*, FRESNO BEE, Apr. 1, 1999, at B6.

218. Elliott, *supra* note 2, at C1.

219. McEvilly, *supra* note 18, at 611.

220. Power, *supra* note 208, at B4; see also, James Hattori, et al., *Computer Technology: That's Entertainment, 2000*, available at <http://www.cnn.com/1999/SHOWBIZ/Movies/12/31/entertainment.future/> (last visited Mar. 15, 2000).

221. Wilkinson, *supra* note 20, at 36.

222. Goddard, *supra* note 15, at 1.

223. See *infra* Part VI.

George Orwell-like alteration of reality.<sup>224</sup> For sports fans it could even affect the sanctity and credibility of the sport to have commercials spread out along the sidelines, the walls, the air, or even on the playing field.<sup>225</sup> Virtual advertising generates more airtime for sponsors, squeezing more money out for the network.<sup>226</sup> Retransmissions of sporting events generate even more revenue, whereas it also harms sports performers, because they are degraded to objects of commercialism.<sup>227</sup> This scenario becomes even worse for the viewer and more offensive for the performers in cases where the virtual advertisement is animated. Such a use creates an annoying and distorting background to the action on the playing field.<sup>228</sup> The courts will have to ask themselves if the consumer will ultimately accept a television environment in which reality cannot be distinguished from virtuality, content cannot be separated from advertising and advertising is ultimately encroached into athletics.<sup>229</sup> As it seems, television landscape has done so. The line is drawn, where a competitor is involved and financial interests are at stake. The line is crossed in cases where the virtual advertiser substantially alters, adds, or deletes existing advertising, thereby causing harm to the competitor.

## VI. VIRTUAL ADVERTISING IN EUROPE

Virtual advertising is not codified in most of the fifteen member states of the European Union. No regulations were incorporated into the 1997 Television Without Frontiers Directive that regulates the television broadcasting activities among the member states.<sup>230</sup> However, the permanent council of the European Council for trans-national television

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224. David Williams, *See You at The Virtual Ballpark*, COMMERCIAL APPEAL (Memphis, TN), Apr. 13, 1999; William Gibson, *Neuromancer*, 1984, at \*51 ("Cyberspace. A consensual hallucination experienced daily by billions of legitimate operators . . .").

225. Zelkovich, *supra* note 21, at 1.

226. Dan Caesar, *Hidden Ads are Adding up to Poor Sports*, ST. LOUIS POST-DISPATCH, Feb. 28, 2000, at C5 (" . . .toying with reality for a profit motive is a device that should be left to the movies and the video games, not something that is being presented as a legitimate live event. A question arises: What's next?").

227. Hearings on H.R. 2223 Before the Subcomm. on Courts, Civil Liberties, and the Administration of Justice of the House Comm. on the Judiciary, 94th Cong. 1823 (1975), at 817-825 (testimony of John O. Coppedge on behalf of NCAA).

228. Dougherty, *supra* note 4, at E6.

229. Denise Gellene, *The Cutting Edge; The New Age Ad; 'Virtual Billboards' May be a Boom for Businesses, But Will Viewers Take to Them?*, L.A. TIMES, Sept. 16, 1996, at D1.

230. Council Directive 89/552/EEC, as amended by Directive 97/36/EEC, art. 10, 11, 13, 1997 O.J. (L 202) 60 *et seq.* ("[Directive on the] coordination of certain provisions laid down by law, regulation or administrative action in member states concerning the pursuit of television broadcasting activities").

recommended that the exclusively responsible broadcast station should retain the ultimate control over the content of a transmission. They should ensure the compliance with articles 7, 10 and 11 of the Convention. These provisions prohibit the certain uses of advertising, such as surreptitious advertising or the use of subliminal techniques.<sup>231</sup> It also prohibits advertising during the program as opposed to the designated commercial breaks.<sup>232</sup> The permanent council, therefore, recommends that the presence of virtual advertising messages during the broadcast of sporting events should be indicated to the viewers at the beginning and the end of the program. Furthermore, in no case should virtual advertising messages transform the perception or the understanding of the event, or be detrimental to its visibility.<sup>233</sup>

The Television Directive is valid law in all member states of the European Union. Most countries incorporated the provisions verbatim into national statutory law. Some countries even added special provisions for virtual advertising. The new German Broadcast Treaty among its 16 states, which will be effective in April 2000, generally allows virtual advertising to replace existing advertisements at the venue in sport broadcasts, provided its presence is indicated to the viewer at the beginning

231. *Id.*

232. The Directive includes the following terms for television advertising:

Article 7

member states shall ensure that broadcast stations under their jurisdiction do not broadcast cinematographic works outside periods agreed with the rights holders.

Article 10

Television advertising and teleshopping shall be readily recognizable as such and kept quite separate from other parts of the programme service by optical and/or acoustic means. Isolated advertising and teleshopping spots shall remain the exception. Advertising and teleshopping shall not use subliminal techniques. Surreptitious advertising and teleshopping shall be prohibited.

Article 11

1. Advertising and teleshopping spots shall be inserted between programmes. Provided the conditions set out in paragraphs 2 to 5 are fulfilled, advertising and teleshopping spots may also be inserted during programmes in such a way that the integrity and value of the programme, taking into account natural breaks in and the duration and nature of the programme, and the rights of the rights holders are not prejudiced.

2. In programmes consisting of autonomous parts, or in sports programmes and similarly structured events and performances containing intervals, advertising and teleshopping spots shall only be inserted between the parts or in the intervals. . . .

Article 13

All forms of television advertising and teleshopping for cigarettes and other tobacco products shall be prohibited.

233. Recommendation by the Permanent Committee of the European Council for Television Without Frontiers, 12th Session, March 1997.

and the end of the respective program. The United Kingdom permits the use of electronic imaging systems under similar prerequisites.<sup>234</sup> In addition, the United Kingdom provisions prohibit virtual advertising if the use results in a discernible degradation of picture quality and restricts the licensee's right to insert virtual advertising while providing him with a right to refuse to carry virtual advertising. Spain goes even further by requiring the consent of all parties involved for the substitution of existing advertisements through virtual advertising.

The Netherlands, Italy, France, Greece and Denmark did not adopt any legislation on virtual advertisement. Therefore, the respective statutory or common law rules on telecommunication, competition, and advertising are applicable. While the directive requires these countries to adopt the minimum standard as it is set forth in articles 7, 10, 11 *et seq.*, the interpretation of the existing law eventually exceeds these standards. This has to be kept in mind for any sports broadcast to and from these countries.<sup>235</sup>

In general, the European countries take a more restrictive approach towards virtual advertising, yet they realize its advantages. Whereas, for the European Soccer community it is a useful means to render the use of existing advertisements more efficient, the Latin American countries exercise a much more liberal approach. Consequently, the FIFA has adopted fairly restrictive regulations for the broadcasts of its members' games.<sup>236</sup> Notwithstanding, the use of virtual advertising is crucial for the survival of the Formula One in Europe in light of the ban on tobacco advertising.<sup>237</sup> However, the limitations are fairly strict; generally, only physically existing advertisements can be replaced by virtual advertise-

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234. Code of Programme Sponsorship, which is published by the Independent Television Commission (ITC). Rule 13.5 of this Code requires compliance with the ITC Sponsorship Guidance Note on "Virtual Advertising."

235. Norway, as a non-member of the EU, also has no specific regulation on virtual advertising. For television advertising during sporting events in general, it adopted an even more restrictive approach under the 1992 Broadcasting Act by allowing advertising in sports broadcasts only in 'natural breaks' or the designated breaks, such as half-times. Virtual advertising may well be not allowed at all. However, this restriction only applies to Norwegian broadcast stations and broadcasts in Norway only, since Norway is not a member of the EU. The broadcast is also targeted at EU member states would lead to the application of the above-mentioned rules.

236. FIFA Regulations for the Use of Virtual Advertising § 6, *available at* [http://www.fifa2.com/fifa/handbook/Va/downloads/VirtualRegs\\_e.txt](http://www.fifa2.com/fifa/handbook/Va/downloads/VirtualRegs_e.txt) (last visited Mar. 15, 2000); However, it is not necessary to point out the existence of virtual advertising to the viewers.

237. Article 13 Television Without Frontiers Directive (1999), *available at* <http://www.nomos.de/nomos/zeitschr/zum/pdf/zum1099t.pdf> (last visited Mar. 15, 2000).; However, Formula One was able to negotiate an extension until 2006 for the ban to come into full effect, because it depended on tobacco advertising more than any other industry.

ments. Under no circumstances is a broadcast station entitled to insert or substitute virtual advertisements without the consent of the rights holders.<sup>238</sup> The underlying object for these restrictions is the principle of separation between program and advertising, which furnished the heated legal discussion.<sup>239</sup> After all, the present standard for the use of virtual advertising in Europe is still far from being uniform.

## VII. CONCLUSION

The complex legal problems that arise out of the unauthorized use of virtual advertising could ideally be avoided by including explicit terms in the marketing agreements between the leagues, the individual clubs, the owners of the venue, sports marketing and broadcasting companies and advertisers. Such terms should proscribe the insertion, substitution, and/or deletion of existing virtual and non-virtual advertisements without the consent of the parties involved. Under the compulsory license program, an explicit agreement on advertising is replaced by the specific rules of sections 111(c)(3), 119(a)(4), and 122(e) of the Copyright Act, which prohibit any unauthorized, willful alteration of the content and the commercial advertising of the original transmission. Even though these provisions do not explicitly include virtual advertising, the legislative intent and the history indicate their application. If no agreement exists and sections 111, 119, and 122 of the Copyright Act do not apply, common law offers a promising remedy.

Having in mind the specific rules for the alteration of secondary transmissions, sections 501, 106(2), and 201(a)(6) of the Copyright Act are applicable concurrently. Although the placement of advertisements, the unique selection of camera angles, lighting, and other decisions by the director of a sports broadcast do not require substantial amounts of creativity or originality, they do meet the minimum standards of creativity required to constitute an audiovisual work of authorship. For this reason, anyone who materially alters this unique selection of images in a sports broadcast transmission without or in excess of a valid license is preparing an unauthorized derivative work and is therefore a copyright infringer. The scenario applies to substantial alterations of the unique selection of advertisements in a sports broadcast by inserting virtual ad-

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238. It is unclear, however, who owns the rights – the broadcasting company, the owner or tenant of the in-stadium advertisement, or the holder of the television rights.

239. This principle is based on Art. 10, Section 1 Television Without Frontiers Directive; Karl-Heinz Ladeur, *Neue Werbeformen und der Grundsatz der Trennung von Werbung und Programm*, ZEITSCHRIFT FÜR URHEBER- UND MEDIENRECHT 672, 1999, available at <http://www.nomos.de/nomos/zeitschr/zum/pdf/zum1099t.pdf> (last visited Mar. 15, 2000).

vertisements. If such alterations were allowed, the original copyright owner would lose control over his or her work and its distribution, taking away the owner's exclusivity provided by section 106 of the Copyright Act. This result is consistent with Congress' underlying intent to protect the copyright owner from intrusions that violate his or her exclusive right to commercially exploit the work and receive an equivalent benefit for the creative endeavor. Part of the constitutional guarantee "to promote the progress of science and useful arts"<sup>240</sup> is to guarantee the author the right to exploit his achievement financially, by using advertising and especially if advertising is part of the overall impression. If the author would not get a financial return for the work, he or she would be deprived of an incentive to create works.<sup>241</sup> Even though the accomplishment to insert an advertisement and select the camera angles and images is not substantial, the adjacent financial interests at stake play an overwhelmingly important role in the copyright of sports broadcasting. The Copyright Act protects these interests on a case-by-case basis, insofar as some of the original expression is taken by another person, depending on the impact of the alteration on the overall impression of the work.

In summary, the explicit statutory scheme for compulsory licenses bars any alteration of the original broadcast, including virtual advertising. In the cases that do not fall within this scheme, copyright protection should only extend to alterations by virtual advertising to that part of the broadcast that meets the requirement of a modicum of intellectual labor involved in a sport broadcast. An example of this would be if the inserted or substituted advertisement distorts the overall impression or the individual arrangement of advertising in the background of a sports broadcast.

In cases where this alteration affects the overall impression of the sports broadcast by changing or even diluting the entire sports performance, there may even be an unfair competition claim under section 43(a)(1)(B) of the Lanham Act. The analysis of this claim for "false advertising" focuses even more on consumer protection, while also protecting competitors. This cause of action is, therefore, not only available for the copyright holder, but also for competing advertisers. Plaintiffs can allege "false endorsement" or "ambush advertising" under the general

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240. U.S. CONST., art. I, § 8, cl. 8.

241. See *Brown*, No. 98-20736 2000 WL 48992 at \*5, n.4 ("... major objective of the Copyright Act to support and encourage artistic and scientific endeavors"); *Zacchini*, 433 U.S. at 576.

unfair competition. In these scenarios, the public is misled by the misrepresentation of the virtual advertiser, who creates the false mental association in the viewers mind that he is officially authorized to advertise in the designated spot. In turn, the authorized advertiser suffers direct financial damage, because he did not receive the contractual benefit of television exposure that he paid for, and/or the goodwill is diminished and conferred to the virtual advertiser. Both situations equally affect fair competition if the alteration is substantial. The seriousness of harm is based on the effect on the consumer and on competing advertisers. In the worst case scenario, the technology can mislead the public, defame the persons depicted, deprive the original artists of control over (and compensation for) subsequent changes to their work, and destroy the delicate credibility and objectivity of all visual images.<sup>242</sup> Generally, unauthorized substitution using virtual advertising implicates unfair market behavior to the disadvantage of the original owner of the advertising. Section 43(a)(1)(B) of the Lanham Act was designed to prevent such behavior in the advertising market.

Transmitters should be aware of liability under U.S. common law especially for broadcasts of U.S. sporting events in Europe.<sup>243</sup> Virtual advertisers, who use the technology to insert advertisements into broadcasts from other countries, are subject to liability under the Lanham Act where the plaintiff has standing, is able to prove all of the section 43(a) of the Lanham Act elements, and shows an impact on U.S. commerce.<sup>244</sup> On the other hand and in light of the increasing number of international sporting events, broadcast stations, the drafters of marketing and broadcasting agreements and courts should be aware of the strict standards in Europe. Many of these countries prohibit the use of virtual advertising on the playing field during the game action. Broadcast stations are often required to give notice to the viewer of the use of virtual advertisements. The underlying policy seeks to protect the integrity of

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242. Raphael Winick, *supra* note 141, at 155.

243. Steele et al. v. Bulova Watch Co., 344 U.S. 280, 286 (1952) ("Congress has the power to prevent unfair trade practices in foreign commerce by citizens of the United States, although some of the acts are done outside the territorial limits of the United States"). The United States government has the power to enforce the Lanham Act beyond the territorial limits of the United States under the following conditions: 1) the acts impact U.S. commerce; 2) the defendant is a citizen of the U.S.; and 3) "application of the act would not interfere with the laws of a foreign nation."

244. Gordon Breach Sci. Publishers v. Am. Inst. of Physics, 905 F.Supp. 169, 181 (S.D.N.Y. 1995); Ocean Garden, Inc. v. Marktrade Co., 953 F.2d 500, 503 (9th Cir. 1991); McEvilly, *supra* note 18, at 626; *see also*, Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633, 641 (2d Cir.), *cert. denied*, 352 U.S. 871 (1956).

the sport and the consumer from exposure to a stream of undetectable alterations of reality by blurring the line between program and advertising.

The American advertising environment does not meet these high standards of consumer protection in Europe. However, the law provides sufficient remedy to protect the rights holders. Beyond the point of substantial alterations by virtual advertising, the existing statutes and principles of copyright law and the law of unfair competition can effectively protect and balance the competing needs of copyright owners, advertisers, broadcast stations, players, and the public. Up to this point, only a defined set of contractual terms or specific legislation for all sorts of digital alterations in television transmissions can ensure that the conflicting interests are fairly protected in the digital age.