# iPHILLIPS NIZER

*Where intellectual property and business law intersect with industry.*

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## In This Issue:

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## Do Game-Used Programs Violate Players' Privacy Rights?

To increase their revenues, most professional sports teams sell game-used memorabilia worn by their players through third party partnerships or in-house programs. That practice raises the question: ***When a team sells a player's game-used equipment without that player's express written consent, is it violating that player's privacy rights?*** While this issue affects players of all professional sports leagues in the United States, this article will focus primarily on baseball and will briefly discuss joint licensing programs and privacy laws.

Often, a license holder must secure various intellectual property rights to create its products from more than one entity. For example, when Topps, a leading producer of U.S. sports memorabilia and trading cards, produces baseball cards, Topps needs a license from Major League Baseball Properties (MLBP) for the use of the various team logos, and a license from the Major League Baseball Players Association (MLBPA) for the use of the players' intellectual property. Topps then pays negotiated royalties to MLBP and the MLBPA.

Major League Baseball (MLB) teams provide their players with "game-issued" uniforms that differ from those sold to the public in that they are customized to each player's specifications (such as extra length tags, additional special tagging, set numbers and special embroidery). Once a player wears a game-issued jersey in a professional game, the value of that game-used jersey appreciates, especially if the player did something special while wearing it. These jerseys are periodically collected and authenticated by an MLB representative (usually from a major accounting firm or law enforcement) and a tamper-proof hologram is affixed to the item. The item and hologram number are then entered into MLB's authentication program data base and offered for sale to the public through on-line auctions, team stores or partnership programs with third parties.

The general rule is that the team owns the uniforms, helmets and hats worn by its players during batting practice and during games, while the players typically own their gloves, batting gloves, cleats, sweat bands and sun glasses. Game-used hats can be quite special because certain players will inscribe the insides of their hats with a personal and inspirational statement or bible verse. Several players have entered into marketing arrangements with agents to sell these personal items to their fans. New bats are in some instances owned by the players and in others by the teams, but teams will routinely collect, authenticate and subsequently sell a player's broken bats.

"Right to Privacy" laws in many states (including New York Civil Rights Law Section 50) are at the very foundation of the group licensing programs that are run by the players' associations of every major sporting league on behalf of its active players. Generally, these laws prohibit the use of an individual's name and/or likeness for commercial purposes without consent. Courts have held that even retired professional players enjoy these rights to privacy.

While players share in the licensing revenues generated from joint licensing programs, they generally do not share in the revenue generated from game-used sales programs. The purchase price of game-used memorabilia is based on several variables, including the player who used the item, how the player performed while wearing the item and the evidence of use (such as dirt, sweat and even blood that the player left on the item). While a game-used jersey that was worn by a coach may only command $250 on the market, a game-worn jersey worn by a team's All-Star player may command several thousand dollars. In a recent auction, the jersey worn by New York Yankees slugger Aaron Judge in his very first game commanded almost $200,000.

It can be argued that a team is commercially exploiting a player's name in the sale of game-used memorabilia and is significantly benefitting from the resulting additional revenue without sharing the incremental value of the item with the player. The comprehensive bargaining agreements of the major sports leagues do not appear to address this issue.

While certain teams have devised ways to benefit the players in their game-used memorabilia programs by paying the players to autograph and inscribe their game-used equipment, it is a fact that the sale of most game-used memorabilia only benefits the team, while the player – whose name and accomplishments while wearing the item is the primary driver in creating the incremental value of the item – does not receive any compensation from the sale. Some might consider this practice to be a violation of a player's right to privacy under the laws of most states.

On the other hand, the general consensus of agents and players is that given the average salary of most MLB players and the other significant issues that are routinely addressed during the collective bargaining process, the amount of money generated by these programs is not significant enough to rise to the level of a material player grievance. Typically, a player will look the other way and determine that it is not worth "rocking the boat" and potentially antagonizing the player's team by raising this issue during delicate contract negotiations.

Ideally, MLB and the MLBPA should figure out a way to equitably share the revenue generated by game-used programs. Absent such a revenue-sharing agreement, it would be prudent for teams to obtain each player's written consent before commercially exploiting the player's name in connection with any game-used program.

## Website Accessibility: A Tale of Two Agencies

Lawsuits brought against businesses under Title III of the Americans with Disabilities Act (ADA) based on claims that their websites do not provide equal access to blind or visually impaired individuals have increased substantially in number.[1] By one estimate, the number of website accessibility lawsuits filed in the last two years has increased 14 fold.

The ADA does not specifically address website accessibility. The Web Content Accessibility Guidelines (WCAG) 2.0 Level AA are the most widely-accepted standard used for websites and other digital content and the one that the courts apply in these cases.

Although the term "compliance" is often used by the courts in this context, from the point of view of a website owner who is a defendant in one of these cases, the standard for remediation should be defined as the defendant making "good faith efforts to cause the [w]ebsite to substantially conform with the WCAG 2.0 Level AA standards to the extent readily achievable."

This past June, in a letter to then Attorney General Jeff Sessions, more than 100 members of the House of Representatives asked that guidance be given to businesses large and small on the issue of website accessibility. They wrote:

*It is important for Congress to act to provide greater clarity through the legislative process. However, in the meantime, it is also unfair and disruptive to subject businesses to [the] litigation risk caused by insufficiently specific statutory language or even basic direction on compliance from the [D]epartment [of Justice]. We respectfully urge you to help resolve this situation as soon as possible.*

The Department of Justice (DOJ) finally responded to the letter from the members of Congress three months later, failing to act on the call for action and instead adhering to its long-standing position that the ADA applies to websites of places of public accommodation. However, in a significant departure from its stated position over the course of more than a decade, the DOJ wrote that, in the absence of "the adoption of specific technical requirements for websites through rulemaking, public accommodations have flexibility in how to comply with the ADA's general requirements of nondiscrimination and effective communication" and that "noncompliance with a voluntary technical standard for website accessibility does not necessarily indicate noncompliance with the ADA."

It is unlikely that the courts will give sufficient deference to the DOJ's pronouncement to stem the tide of lawsuits filed by on behalf of blind and low vision individuals by entrepreneurial plaintiffs' attorneys looking to profit from the willingness of courts to require strict compliance with the WCAG 2.0 Level AA standards. Only time will tell.

The Department of Transportation (DOT), on the other hand, begs to differ. Late last year, a mere three months after the DOJ's letter to Congress, the DOT, on the basis of one of its regulations that applies solely to air carriers, fined Scandinavian Airlines System (SAS) $200,000 for violating federal law and the DOT's website accessibility requirements that are intended to protect air travelers with disabilities. SAS was also ordered to cease and desist from future similar violations.

Reaching what some would characterize as a bizarre (and perhaps byzantine) conclusion, the DOT found that SAS violated federal law and the DOT's website accessibility requirements when the airline created a separate website for individuals with disabilities instead of ensuring that its primary website met the WCAG 2.0 Level AA standards. The DOT concluded that its determination in the SAS administrative proceeding is the inevitable result of applying the dictates of the Air Carrier Access Act, a federal law enacted in 1986, at least three years before the British scientist Sir Timothy Berners-Lee invented the World Wide Web in 1989 and more than five years before the first web page went live in 1991.

Thankfully, for businesses attempting to navigate the dangerous shoals of bringing their websites into substantial conformity with WCAG 2.0 Level AA standards, the courts have not gone as far as the DOT has, and they are not likely to do so in the future.

[1] See "Retailers Beware: Lawsuits Nationwide Challenge Website ADA Compliance" (*i*PHILLIPS NIZER, Summer 2018)

## Countering Counterfeits in China

China has been making strides to counter the proliferation of counterfeit goods despite its reputation for lack of enforcement of intellectual property laws. Recently, China has taken several steps to improve its reputation, through its legal system, law enforcement, and new policy implementation.

First, the Supreme People's Court, the highest court in China, ruled for Ermenegildo Zegna in a trademark infringement suit between the Italian menswear company and a Chinese menswear manufacturer using the mark "Yves Zegnoa." Rarely has the Court ruled in favor of non-Chinese companies with regard to their intellectual property rights, but here the Court recognized that Yves Zegnoa was trying to confuse consumers in bad faith by emphasizing the "Zegnoa" portion of the mark. The CEO of the Ermenegildo Zegna Group, Gildo Zegna, released a statement noting the significance of the ruling and recent positive efforts of the Chinese courts to protect fair competition among local and international players present in China.

Second, Chinese Customs officers have begun a heightened crackdown on "Daigou" shopping. "Daigou" roughly translates into "to shop on behalf of someone" in English. It refers to the practice of purchasing luxury goods abroad and then bringing them back to China for resale. Since many luxury products cost less outside of China, personal shoppers are able to resell at higher prices. However, this cuts deeply into the sales and profits of brands with physical stores in China, and has also encouraged the import of counterfeit goods that slip through under the guise of legitimate personal shopping. Since the beginning of the "Daigou" crackdown in October, representatives from numerous luxury brands have welcomed the new and improved law enforcement measures.

Third, in August, 2018, the Chinese National People's Congress (NPC) adopted new e-commerce legislation to regulate the e-commerce market and to protect consumers' privacy and intellectual property rights. E-commerce platforms, like Alibaba and social networks used to sell goods such as WeChat, fall under the purview of the new law. Most notably, the new rules impose penalties on internet platforms that fail to prevent intellectual property infringement in instances where they knew or should have known about the infringement. The new law became effective on January 1, 2019.

Of course, despite the positive developments above, business owners cannot sit back and be less vigilant with regard to protecting their intellectual property. It is still best practice to simultaneously register copyrights and trademarks in the U.S. and China, and to preemptively register in trademark classes where expansion is anticipated. This is particularly important in China for multiple reasons. China is a "first-to-file" country, which means that the company that registers a trademark for a product in China will enjoy exclusive rights to distribute and sell that product in China. In addition, because trademark registration is often required by Chinese distributors and e-commerce sites, it will be extremely difficult for a company to conduct business in China if it has not registered its trademarks. Finally, to help combat counterfeiting, it is recommended that business owners register all copyright and trademarks with both U.S. Customs and Border Protection and the General Administration of Customs for the People's Republic of China.

## USPTO: Foreign Applicants, U.S. Licensed Attorney Mandate Proposed

The United States Patent and Trademark Office (USPTO) has made a proposal to change the Trademark Rules of Practice to require that foreign applicants be represented by a U.S. licensed attorney. The requirement would not extend to applications filed *pro se* pursuant to the Madrid Protocol. The proposal appears to be a reaction to the influx of applications filed by Chinese individuals, and is intended to combat fraud (such as doctored specimens) and improve the quality of these applications through the diligence of the U.S. attorney representing the applicant, and through more effective implementation of the USPTO disciplinary rules to hold attorneys accountable for improper submissions. A Notice of Proposed Rulemaking was published on November 1, 2018. The public comment period will end in February leading up to a final action next June which would become effective in July 2019.

Under the proposed rule, a non-U.S. individual or entity would be required to engage a U.S. licensed attorney in order to file a trademark application or other documents with the USPTO and also, in any other event, to become a registrant of a U.S. trademark. The hope is that use of a U.S. licensed attorney for any submission will, among other benefits: (i) help slow the influx of fraudulent trademark applications being submitted by *pro se* foreign applicants, which endanger the integrity of the U.S. registration process; (ii) provide greater confidence to foreign applicants and the public that registrations that are submitted by and issued to foreign applicants are more accurate and complete and, therefore, not as susceptible to invalidation for reasons such as improper substance and use claims; and (iii) more fully enable the USPTO to enforce compliance with statutory and regulatory requirements in trademark matters.

There are many other jurisdictions that already require the use of local counsel in order to file for intellectual property protection but, the proposed new rule presents several potential troublesome issues. One fear is that, while fostering the development of successful brands in the U.S. is essential for a healthy and global economy, the new rule may be a deterrent to legitimate trademark applicants from foreign companies who are entering the U.S. market to build genuine brands. Another concern is enforcement. Mechanisms will have to be put into place to monitor whether foreign applicants are actually engaging U.S. licensed attorneys who have the proper expertise and who will give the in depth oversight and advice contemplated to help the USPTO's monitoring and enforcement efforts. It is also possible that some foreign applicants will not engage a U.S. attorney at all – an applicant could engage in fraud by using the name of a U.S. licensed attorney or circumvent the requirement by using U.S. partners in the process. Implementing a revised infra-structure for monitoring and enforcement could be very costly but might provide little value in terms of reducing improper applications.

Additional questions arise as to whether it is fair to shift the ethical burden of verifying information from foreign applicants to U.S. trademark attorneys. In an area where the USPTO is supposed to be the monitoring agency, the question arises whether it is more equipped to deal with fraudulent applications. On the other hand, if the Trademark Examiners have to spend less time weeding out fraudulent applications, maybe they will have more time to spend on legitimate applications, which will benefit those applicants in the U.S. and abroad.

## Special Handling Required

Most owners are familiar with the standard copyright registration process: visit the U.S. Copyright Office ("USCO") website; complete the appropriate application; pay the proper fee; and provide a deposit copy of the work to be registered. According to the Copyright Office, the standard method can take anywhere from two to sixteen months. But it is unlikely that a registration would be issued in less than four months. In contrast, many owners and their attorneys are less familiar with the USCO's expedited registration service called, special handling, which can process applications in as little as **five working days**, but at a fairly high cost.

Special handling is available only in the following circumstances: "pending or prospective litigation; customs matters; and contract or publishing deadlines that necessitate the expedited issuance of a certificate."[1] Special handling is permitted in litigation situations because U.S. copyright owners must have a registration to meet the jurisdictional requirements. It is permitted with respect to customs matters because in order to stop infringing or counterfeit works at the U.S. border, an owner must have a copyright registration.

If the application qualifies, the applicant must clearly request special handling in the application, and must pay an $800 fee for the expedited service in addition to the regular registration fee. For most works, the total fee will be $855. Notably, the USCO reserves the right to deny a special handling request if an applicant's rationale appears to be unfounded or if there is a backlog of applications.

Further, the USCO does not explicitly guarantee five day processing because of the Office's unpredictable workload. However, in most cases, special handling ensures registration far closer to five business days than the usual time it takes to obtain a registration in the standard process. It is best not to wait for the USCO to acknowledge the receipt of an application, and for counsel to monitor that status of each copyright application.

If it can be avoided, a copyright owner should not wait until pending litigation or a pressing deadline to apply for expedited registration. It is beneficial to register one's work as soon as possible because it avoids a rush in the midst of an inherently stressful situation such as litigation. More importantly, registration within three months of publication entitles a copyright owner to statutory damages and attorneys' fees in an infringement action, which gives substantial leverage to the copyright owner once the litigation is commenced.

Ultimately, if one is a business owner with a qualifying circumstance, a tight time frame, and a flexible budget, special handling may be a viable option for swift copyright protection.

[1] For additional information on Special Handling visit here: [https://www.copyright.gov/help/faq/faq-special.html](https://www.copyright.gov/help/faq/faq-special.html).

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