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To: EBMtestimony
Subject: Senate Bill 1005

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March 18, 2009

TO: Chair Angus L. K. McKelvey, Vice Chair Isaac W. Choy, and Members, Committee on Economic Revitalization, Business, & Military Affairs

The Hawai'i State House of Representatives

SUBJECT: SB 1005 (Regarding Publicity Rights)

Dear Representative McKelvey, Representative Choy and Members:

We represent Surfside Hawaii, Inc., a small, independent, mom-and-pop record company, which for many years has been distributing recordings of Hawaiian music under the Lehua and Mahalo labels, and we are writing on our client's behalf to request an amendment to SB 1005, which bill would create a right of publicity in Hawaii.

Surfside does not oppose a recognition of a right of publicity in Hawai'i. However, we and our client believe that right should apply only to circumstances where an individual has not voluntarily and willingly cooperated in the creation of the product in question. For example, a third party should not have the right to manufacture and sell a T-shirt with Don Ho's photograph on it without the consent of Don Ho or his heirs. On the other hand, where a singer voluntarily and willingly participates in a recording session for the purpose of making a phonograph record, the manufacture and sale by the recording company or its successor-in-interest of a record containing that performance and containing the name and likeness of the performer should not constitute an infringement of the performer's right of publicity, and neither should the use of promotional materials for that recording containing the performer's name or likeness.

Section 5 of the current version of the bill does contain language specifying that an infringement of the right of publicity does not occur if the performer gave express or implied consent to the use of his or her performance, name or likeness. However, with regard to

performances that were recorded decades ago, it is going to be extremely difficult, and in some cases, probably impossible to prove consent, and we believe that in certain limited situations, the statute should provide a rebuttable presumption that such consent was given.

Back in the 1940's, 50's and 60's, business in Hawaii was conducted much more informally than it is today. As a result, many recordings were made in those days with no written recording contracts. The artist and the recording company would simply agree on a flat fee for the recording session, and it was understood by all that the artist's performance would be included in the sound recording and that the recording company would be using the artist's name and likeness on the packaging for the recording and in promotional materials for the recording. This type of usage should not constitute an infringement of the artist's right of publicity.

In the late 1960's and early 1970's, Surfside purchased all the master recordings owned by the Mahalo, Makaha and Sounds of Hawaii record labels. All those companies were actively engaged in the manufacture and sale of recordings of Hawaiian music, and to the best of our client's knowledge, none of them had written recording contracts with the artists. Since then, Surfside has continued to manufacture and sell sound recordings containing these performances. In no case did any performer claim that his or her performance contained in one of these recordings was included in the recording without his or her consent.

Now, however, many of those artists from the old days are deceased, and if SB 1005 is passed in its present form, after August 1, 2009, their heirs will be free to claim that the continued sale of these recordings containing their deceased relative's voice and containing the names or photographs of their deceased relative infringes that person's right of publicity.

Given the informal style of doing business in prior decades, given the very long period of time these recordings have been marketed, and given the difficulties inherent in requiring someone to bear the burden of proof on the issue of consent, we believe it would be reasonable and appropriate for the statute to create a rebuttable presumption that in certain specific circumstances, the artist's consent to these older recordings was given.

We would propose that in order to obtain the benefit of the presumption, two conditions must be met.

First, the recording must have been first manufactured and sold prior to January 1, 1978. That is the date the present U.S. Copyright Act became effective. Prior to that date, many of the recording companies considered the artists to be "employees for hire" and on that basis claimed copyright in the sound recordings they produced. However, under the present Copyright Act, employment for hire agreements are required to be in writing. Therefore, January 1, 1978 would be an appropriate starting date for a recording company not to be permitted to rely on an unwritten employment for hire arrangement and to start requiring the recording companies to bear the burden of proof on the issue of consent, which as a practical matter, would require them to be able to produce a written recording contract.

The second requirement we propose is that from the date of the initial release of the recording up to January 1 of this year, no legal action was instituted claiming that the use of the artist's voice in the recording or the use of the artist's name or likeness in connection with the recording was without the artist's consent. If over 30 years have gone by and no suit was ever filed objecting to the sale of the recording or the use of the artist's name or likeness in connection with the recording, we believe it is reasonable and appropriate for a presumption to arise that the use was with the artist's consent. The presumption would be rebuttable, but in light of the fact that these recordings are several decades old, we believe that to overcome the presumption, a claimant should have the burden of doing so by clear and convincing evidence.

Accordingly, we would propose the following as an amendment to SB 1005:

“With respect to any sound recording first manufactured and publicly sold prior to January 1, 1978, unless prior to January 1, 2009, an individual or an heir of an individual commenced legal action claiming that such individual's performance contained in the recording was included therein without the consent of that individual, it shall be presumed that such individual consented to the inclusion of his or her performance therein, as well as to the use of his or her name, photograph and likeness thereon and in connection with the promotion thereof. This presumption may be rebutted by clear and convincing evidence to the contrary.”

We would propose that this language be added at the end of Section 5 of the bill.

We would note that our client's position is not unique and that there are other small record companies out there which are in the same position as Surfside.

Finally, we would also like to point out that even though the new law would not become effective until August 1, 2009, it would nevertheless have a retroactive effect, because it would affect a record company's right to continue to sell CDs and other sound recordings derived from master recordings that were made many, many years before a right of publicity was recognized, and because it would also adversely affect the value of recording rights acquired in business transactions entered into in good faith many years ago before such a right of publicity existed. We believe that making the new right of publicity applicable to such pre-existing master recordings and such completed business transactions would expose the statute to a serious challenge on constitutional grounds. As to sound recordings, we believe that this concern could be eliminated by exempting from the operation of the statute all sound recordings derived from master recordings recorded prior to the effective date of the statute, as well as all containers of and promotional materials for such recordings. However, a similar concern also exists as to other works, and to avoid constitutional problems for them, such an exemption should undoubtedly also apply to literary, photographic, cinematographic and other artistic works completed prior to the effective date of the statute. If such exemptions are written into the statute, the burden of proof issue discussed above would become moot and the additional language proposed above for Section 5 of the statute would not be necessary.

Thank you very much for your consideration of our thoughts and concerns regarding this matter.

Sincerely yours,

Edward R. Bendet

For Surfside Hawaii, Inc.

SB 1005 SD2

LATE TESTIMONY

**Cord International/Hana Ola Records
1874 Terrace Dr
Ventura, Ca 93001**

March 18, 2009

Related to Senate Bill No. 1005, SD 2 (The Publicity Rights Bill)

Chair Angus L.K. McKelvey, Vice Chair Isaac W. Choy,
and Members of the Committee on Economic Revitalization, Business & Military Affairs

Chair Joey Manahan, Vice Chair James Kunane Tokioka,
and Members of the Committee on Tourism, Culture & International Affairs

Dear Chairs, Vice-Chairs and Members:

Introduction

My name is Michael Cord. I am a record producer, a music publisher, and owner of Cord International & Hana Ola Records. I am a member of the Hawaii Academy of Recording Arts, the National Academy of Recording Arts and Sciences, ASCAP, and BMI.

While I appreciate the fact that the proponents of SB 1005, SD2 intend to benefit Hawaii's recording artists, both living and deceased, the proposed legislation is unfortunately flawed and will, if it becomes law, have the unintended effect of stifling if not destroying the market for many Hawaiian music sound recordings especially older recordings and upsetting existing contractual relationships that have been in place for many years. The resulting confusion and potential litigation that would result from the passage of SB 1005, SD2 will have a profound "chilling effect" upon Hawaiian music, making it less attractive for use in performing arts products such as motion pictures, television shows and records (in all formats such as CDs and digital downloads). To more fully appreciate my concerns a little background is helpful.

Background Regarding My Company

Over the last twenty years my company has researched the legal and market status of numerous sound recordings of Hawaiian music many of which were originally released to the public prior to the effective date of the Copyright Act of 1976 (January 1, 1978). In cases where we have been able to establish a proper chain of title and clear the intellectual property rights involved (i.e. obtain a license or an assignment from the person or company that owns the rights (including copyright rights) in and to the sound recordings) we have, at significant cost, "cleaned up" (re-mastered) the sound recordings and made copies of the same available for sale (such as in CD format) and/or license (for

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use in compilation albums and in motion picture and television shows). We always obtain all necessary mechanical licenses from the owners of the copyright in and to the underlying musical compositions and pay all royalties associated therewith. We also pay any artist or other royalties that may be required to be paid based upon prior contractual agreements. Often when no such royalties are required to be paid on a current basis (because the original contract required a lump sum payment or other arrangement for payment) we offer to pay a courtesy fee or royalty to the artist, if living, or to the heirs of the artist if the artist is deceased. We do so not because we have any obligation to do so but, rather, we do so out of principal as a token of respect to the artist. This is not a common practice in the industry and is pretty much unheard of on the mainland and elsewhere.

Relevant Legal and Industry Background

Sound recordings created prior to January 1, 1978 (the effective date of the current Copyright Act of 1976) which were paid for by a record company, record producer, or recording studio ("Record Label") were generally considered works "made-for-hire" under the 1909 Copyright Act. While the "work-for-hire" doctrine was not codified in the 1909 Act (the law prior to the Copyright Act of 1976), under the common law "work-for-hire" doctrine, the hiring party who paid for the creation of the work was deemed to be the "author" of the sound recording and therefore "owned" all rights to the sound recording. Along with the ownership of the rights in the sound recording, the "work-for-hire" author (the Record Label) obtained the right (usually a non-exclusive license) to identify the artist (i.e. attribute the recording to the performing artist). Thus, the record company had the right to release the album with the name and likeness (assuming appropriate use rights were obtained from the owner of the copyright to the photograph or artwork used in the "likeness") of the recording artist. This makes total sense as any other result would be absurd and render the recording commercially useless.

Artists who recorded under this industry practice were paid for their services as either "employees" or "independent contractors" for hire. Written contracts were not required by law and often never used. Senate Bill No. 1005 threatens to undermine those business arrangements and in the process deprive the public from access to these works.

The 1976 Copyright Act codified a modified version of the "work-for-hire" doctrine by setting up special rules depending upon whether a work was created by "employees" or "independent contractors." As a result of the passage of the 1976 Copyright Act (which among other things provided that copyrightable works created by independent contractors in connection with certain classes of works would be considered works "made-for-hire" under the law if a writing to that effect was signed by the persons who contributed copyrightable expression to the work) industry practice shifted and most if not all recording contracts soon contained an express acknowledgment that the work was to be deemed a work "made-for-hire" and/or if it was ever determined that the work would not qualify as a work "made-for-hire" that the hired party assigned his or her copyright rights in and to their contribution to the work to the hiring party. It also became a standard practice to include in all recording contracts a non-exclusive license

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which allows the artist's name, likeness and biographical information to be included in materials used in connection with the release of sound recordings by said artist such as liner notes and advertising materials.

Analysis

Accordingly, any provision of law which would require, on a going forward basis, (let alone on a retroactive basis) that a record company must have a written agreement from the original artist, or the heirs of the artist, authorizing the record company to identify who appears as a performer on a particular sound recording would upset existing contractual arrangements and cast doubt over the right to use such information in connection with sound recordings where said rights were not previously reduced to writing.

This result would have a devastating impact upon my business and others in the recording industry particularly those companies that specialize in older sound recordings. Record Labels that followed the letter of the law, as it existed at the time, who properly acquired the legal right to reproduce and distribute such sound recordings would be unable to correctly and properly identify for the public the artists appearing on said recordings or said Record Labels would be required to go back to said artists (and if said artists are deceased to the heirs of said artists) to obtain such permission and no doubt would be required to pay additional monies in connection therewith. This would create a hornet's nest of doubt, confusion and ultimately litigation where the only winners would be the lawyers involved. More importantly, most Record Labels and motion picture and television production companies would simply choose other works for commercial exploitation to avoid the hassle and uncertainty created by this legislation.

While the recent amendments to SB 1005 (set forth in SB 1005, SD2) adding the words "Beginning August 1, 2009" to the beginning of Section 3(a) and the deletion of Section 3(c) appear to be intended to avoid retroactivity and application of the law to these older recordings, these modifications do not go far enough and will not alleviate the complications I have set forth hereinabove.

Conclusion

The best way to address this deficiency in the statute is to create a general exemption that provides that the use of a personality's name, voice, signature or likeness in various types of works such as plays, books, stories, magazines, newspapers, musical compositions, sound recordings, photographs, audiovisual works and other similar types of creative works and advertisements for said works be excluded from the law. Of course, if a Record Label is properly challenged by someone (with legal standing to do so) who alleges that the Record Label never acquired the necessary rights to duplicate and distribute a particular sound recording, that individual already has legal recourse as allowed by other applicable rules of law.

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While I totally support an artist's (or the heirs of an artist's) right, to stop unauthorized use of the artist's name or likeness to endorse product sales such as ukuleles, muumuu's, leis etc., the law as proposed goes way beyond such concerns and is therefore overly broad and unworkable.

I would be happy to work with you in crafting an appropriate piece of legislation that serves the needs of Hawaii's artists while respecting past industry practice and existing contractual arrangements.

Very truly yours,

A handwritten signature consisting of a large, horizontal oval shape with a smaller, more complex scribble inside it.

Michael Cord

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