

TO: Martin D. Singer, Esq.  
FROM: Michael Stoler, Paralegal  
DATE: May 24, 2004  
RE: Oak Productions, Inc. v. Ohio Discount Merchandise, et al.

## INTRODUCTION

You have asked me to evaluate the likelihood of success of our claim for violation of Arnold Schwarzenegger's right of publicity against defendant Ohio Discount if they mount a defense based on the First Amendment to the U.S. Constitution.

## STATEMENT OF FACTS:

Ohio Discount Merchandise makes novelty items and sells them retail and over the Internet. Among its products are a line of "bobbleheads," dolls or statuettes with oversized, spring-mounted heads that bob when touched, for comic effect. These dolls depict various past and present celebrities, from religious figures like Jesus Christ, to purely entertainment figures like Anna Nicole Smith, to political figures, including many U.S. Presidents and recent Presidential candidates. Ohio Discount recently brought to market a bobblehead of Arnold A. Schwarzenegger, world-champion bodybuilder, action and comedy film star, and now Governor of California. (The complete line can be viewed on the company's website at <http://www.bosleybobbers.com>. I have attached printouts of the pages from the site [Tab 1], and the more detailed one of the Schwarzenegger doll [Tab 2].) The doll depicts Mr. Schwarzenegger wearing a business suit, but also equipped

with a bandolier of bullets and an automatic weapon. His name is clearly written on the base of the statuette.

The sole owner of Mr. Schwarzenegger's rights to the use of his image, his "publicity rights," is Oak Productions, our client, and Oak has never given Ohio Discount, or any other company, its permission to make a bobblehead depiction of Mr. Schwarzenegger. On April 29, 2004, as legal counsel to Oak Productions, we at Lavelly & Singer, PC, wrote to Ohio Discount and its owner, Todd Bosley, demanding that he and his company immediately cease their illegal activity of selling an unlicensed likeness of Mr. Schwarzenegger, turn over all stocks of the toy to Oak Productions, and compensate Oak for the damages it has suffered by Ohio Discount's conduct. On April 30, 2004, we filed a complaint in Los Angeles Superior Court against Ohio Discount, its owners and associated companies, for violation of the right of publicity, unfair competition, unjust enrichment, and preliminary and permanent injunctions. In our complaint, we allege, *inter alia*, that Ohio Discount used "numerous photographs of Mr. Schwarzenegger...on the Packaging," (Complaint, 4:11) [Tab 3] although in the picture on the website, only one photograph is visible, and that the defendants "misappropriated Schwarzenegger's name, photograph, and likeness for a commercial purpose." (*Ibid.*, 5:26-7) Although Ohio Discount has not yet filed its response, statements made in the press by the defendants and their counsel (of Townsend and Townsend and Crew, a major intellectual property firm which is representing the defendants *pro bono*) indicate that they will base their defense on the free expression protections of the First Amendment.

ISSUES OR QUESTIONS PRESENTED:

Although this case raises many legal issues, you have asked me only to research and analyze that of the right of publicity versus the right of free expression. Both common law tradition and the California Civil Code recognize the right of an individual to control his or her own image and exploit it commercially, with certain exceptions. However, the First Amendment's protection of freedom of expression has often come into conflict with this right. The way courts have balanced these two rights in the past give substantial clues about the way they may treat them in our case.

BRIEF ANSWER

Based upon my research in California and federal statutory and case law, I believe that our client, Oak Productions, will be very unlikely to prevail in this case, and that the possible negative consequences for our client, our firm, and the entertainment industry far outweigh any likely benefits to be gained in prosecuting it.

DISCUSSION

The "right of publicity" is the idea that an individual "owns" his or her name, image, and other personal characteristics, and that they should not be used for commercial purposes by others without the individual's consent. This is why, for instance, models for photo shoots and actors in movies sign release forms allowing their images to be used. It has traditionally (since 1890) been seen as part of an individual's right to privacy, which can be violated in four ways: "1. Intrusion upon the plaintiff's seclusion or solitude or into his private affairs. 2. Public disclosure of embarrassing

private facts about the plaintiff. 3. Publicity which places the plaintiff in a false light in the public eye. 4. Appropriation, for the defendant's advantage, of the plaintiff's name or likeness." (Prosser, "Privacy", 48 Cal.L.Rev. 383 (1960) at 389) [Tab 4] More recently, rather than a personal right whose violation is a tort, publicity has come to be seen as an intellectual property right which has a value in the marketplace.

Although all individuals possess this right, it is especially important to celebrities, especially those in the entertainment business, who have worked long and hard to make their names and images familiar to the general public and who can reap substantial financial rewards through licensing them for advertising endorsements or reproduction. Perhaps because of the particularly significant presence of the entertainment industry in them, several states, such as Tennessee, New York, and California have enacted specific legislation to protect the right of publicity. In California, the statute is found in Civil Code Sec. 3344: [Tab 5]

**3344.** (a) Any person who knowingly uses another's name, voice, signature, photograph, or likeness, in any manner, on or in products, merchandise, or goods, or for purposes of advertising or selling, or soliciting purchases of, products, merchandise, goods or services, without such person's prior consent . . . shall be liable for any damages sustained by the person or persons injured as a result thereof. (101)

When it was originally passed in the early 70's, the statute dealt only with the use of names and likenesses in advertising of products or services. (343) In 1984, it was extended to bar the use of names and likeness in or on products themselves.

This would at first seem to make our case open-and-shut. All the elements are there: Ohio Discount has obviously used Mr. Schwarzenegger's likeness, on a product, without his consent. However, the statute carves out a substantial exception:

(d) For purposes of this section, a use of a name, voice, signature, photograph, or likeness in connection with any news, public affairs, or sports broadcast or account, or any political campaign, shall not constitute a use for which consent is required under subdivision (a).

Ohio Discount may try to claim that Mr. Schwarzenegger's political role means that any depiction, or at least their depiction of him, is part of a "news . . . account" or a "political campaign." This was the defense used in Joseph C. Montana, Jr. v. San Jose Mercury News, 34 Cal. App. 4<sup>th</sup> 790 (1995) at 793-4 [Tab 6], in which a newspaper was sued by a famous football star for printing and distributing as posters images of a page of the newspaper commemorating his team's Super Bowl victories. Ohio Discount may compare itself to political cartoonists published in newspapers, who regularly appropriate the images of politicians and other public figures to make a point. However, under a strict interpretation, Ohio Discount could not be held to be a reporter of news, and Mr. Schwarzenegger is not currently involved in a political campaign. (On the other hand, conventional wisdom now holds that political campaigns have become permanent, and Mr. Schwarzenegger's almost continuous use of ballot initiatives to implement his

political goals could be held to represent an ongoing campaign.) A court may decide that the interpretation of part (d) ought to be broadened, so that political figures are always fair game.

Moreover, the First Amendment to the U.S. Constitution states:

“Congress shall make no law . . . abridging the freedom of speech, or of the press . . . ”

The fourteenth amendment makes this binding on state governments as well:

“No state shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States...”

Ohio Discount has indicated that it intends to base its defense on a claim of freedom of expression as protected by these amendments.

I think that it is important at this point to distinguish the right of publicity from other legal rights and issues, and to make sure we understand what this case is NOT about. It is not about copyright or trademark. Copyright protects creative works, such as movies and still photographs. Any specific image of Mr. Schwarzenegger taken from one of his films would be protected against use; however, the image on which the bobblehead is based is not from any particular film or photo session. Characters in films can also be copyright-protected, but the bobblehead does not depict Mr. Schwarzenegger in any of his film roles, such as “the Terminator,” but in a way in which he has never appeared in any film. Under copyright law, there are protections for “fair use” of copyrighted material, such as in parody. These protections have been referred to in publicity cases for comparison, but not for precedent. Trademark protects words, phrases, specific symbols

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or devices used to designate goods or services, but Mr. Schwarzenegger's image is not trademarked. Nor is this case about defamation, making false and damaging statements about an individual verbally (slander) or in the media (libel.) Under New York Times Co. v. Sullivan, 376 U.S. 254 (1964) at 279-80 and Curtis Publishing Co. v. Butts, 388 U.S. 130 (1967) at 164-5 [Tab 7] , the standard for political and other public figures in proving defamation is so high that maintaining that the alleged victim is one is usually a successful defense. In contrast, the right of publicity law seems to be designed mainly to protect celebrities and other public figures, or at least, they are its principle beneficiaries, and no "public figure" exception has ever been carved out from them. We are not asserting that Ohio Discount has said anything false or malicious about Mr.

Schwarzenegger, simply that they have used his economically valuable image without his permission. We should also be clear about the definition of "commercial speech" and "commercial use." Courts have held that "commercial speech," that intended to promote a product or service, is entitled to less protection than political or creative speech. Central Hudson Gas & Elec. Corp. v. Public Serv. Comm., 447 U.S. 557 (1980)[Tab 8] at 563. However, in this case, it is the product itself, not the advertising thereof, that is at issue, that may or may not qualify as "protected speech." With this in mind, let us examine the relevant case law to see how it affects the matter in question.

The prevailing law in California was established by Comedy III Productions v. Gary Saderup, Inc., 25 Cal. 4<sup>th</sup> 387 (2001) [Tab 9], which has often been cited in the press coverage of the bobblehead matter. In this case, the defendant was making and selling drawings of the comedy act the Three Stooges, and t-shirts bearing those drawings. The heirs of members of the act (the 1984 amendment had also made the right

of publicity heritable, but this need not concern us here) sued; the defendant invoked the First Amendment. The trial court found against the defendant; he appealed all the way to the California Supreme Court, which affirmed the Appeals Court's ruling. In doing so, the Court described a test by which the right of publicity could be balanced against the First Amendment. The idea was that the work in question could not simply be a depiction of a person or people, it had to be "transformative", in the words of a Supreme Court case involving sampling of copyrighted music; adding "something new, with a further purpose or different character." (404) To put it in grammatical terms, it had to be not just the subject, but have a predicate, to say something about that subject, even if it be nonsensical. (This makes an interesting contrast to the law on defamation, under which a defense would be that one had not made any statement whatsoever about the subject, but instead depicted him or her totally realistically.) Because the drawings and t-shirts simply depicted the Stooges in a realistic and conventional manner, rather than transforming them in any way, as, for instance, Andy Warhol's use of silkscreened, repeated, garishly colored images of celebrities transformed the images and in the process made a comment about the celebrities, they were not protected. But, the implication was, had the new work actually been sufficiently transformative, then the artist would have been free to make and sell it.

This principle was tested in the case of Edgar Winter et al. v. DC Comics et al., 30 Cal. 4<sup>th</sup> 881 (2003)[Tab 10]. DC had published a fantasy/Western comic book called *Jonah Hex*, in which had appeared characters named Johnny and Edgar Autumn, who bore a strong resemblance to the musicians Johnny and Edgar Winter (note the seasonal allusion in the last name. The Winters brothers are both albino, and their pale skin and



long, white hair are thus very distinctive. In the comic book, the Autumn Brothers were depicted as murderous half-men, half-worms.) The brothers sued under Sec. 3344, but the court determined that the depiction in the comic books was sufficiently transformative to merit First Amendment protection. (892)

Ohio Discount will claim that their image of Mr. Schwarzenegger is transformative. They will assert that they are depicting him in a new way (in a suit, but armed for combat,) and commenting on his dual lives as star of violent films and chief executive of the largest state in the nation. They will describe the doll as a caricature rather than an accurate portrait. They will note that each bobblehead is uniquely detailed and customized to the person it represents, rather than simply having a new head stuck on pretty much the same body. (See the catalog at Tab 1.) They may even assert that the doll's large head is a way of remarking on what they will assert is a large ego on Mr. Schwarzenegger's part. The opinions for both Comedy III and Winter include images of the artwork in question. (I have placed behind them photographs of the actual individuals for comparison.) Looking at them, and at the actual photo of Schwarzenegger versus the bobblehead of him, I believe that any court hearing this matter will find the case at hand much closer to Winter than Comedy III, and thus find for the defendant.

The apparent conflict between state laws on right of publicity and the federal Constitution has also been tested in the federal courts. Here, the holdings have been similar. The federal courts have recognized both the common-law right of publicity and state laws enshrining it, but also limited its use. In the case of Groucho Marx Productions v. Day & Night Co., 523 F. Supp. 485 (1981) [Tab 11], the court held that a play in which other actors adopted the appearances and personae used by the Marx Brothers in

their films was not protected, but violated the New York law on right of publicity. The play was not a parody of the Marx Brothers, the court held in denying the playwrights' defense, but rather a parody of life in imitation of the Marx Brothers. (493-4) In Factors Etc., Inc. v. Creative Card Co., 444 F. Supp. 279 (1977)[Tab 12], also in New York, the court held that a publisher did not have the right to print and sell commemorative posters of the recently deceased Elvis Presley just because they had added dates and the legend "In Memoriam" to make them "newsworthy." "There is no constitutional protection for selling posters of Elvis Presley as Elvis Presley," the court asserted. (285)

On the other hand, in Cardtoons, L.C. v. Major League Baseball Players Association, 95 F.3d 959 (1996)[Tab 13], the 10<sup>th</sup> Circuit Court of Appeals held that the makers of satirical baseball cards had the right to use the images of famous players. I think this case is particularly relevant to the matter at hand. The court conceded that the cardmakers had violated the property right to publicity under an Oklahoma law (similar to the California law.) But it found that the First Amendment protected them, not because they were "transformative," but because they played an important social role that should not be restricted:

Cardtoons' parody trading cards receive full protection under the First Amendment.

The cards provide social commentary on public figures, major league baseball players, who are involved in a significant commercial enterprise, major league baseball. While not core political speech (the cards do not, for example, adopt a position on the Ken Griffey, Jr., for President campaign), this type of commentary on an important social institution

constitutes protected expression. The cards are no less protected because they provide humorous rather than serious commentary. Speech that entertains, like speech that informs, is protected by the First Amendment because "[t]he line between the informing and the entertaining is too elusive for the protection of that basic right." (citations) Moreover, Cardtoons makes use of artistic and literary devices with distinguished traditions. Parody, for example, is a humorous form of social commentary that dates to Greek antiquity, and has since made regular appearances in English literature. (citations) In addition, cartoons and caricatures, such as those in the trading cards, have played a prominent role in public and political debate throughout our nation's history. (citations) Thus, the trading cards' commentary on these public figures and the major commercial enterprise in which they work receives no less protection because the cards are amusing. MLBPA contends that Cardtoons' speech receives less protection because it fails to use a traditional medium of expression. The protections afforded by the First Amendment, however, have never been limited to newspapers and books. The Supreme Court has relied on the First Amendment to strike down ordinances that ban the distribution of pamphlets (citations), the circulation of handbills (citations) and the display of yard signs, (citations.) Moreover, many untraditional forms of expression are also protected by the First Amendment. (citations) Thus, even if the trading cards are not a traditional medium of expression, they nonetheless contain protected speech. ... [the players association] also maintains that the parody trading cards are commercial merchandise rather than protected speech. However, we see no principled

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distinction between speech and merchandise that informs our First Amendment analysis. The fact that expressive materials are sold neither renders the speech unprotected ... MLBPA further argues that the parody cards are commercial speech and should therefore receive less protection under the First Amendment. The Supreme Court has defined commercial speech as "expression related solely to the economic interests of the speaker and its audience." (citations) Speech that does no more than propose a commercial transaction, for example, is commercial speech. (citations) Thus, commercial speech is best understood as speech that merely advertises a product or service for business purposes (citations.) As such, commercial speech may receive something less than the strict review afforded other types of speech. Cardtoons' trading cards, however, are not commercial speech--they do not merely advertise another unrelated product. Although the cards are sold in the marketplace, they are not transformed into commercial speech merely because they are sold for profit. (969-970)

Everything in this passage applies to Ohio Discount's bobbleheads as well. Although they do not carry significant amounts of text as the playing cards do, they provide "social commentary" by caricaturing their subjects in ways in which they would never actually appear (e.g., Teddy Roosevelt holding the sort of stuffed bear that bears his name – see printouts from the website.) Like the cards, bobbleheads may be humorous and nontraditional, and sold for profit, but they are still fully protected.

Of course, this is a 10<sup>th</sup> Circuit case, so it is not mandatory in California. However, recent opinions in 9<sup>th</sup> Circuit cases indicate that that court might be inclined to

take a similar position. In two recent cases, the court affirmed publicity rights under Sec. 3344, but for reasons that do not apply to the case at hand, and meanwhile, Judge Alex Kosinski took the opportunity to express strong disapproval of Civil Code Sec. 3344. In White v. Samsung Electronics of America, Inc., 989 F.2d 1512 (1993)[Tab 14], TV game show hostess Vanna White sued Samsung Electronics for using in a advertisement a robot that simply suggested her looks and her role on the show. Samsung offered a First Amendment defense, which was denied on the grounds that the advertisement, as commercial speech, did not receive full protection as free expression. The court found for the plaintiff, but on Kosinski vigorously dissented:

“Finally, I can't see how giving White the power to keep others from evoking her image in the public's mind can be squared with the First Amendment . . . .  
What's more, I doubt even a name-and-likeness-only right of publicity can stand without a parody exception. The First Amendment isn't just about religion or politics - it's also about protecting the free development of our national culture. Parody, humor, irreverence are all vital components of the marketplace of ideas. The last thing we need, the last thing the First Amendment will tolerate, is a law that lets public figures keep people from mocking them, or from "evoking" their images in the mind of the public. ” (1519)

In Wendt v. Host International, Inc., 197 F.3d 1284 (1999)[Tab 15], two members of the cast of the TV series “Cheers” sued a chain of restaurants that had licensed the name and

idea of neighborhood bar from the producers of the show. The restaurants featured animatronic robots that did not actually resemble George Wendt and John Ratzenberger, except in their girth. This time, the unsuccessful defense was based on copyright to the characters, not the First Amendment. But in dissent, Kosinski wrote:

"The portrayal of the *Cheers* characters is core protected speech: Using Norm and Cliff dummies in a *Cheers*-themed bar is a dramatic presentation. It's like a play. *Cheers* may not have the social impact of *Hair*, (citations) but it's a literary work nonetheless, worthy of the highest First Amendment protection from intrusive state laws like California's right-of-publicity statute. (citations) Host did not plaster Wendt's face on a billboard with a Budweiser logo. It cashed in on the *Cheers* goodwill by creatively putting its familiar mise-en-scene to work. The robots are a new derivation of a copyrighted work, not unlike a TV series based on a movie or a Broadway play based on a novel. The novelty of using animatronic figures based on TV characters ought to prick up our ears to First Amendment concerns. Instead we again let the right of publicity snuff out creativity...

As I noted in *White*, "No California statute, no California court has actually tried to reach this far. It is ironic that it is we who plant this kudzu in the fertile soil of our federal system." We pass up yet another opportunity to root out this weed. Instead, we feed it Miracle-Gro. I dissent." (1289)

Now, these cases were more extreme than Oak Productions v. Ohio Discount; they involved depictions that merely suggested a person, rather than appropriating their likeness altogether, as the bobbleheads do to Mr. Schwarzenegger. The point, though, is that Judge Kosinski really seems to have it in for Sec. 3344, and would probably jump at an opportunity to extend the 10th Circuit's rule and limit the statute. If Oak Productions were to win this case in the California courts, it could be appealed to federal courts on First Amendment grounds, where it could eventually reach the 9<sup>th</sup> Circuit. A substantial limitation of the right of publicity could result, and this would not do Mr. Schwarzenegger or anyone in the entertainment community any good.

## CONCLUSION

In summary, I believe that the likelihood of our right of publicity cause of action prevailing against a First Amendment defense, conducted by highly able and experienced intellectual property attorneys (Townsend and Townsend, and all their crew), is almost zero. I worry that this case could turn out like that pitting the Fox News Network against Penguin, the publishers of Al Franken's book, *Lies and the Lying Liars Who Tell Them*, over its use of the expression "Fair and Balanced," trademarked by Fox News, in the book's subtitle. The suit was widely perceived to have been brought only to mollify the vanity of Bill O'Reilly, a Fox Network star who is engaged in a personal and professional feud with Franken, and was literally laughed out of court. I worry that our case may be similarly seen to have been filed only to appease the ego of Mr. Schwarzenegger, and may expose him to far more ridicule and negative publicity than the bobbleheads ever

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would. None of the other politicians portrayed or parodied as an Ohio Discount bobblehead has ever objected to it, much less brought suit; politicians seem to understand that they cannot control their image the way that movie stars do, and Mr.

Schwarzenegger's failure to understand this undermines his attempts to portray himself as a serious political figure rather than an actor and amateur administrator. We at Lively & Singer have already made a number of public relations mistakes in this case, from the assertion in our demand letter that a legal communication could be copyrighted to prevent publication on the Internet [Demand letter, p.3 - see Tab 3], where it promptly was published anyway (on [www.thesmokinggun.com](http://www.thesmokinggun.com)); to our filing our case before the time we had given the defendant to meet our demands had expired; to our assertion in the complaint that Mr. Schwarzenegger has "received critical acclaim for his performances in motion pictures."(Complaint, 3:10) I think that the more quickly we could make this case go away, the better.

Attachments