

C.B.C. Distribution and Marketing, Inc., v. Major League Baseball Advanced Media, L.P., 505 F.3d 818 (8th Cir. 2007)

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CBC Distribution and Marketing, Inc. (CBC), operator of CDMsports.com (CDM), offering fantasy-sports products and services, brought this action against Major League Baseball Advanced Media, L.P. (MLBAM), to establish its right to use without license the names and, inherently crucial for fantasy-sports operators, statistical records of Major League Baseball (MLB) players. MLBAM, the interactive media and Internet company of MLB, counterclaimed that CBC's fantasy-baseball products violated MLB players' rights of publicity, which were licensed through the MLB Players' Association (MLBPA) to MLBAM. The MLBPA intervened in the suit, joining in MLBAM's claims and further asserting a breach-of-contract claim against CBC. The district court granted summary judgment to CBC—see *C.B.C. Distribution and Marketing, Inc. v. Major League Baseball Advanced Media, L.P.*, 443 F. Supp. 2d 1077 (E.D. Mo. 2006)—and MLBAM and the MLBPA appealed.

Facts

CBC offers its fantasy-sports products and services under its brand name CDM Fantasy Sports and is established as a Missouri corporation with primary offices in St. Louis. The fantasy games offered through CDM cover products and services connected to the sports of baseball, basketball, football, hockey, auto racing, golf, and soccer. Participants incur fees to register, join fantasy-sports leagues, and engage in transactions such games regularly involve. It was undisputed that the business of fantasy sports is currently a multimillion-dollar industry (estimated at 20 million U.S. participants for \$1.5 billion).

CBC is a member of the online and interactive gaming conglomerate Fun Technologies, Inc., a Deloitte Technology Fast 50 company with various contributors in the United States and overseas. Being one of its main partners, CBC provided its CDM Fantasy Sports solutions to such media outlets as *USA TODAY*, *Sports Weekly*, *The Hockey News*, The Golf Channel, The Lottery Channel, *The Sporting News*, and MSNBC. In addition to fantasy games' infrastructure and technologi-

cal support, CDM featured important news releases and frequently updated player information free of charge, assisting participants in strategy development, usually by using a combination of time-sensitive box-score releases and news updates from other media outlets, as well as articles written by its own hired sports communications staff.

From 1995 through 2004, CBC had license agreements with the MLBPA. These agreements covered all trademarks, logos, symbols, names, nicknames, likenesses, pictures, signatures, statistical records, and biographical data. The last agreement that was signed, in 2002, expressly prohibited the direct or indirect use of such players' rights on the agreement's expiration. In 2005 the MLBPA granted an exclusive license to MLBAM for the aforementioned use and for "exploitation via all interactive media." In the interim, between 2001 and 2004, MLBAM offered fantasy sports via MLB.com without express permission from the MLBPA. Finally, in February 2005, MLBAM offered CBC a license to promote MLBAM's fantasy-sports games through CDM's Web site for a 10% revenue share, employing CDM's customer relations and online presence, but without granting CBC a license to operate its own fantasy-baseball games.

Shortly thereafter, CBC filed suit alleging that it was under reasonable apprehension that it would be sued if it continued using publicly available names and statistical information of MLB players to operate its fantasy-sports games. MLBAM maintained that it had exclusive ownership of statistics associated with players' names and it attempted, via cease-and-desist letters, to preclude other fantasy-sports-league operators from providing such services to the consuming public. The MLBPA intervened on the contractual violation matter.

Legal Analysis

The complaint for declaratory judgment was filed by CBC at the U.S. District Court of the Eastern District of Missouri. The U.S. magistrate judge's opinion was the first authoritative text on the handling of such important legal issues as violations of players' rights of publicity by fantasy-sports operators, preemption of any such rights by the First Amendment, federal copyright law preemption of such rights, and the public policy considerations affecting licensing agreements such as the one between CBC and the MLBPA. Eventually, the U.S. Court of Appeals for the Eighth Circuit addressed the same issues, affirming the district court's grant of summary judgment to CBC, on the grounds of First Amendment preemption of the nonetheless violated (disagreeing with the magistrate's opinion on the matter) players' rights of publicity. The Eighth Circuit's decision features a dissenting opinion on the contractual issue that will be treated herein.

Rights of Publicity

First, MLBAM and the MLBPA asserted that CBC exploited the players' identities by the unauthorized use of their names inherently tied to their statistical performances. This, they argued, violated the players' rights of publicity.

The right of publicity grew from the common-law protection of the right to privacy, articulated first by U.S. Supreme Court Justices Warren and Brandeis in their landmark article *The Right to Privacy* (4 Harvard Law Review, 193, 215-216,

1890). According to *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562, 566 (1977), a claim based on the right of publicity is a state law claim. Currently, rights of publicity are recognized by statute and/or common law in many states. In Missouri, the elements of a right of publicity action are (a) defendant used plaintiff's name as a symbol of his or her identity (b) without consent (c) with the intent to obtain a commercial advantage.

The fact that CBC used players' names in conjunction with their statistical performance records without consent was not disputed. The district court concluded that the use of players' names was merely incidental and CBC did not use them as latent endorsements for its fantasy-sports games. In addition, CBC did not use the names to gain a competitive advantage over other fantasy-sports operators, because they all could use the combination of names and statistics retrievable from a variety of news sources.

On appeal, however, the Eighth Circuit disagreed with that assessment. The court felt that it was clear that CBC uses the players' identities in its fantasy-baseball games for a commercial profit, thus rendering CBC's use a violation of the players' rights of publicity. This violation, however, was secondary to CBC's First Amendment rights.

First Amendment Preemption of Players' Rights of Publicity

The players' rights of publicity pertained to a restriction on freedom of expression. Both courts found that the First Amendment would apply to this case, affording constitutional protection for CBC's use of names and playing records as factual data. It is important that the Eighth Circuit emphasized that the information used in CBC's fantasy-baseball games is "readily available in the public domain," and it would not be reasonable to stop someone from using publicly available information, even though CBC's business is profit based.

In regard to the profit-making character of CBC, "making a profit does not preclude its receiving First Amendment protection," *Time Inc. v. Hill*, 385 U.S. 374, 396-97 (1967). On that note the Eighth Circuit went farther, declaring that MLB players are rewarded handsomely for their participation in games and can earn additional large sums from endorsements and sponsorship arrangements. In *Doe v. TCI Cablevision*, 110 S.W.3d 363, 374 (Mo. 2003), the Missouri Supreme Court established that if both the name and the identity are used in a ploy to sell more, then rights of publicity are not preempted by First Amendment rights. Because the CBC case did not clearly demonstrate a direct use of players' names to achieve commercial profit, the First Amendment still applied.

Federal Copyright Law Preemption of Players' Rights of Publicity

Both the district court and the Eighth Circuit concluded that copyright-law preemption shall not apply. The Eighth Circuit did not take up the related analysis, because it had already established that CBC's First Amendment rights superseded the players' rights of publicity. The magistrate judge's opinion, however, is somewhat enlightening regarding future claims by the interactive-gaming industry, thwarted by players' rights of publicity.

The Copyright Act, 17 U.S.C. §301(a), includes an express preemption provision, applicable as long as the subject matter is copyrightable. The U.S. Supreme Court has clarified that compilations of facts, as opposed to one's persona or identity, are within the subject matter of copyright, but facts per se cannot be copyrightable, lacking originality, intellectual production, thought, and conception, *Feist Publications, Inc., v. Rural Tel. Serv. Co.*, 499 U.S. 340, 345 (1991). The district court reiterated that the players' identities were not the subject of any protectable copyright. On this crucial point, *National Basketball Association v. Motorola*, 105 F.3d 841, 847-48 (2d Cir. 1997), rendered game telecasts copyrightable, but not the underlying games or the scores or statistics, being merely factual information. The district court decided that the names and statistics are in the public domain and any patron of a game could retrieve the information used by CBC. In a nutshell, because the combination of names and statistics was not copyrightable, copyright-law preemption of players' rights of publicity would not apply. As the necessary extension, neither the leagues nor the fantasy-sports operators would thus be able to copyright such use of names and statistics.

Breach of Licensing Contract's No-Challenge and No-Use Provisions

The last agreement by CBC and the MLBPA, signed in 2002, provided that the MLBPA was the sole and exclusive holder of all rights, titles, and interests. CBC undertook not to dispute or attack any players' rights or the validity of the license granted, either during or after the expiration of the agreement (the no-challenge provision). CBC also agreed that, on expiration or termination of the contract, it would refrain from further use of the rights, either directly or indirectly (the no-use provision).

The two courts' decisions reach the same conclusion, that CBC was relieved from the obligation it sustained from these restrictive clauses, albeit via different routes. The district court essentially adopts *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969), wherein the U.S. Supreme Court established that licensees may avoid further royalty payments once it is proven that a right is invalid. Furthermore, the district court held that CBC did not waive the right to contest the validity of the licensing agreement by signing it ("licensee estoppel" doctrine), because the federal public policy of permitting the free flow of ideas and information supersedes the agreement signed by CBC.

On appeal, the Eighth Circuit takes a different approach. It held that the MLBPA did not have an exclusive right, title, or interest in the combination of names and statistical records. This breached their own affirmation of such rights in the licensing contract, relieving CBC from its contractual obligations.

Circuit Judge Colloton, however, dissented from the majority opinion. He agreed with the court on the preemption of players' rights of publicity by the First Amendment. In his dissenting opinion, he used *Paragould Cablevision v. City of Paragould*, 930 F.2d 1310, 1315 (8th Cir. 1991) to establish that CBC could agree to bargain away any tentative constitutional rights in exchange for a beneficial licensing contract. He concludes that there is no federal statute that abrogates such contractual agreements. Hence, CBC was still bound by its contractual no-challenge

and no-use obligations and Judge Colloton would have reversed the district court's grant of summary judgment.

Conclusion

The U.S. Court of Appeals for the Eighth Circuit held that MLB players' rights of publicity under Missouri law would indeed be violated, because CBC uses the players' identities without consent to obtain commercial profit. These rights, however, are preempted by the First Amendment, because CBC uses a combination of players' names and statistical information that are readily available in the public domain. Furthermore, the court found that the MLBPA had breached its agreement with CBC. Hence, CBC was not bound by no-challenge and no-use obligations emanating from its past agreement with the MLBPA. *CBC v. MLBAM* rendered St. Louis and Missouri very attractive for fantasy-sports operators, who now have the opportunity to freely use combinations of players' names and statistics without entering licensing agreements with professional leagues' licensing arms or players' unions, because the latter do not hold exclusive rights to such use. Had MLBAM negotiated conservatively, offering CBC the license to operate its fantasy games for a reasonable price, CBC might have foregone this precedent-setting litigation.

Industry implications entail open competition in a rapidly expanding market for fantasy-sports products and services; positions for sports writers, researchers, marketers, consultants, and statisticians; and international partnerships on fantasy-sports issues. Fantasy sports appear to vastly expand the popularity of professional athletes. As a result, there are more opportunities for the leagues to exploit new markets via licensed merchandise. Furthermore, the "public domain" sphere being borderless and possibly limitless, international audiences might have to forecast potential avenues for both entrepreneurship and legal/policy developments. Thus, shrewd managers and consultants should formulate innovative methods to compile and process factual data and sports statistics to serve participants in what is a multi-billion-dollar industry, for example, following the path of such corporate sports-information and statistical-analysis pioneers as the Chicago-based STATS, Inc. Barring any ensuing legal surprises, the legal framework has now been set for creativity and resourcefulness to make the most of sports information in the public domain.

At time this went to press, MLBAM and the MLBPA were hoping that the U.S. Supreme Court would hear the case. A writ of certiorari petition was filed February 22, 2008.