

ARIZONA STATE SPORTS AND ENTERTAINMENT LAW JOURNAL

VOLUME 12

FALL 2022

ISSUE 1



SANDRA DAY O'CONNOR COLLEGE OF LAW
ARIZONA STATE UNIVERSITY
111 EAST TAYLOR STREET
PHOENIX, ARIZONA 85004

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CITATION: ARIZ. ST. SPORTS & ENT. L.J.

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-Chief Justice Earl Warren

As quoted in SPORTS ILLUSTRATED July 22, 1968.

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MAJOR LEAGUE SOCCER AT TWENTY-FIVE: LEGAL AND FINANCIAL CONSIDERATIONS FOR THE NEXT QUARTER CENTURY

CHRISTOPHER R. DEUBERT*

BRANDON WURL*

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ABSTRACT

This Article explores the evolution of Major League Soccer (MLS) during its first 25 years of existence and analyzes the legal and financial issues relevant to the league's next 25 years. MLS has grown considerably – it expanded from ten clubs at its founding in 1996, to 28 today, with plans to reach 30 or 32 in the coming years. Moreover, in the past decade, it has opened 21 soccer-specific stadiums and recently signed a record-breaking television deal. Nevertheless, the league's revenues are still a fraction of those of the other major North American sports leagues. Constantly in the background is MLS' novel corporate structure, in which all the clubs are members of the "single-entity" Major League Soccer, LLC. This structure was designed to provide the league with immunity from antitrust lawsuits by players but, based both on the facts of club operations today and a recent court decision in a case involving the National Women's Soccer League, the single-entity defense is no longer legally viable. At the same time, MLS and its clubs need to improve on problematic practices which stifle the non-player labor market by sharing club employee salary data and requiring clubs to inform other clubs if they are interested in hiring one of their employees. If MLS and its clubs want to be a world class league, they need to treat their employees accordingly. Lastly, MLS must still navigate competition with the United Soccer League amidst an uncertain American soccer landscape. MLS has done well to be where it is today. But rather than hyperbolically claim that MLS is the next big thing in American sports as some do, it would seem more appropriate if MLS accepts its largely niche status and pursues a course of steady growth and operational stabilization. In so doing, MLS can secure its place in the American sports landscape for the next twenty-five years and then some.

INTRODUCTION

Major League Soccer (MLS) began play in 1996 on the heels of the United States' first ever hosting of the World Cup in 1994. That momentum was contrasted by a history of failed professional soccer leagues in the United States, including the United Soccer Association and the National Professional Soccer League, which merged into the also defunct North American Soccer League.¹ Yet, in 2020, MLS celebrated its 25th season. An impressive

¹ U.S. Soccer Timeline, U.S. SOCCER, <https://www.ussoccer.com/history/timeline> (last visited May 31, 2022).

achievement, particularly given that the season occurred amidst the COVID-19 pandemic.

MLS' survival has not been without its uncertain moments. Of the ten clubs that began play in 1996, four have changed their name and one folded.² Two other clubs have folded along the way.³ Yet, in the 2022 season, MLS has 28 clubs with plans to expand to at least 30 clubs in the near future.⁴ Along the way, MLS clubs have constructed 21 soccer-specific stadiums.⁵ Finally, prior to the 2023 season, MLS signed new broadcast agreements for \$2.5 billion over 10 years with Apple TV.⁶ For these reasons and others, there is occasion to be excited and optimistic about MLS' prospects.

At the same time, MLS has some interesting legal and financial dynamics that merit ongoing consideration. These dynamics have a variety of roots, including MLS' efforts to compete against the better-established professional sports leagues in the United States, MLS' efforts to compete in the international soccer market, and MLS' efforts to avoid costly legal battles with its players.

This Article will explore the legal and financial state of MLS after its first 25 years and offer perspectives on how those considerations might be relevant for the next quarter century. Specifically, this Article will examine four particular issues: (1) MLS' financial situation; (2) MLS and antitrust law; (3) MLS in competition with the United Soccer League (USL); and, (4) the impossibility of promotion and relegation.

² Dallas Burn became FC Dallas; Kansas City Wiz became Sporting Kansas City; NY/NJ MetroStars became New York Red Bulls; San Jose Clash became San Jose Earthquakes; Tampa Bay Mutiny folded. Kevin Loyola, *The MLS Identity Crisis*, URBAN PITCH (May 31, 2021), <https://urbanpitch.com/the-mls-identity-crisis/>; see *Timeline of Major League Soccer's 25 Years*, REUTERS (Feb. 29, 2020, 4:19 PM), <https://www.reuters.com/article/us-soccer-usa-mls-timeline-idUSKBN20N13E>.

³ *U.S. Soccer Timeline*, *supra* note 1.

⁴ *MLS Announces Plans to Expand to 30 Teams*, MLS (Apr. 18, 2019), <https://www.mlssoccer.com/news/mls-announces-plans-expand-30-teams>.

⁵ See *USA, THE STADIUM GUIDE*, <https://www.stadiumguide.com/present/usa> (last visited Sept. 30, 2022).

⁶ Kurt Badenhausen, *MLS' \$2.5 Billion Apple TV Deal: Game-Changer or Disappointment?*, SPORTICO (June 15, 2022, 4:54 PM), <https://www.sportico.com/leagues/soccer/2022/mls-2-5-billion-apple-tv-deal-game-changer-or-disappointment> [<https://perma.cc/U2BW-ZZ89>].

I. MLS' FINANCIAL SITUATION

Many commentators in recent years have discussed the growth of soccer – and MLS – in the United States.⁷ Indeed, some MLS club owners have spoken of MLS passing Major League Baseball (MLB) and the National Hockey League (NHL) in popularity.⁸ But is this reasonable? Popularity can be measured in a variety of ways but ultimately it comes down to money. From that perspective, MLS is making progress but still seems likely to remain the fifth largest and most popular sports team league in North America for a long time to come.

MLS' competitors in the American professional team sports landscape are formidable. First, the leagues are well-established: MLB can date its history to 1876, followed by the NHL in 1917, the National Football League (NFL) in 1920, and the National Basketball Association (NBA) in 1946.⁹ These leagues are collectively commonly referred to as the “Big Four” of professional sports.¹⁰ Their revenues demonstrate why. The NFL leads the group with annual revenues of approximately \$16 billion,¹¹ followed by

⁷ *The American Soccer Renaissance*, PITTSBURGH SOCCER NOW (Feb. 6, 2022), <https://pittsburghsoccernow.com/2022/02/06/the-american-soccer-renaissance/>; Michael LoRé, *Soccer's Growth in U.S. Has International Legends Buzzing*, FORBES (Apr. 26, 2019), <https://www.forbes.com/sites/michaellore/2019/04/26/soccers-growth-in-u-s-has-international-legends-buzzing/?sh=5db9e0517f1a>.

⁸ *MLS Owners Predict League Will Pass Baseball, Hockey in Popularity in Next 10 Years*, SPORTS ILLUSTRATED (Feb. 26, 2020), <https://www.si.com/soccer/2020/02/26/mls-owners-predict-future-popularity-mlb-nhl-premier-league> [https://perma.cc/T8F9-XYJ6].

⁹ See, e.g., *NBA is Born*, HIST. (July 30, 2020), <https://www.history.com/this-day-in-history/nba-is-born>; Christopher Klein, *The Birth of the National Football League*, HIST. (Aug. 22, 2018), <https://www.history.com/news/the-birth-of-the-national-football-league>; *National Hockey League Opens Its First Season*, HIST. (Dec. 17, 2021), <https://www.history.com/this-day-in-history/national-hockey-league-nhl-opens-its-first-season>; *National League of Baseball is Founded*, HIST. (Jan. 30, 2020), <https://www.history.com/this-day-in-history/national-league-of-baseball-is-founded>.

¹⁰ Victor Kiprop, *US Cities with Teams in All Four Major Sports Leagues*, WORLDATLAS (July 2, 2019), <https://www.worldatlas.com/articles/us-cities-with-all-four-major-sports-teams.html>.

¹¹ Michael Colangelo, *The NFL Made Roughly \$16 Billion in Revenue Last Year*, USA TODAY (July 15, 2019), <https://touchdownwire.usatoday.com/2019/07/15/nfl-revenue-owners-players-billions/>.

MLB at \$10 billion,¹² the NBA at \$8 billion,¹³ and the NHL at \$5 billion.¹⁴ In contrast, MLS' revenues are approximately \$1 billion per year,¹⁵ 20% of the NHL's revenue and only 10% of MLB's revenue. This is not a gap that is likely to close anytime soon, if ever.

To understand the revenue gap, we must consider the league's revenue sources. The most important, *i.e.*, largest, revenue stream for professional sports leagues is typically television contracts. In 2021, the NFL signed new television deals worth approximately \$10 billion per year.¹⁶ No other league is reaching those numbers any time soon. In 2021, the NHL began the terms of national television deals which bring the league \$625 million annually.¹⁷ Next, also in 2021, the English Premier League signed a deal for its American broadcast rights with NBC worth \$450 million annually for six years.¹⁸

¹² Christopher R. Deubert et al., *Comparing Health-Related Policies and Practices in Sports: The NFL and Other Professional Leagues*, 8 HARV. J. OF SPORTS & ENT. LAW (SPECIAL ISSUE) 1, 14 (2017).

¹³ *Id.*

¹⁴ Katya Knappe, *NHL Projecting \$5 Billion in Revenue*, MSN (Dec. 10, 2021), <https://www.msn.com/en-us/news/us/nhl-projecting-5-billion-in-revenue/ar-AARGGm5>; Greg Wyshynski, *Commissioner Gary Bettman Says NHL Participation in Beijing Olympics Is Players' Decision*, ESPN (Dec. 10, 2021), https://www.espn.com/nhl/story/_/id/32838113 [https://perma.cc/T6NZ-S5ER].

¹⁵ Conor Sen, *Soccer Is the Future of Sports in America*, BLOOMBERG (Dec. 20, 2019, 8:30 AM), <https://www.bloomberg.com/opinion/articles/2019-12-20/soccer-is-the-future-of-u-s-professional-sports#xj4y7vzkg>; Kurt Badenhausen, *Los Angeles FC Tops Sportico's 2021 MLS Valuations at \$860 Million*, SPORTICO (July 14, 2021, 1:31 PM), <https://www.sportico.com/valuations/teams/2021/mls-team-valuations-2021-1234634303/> [https://perma.cc/9FHZ-HNUD].

¹⁶ Ken Belson & Kevin Draper, *N.F.L. Signs Media Deals Worth Over \$100 Billion*, N.Y. TIMES, <https://www.nytimes.com/2021/03/18/sports/football/nfl-tv-contracts.html> (May 26, 2021).

¹⁷ Carol Schram, *NHL Finalizes U.S. TV Rights Deals as Turner Sports Joins ESPN/Disney*, FORBES (Apr. 27, 2021, 1:52 PM), <https://www.forbes.com/sites/carolschram/2021/04/27/nhl-finalizes-us-tv-rights-deals-as-turner-sports-joins-espn-disney/?sh=3712a0fd41f1>.

¹⁸ Joe Reedy & Rob Harris, *AP Source: NBC Keeps Premier League, Deal \$2.7B+ for 6 Years*, AP NEWS (Nov. 18, 2021), https://apnews.com/article/soccer-entertainment-sports-arts-and-entertainment-premier-league-a3300cd2352fbd0a20a910d80db7bd8c?utm_source=Twitter&utm_medium=AP_Sports&utm_campaign=SocialFlow.

MLS has recently made improvement on this front. In 2022, MLS played under television deals worth a reported total of \$105 million annually,¹⁹ of which \$25 million went to U.S. Soccer.²⁰ Consequently, the deals were worth approximately \$3 million to each club. Then, in June 2022, MLS agreed to a broadcast partnership with Apple TV worth \$2.5 billion, with a guaranteed annual revenue of \$250 million annually (the league can earn more based on subscription metrics).²¹

The agreement with Apple is a mixed bag. As an initial matter, MLS missed some of its own targets. MLS wanted the deal done early in the 2022 season, likely to help provide economic certainty in forecasting.²² MLS also was hoping for a deal worth an annual value of \$300-400 million.²³ Ultimately, MLS confronted lukewarm interest from major broadcasters²⁴ until reaching the Apple deal. While the deal presents a meaningful revenue increase, it does not provide the business-changing influx of cash that many had long promised or projected. The 10-year term also prevents MLS from going back into the market for longer than usual.

Next, MLS will now be absent from linear and cable television. Apple TV certainly presents meaningful opportunity as more and

¹⁹ Sam Stejskal, *Las Vegas is MLS Expansion Frontrunner; Media Rights, Diversity Policy and More Discussed at State of League*, THE ATHLETIC (Dec. 7, 2021), <https://theathletic.com/3003883/2021/12/07/las-vegas-is-mls-expansion-frontrunner-media-rights-diversity-policy-and-more-discussed-at-state-of-the-league/?source=user-shared-article> [https://perma.cc/L9HG-3UHG].

²⁰ Paul Kennedy, *MLS Goes All in with Apple TV Deal: 'It's Never Been Done Before'*, SOCCER AM. (June 15, 2022), <https://www.socceramerica.com/publications/article/92571/mls-goes-all-in-with-apple-tv-deal-its-never-be.html?verified=1> [https://perma.cc/P6KX-67QD].

²¹ Badenhausen, *supra* note 6.

²² *MLS Media Rights Deal Falling Short of Expectations*, WORLD SOCCER TALK (Mar. 29, 2022), <https://worldsoccertalk.com/2022/03/29/mls-media-rights-deal-falling-short-expectations/#:~:text=As%20The%20Athletic%20reports%2C%20MLS%20is%20missing%20a,side.%20ESP%20E2%80%99s%20push%20for%20Spanish%20rights%20complicate%20matters> [https://perma.cc/6TR4-66JH].

²³ See Jabari Young, *Major League Soccer Increased Viewership this Season. Now It Has to Convince Networks It's Worth \$300 Million per Year*, CNBC, <https://www.cnbc.com/2021/12/18/major-league-soccer-viewership-is-up-now-it-needs-networks-to-pay-more.html> (Dec. 23, 2021, 8:41 AM) [https://perma.cc/8BGG-TGGP]; Badenhausen, *supra* note 6 (“Commissioner Don Garber had floated a deal worth \$400 million annually in the years leading up to this negotiation.”).

²⁴ *MLS Media Rights Deal*, *supra* note 22.

more people cut the cord. Yet, to date these opportunities still seem very uncertain in the context of live sports and do not seem to help MLS broaden its fan base beyond its small and passionate core. This is in contrast to MLS' past deal with ESPN, which brought the additional value of promotion across ESPN's programming, such as on SportsCenter. MLS now misses out on this cross-promotional opportunity.

Importantly, MLS did not sell the rights to just a package of games (as is done in MLB, the NBA, and NHL), but sold the rights to all the clubs' games, as is done in the NFL.²⁵ The collective sale of all MLS clubs' broadcast rights is a dramatic shift in strategy. In MLB, the NBA, and the NHL, teams enter into agreements to broadcast locally games which are not being aired on national television. These deals are worth millions or tens of millions of dollars per year.²⁶ In contrast, most MLS teams have historically had to pay to be on local television.²⁷ Simply put, the local ratings for MLS matches are so low that television networks have not seen value in broadcasting them. Clubs were forced to pay the networks to broadcast their games (while also usually paying for production) just so the clubs can try to maintain some sense of credibility and momentum with their fanbases. While MLS' new broadcast agreement is fairly lucrative, the approach to sell the rights to all the clubs' matches has also abandoned any effort by MLS clubs to generate local revenue streams which are lucrative in other leagues.

Historically, without meaningful broadcast revenues, MLS clubs have generated most of their revenue from ticket sales.²⁸ Here too there is cause for concern. There appears to be little national or casual fan interest in MLS. According to Morning Consult, an intelligence company, 32% of U.S. adults identify as either a casual

²⁵ Joe Reedy, *A Look at the Seminal Broadcasting Moves That Define the NFL*, AP NEWS (Aug. 24, 2019), <https://apnews.com/article/nfl-nfl-at-100-new-york-giants-football-sports-e3b17485ab1e4044a379b45f78bcabf1>.

²⁶ Craig Edwards, *Let's Update the Estimated Local TV Revenue for MLB Teams*, FANGRAPHS (Apr. 16, 2020), <https://blogs.fangraphs.com/lets-update-the-estimated-local-tv-revenue-for-mlb-teams/>.

²⁷ Ian Thomas, *MLS Could Package Local and National TV Deals*, L.A. BUS. FIRST (Mar. 7, 2019), <https://www.bizjournals.com/losangeles/news/2019/03/07/mls-could-package-local-and-national-tv-deals.html>.

²⁸ Christopher Deubert, *Is Major League Soccer "On the Rise"? Not Quite.*, CONDUCT DETRIMENTAL (Dec. 6, 2021), <https://www.conductdetrimental.com/post/is-major-league-soccer-on-the-rise-not-quite>.

or avid “soccer” fan, ranking seventh behind the NFL, MLB, college football, the NBA, college basketball, and the NHL, in that order. Of course, as Morning Consult points out, “soccer” is a catch all term that includes popular European soccer leagues, among others. The specific popularity (or lack thereof) of MLS is never articulated.²⁹

Moreover, in 2020, the COVID-19 pandemic caused substantial financial harm to the league since matches were forced to be played with few, if any, fans.³⁰ Seven MLS clubs were awarded funds from the Small Business Administration under the Paycheck Protection Program, in an average amount of \$3,371,370.³¹ Moreover, it seems likely that COVID-19 will continue to have at least some negative effect on attendance at sporting events in the near future. Next, while some MLS clubs have impressive attendance figures, more than half of the league’s clubs average less than 15,000 fans per match³² (assuming clubs are accurately reporting attendance, which some probably are not). MLS tickets average \$45-50.³³ Thus, with only 17 home matches, a club averaging 15,000 fans per match receives annual ticket revenue of approximately \$11.5-12.75 million. In most contexts, that is a meaningful amount of revenue, but when it is the principal revenue source for operating a professional sports club, it is not much.

Aside from television and ticket revenues, it is important to understand the role of Soccer United Marketing (SUM) in MLS

²⁹ Alex Silverman, *Ahead of the 2022 World Cup, Soccer Is Still America’s ‘Sport of the Future’*, MORNING CONSULT (Apr. 12, 2022, 5:00 AM), <https://morningconsult.com/2022/04/12/world-cup-us-soccer-fans/#:~:text=Soccer%20has%20been%20dubbed%20the,is%20still%20on%20the%20horizon> [https://perma.cc/SBC6-XFUT].

³⁰ *Id.*

³¹ See, e.g., *PPP FOIA*, U.S. SMALL BUS. ADMIN., <https://data.sba.gov/dataset/ppp-foia> (July 4, 2022, 4:31 PM); Jeff John Roberts, *List of unexpected PPP recipients includes pro soccer teams, sports Hall of Fames*, FORTUNE (July 7, 2020, 6:58 AM), <https://fortune.com/2020/07/07/who-got-ppp-loan-recipients-small-business-coronavirus/>. The clubs awarded funds were: DC Soccer, LLC d/b/a D.C. United (\$3,531,600); Inter Miami CF (\$2,9209,031); Los Angeles Football Club (\$2,064,730); Orlando City SC (\$4,194,200); Philadelphia Union (\$3,530,444); Seattle Sounders FC (\$4,781,400); and, Sporting Kansas City (\$2,577,182).

³² 2021 *MLS Attendance*, SOCCER STADIUM DIG., <https://soccerstadiumdigest.com/2021-mls-attendance/> (last visited June 1, 2022) [https://perma.cc/SA8G-RHZU].

³³ 2022 *MLS Tickets*, TICKETMASTER, <https://www.ticketmaster.com/mls> (last visited June 1, 2022) [https://perma.cc/C9M7-ATJR].

finances. SUM is a soccer marketing entity owned and controlled by MLS which “sells the broadcast media and market rights not only for MLS but also for many soccer matches, tournaments and events sanctioned by the U.S. Soccer Federation, which is the nation’s governing body for the sport.”³⁴ SUM brings in an estimated \$350 million annually, an essential income stream to both the MLS and its clubs.³⁵

Having discussed MLS’ principal revenue streams, let us consider club finances generally. The vast majority of the 124 teams in the NFL, MLB, NBA, and NHL, are profitable in their own right, *i.e.*, without regard to the finances of a parent company or affiliated entity (such as a stadium).³⁶ By comparison, MLS admits that only a few of its teams are profitable and that the league itself is not.³⁷ Most clubs lose millions of dollars a year.³⁸ Further, the MLS league office relies on multi-million dollar capital calls from its clubs to

³⁴ Bill Shea, *An Inside Look at Why Billionaires Buy Into Money-Losing Major League Soccer (Hint: It’s Not Really Losing Money)*, THE ATHLETIC (Oct. 30, 2019), <https://theathletic.com/1323054/2019/10/30/an-inside-look-at-why-billionaires-buy-into-money-losing-major-league-soccer-hint-its-not-really-losing-money/> [https://perma.cc/3T5Q-2DSK].

³⁵ *Id.*

³⁶ See Mike Ozanian & Kurt Badenhausen, *The NFL’s Most Valuable Teams 2020: How Much Is Your Favorite Team Worth?*, FORBES (Sep. 10, 2020, 6:00 AM), <https://www.forbes.com/sites/mikeozanian/2020/09/10/the-nfls-most-valuable-teams-2020-how-much-is-your-favorite-team-worth/?sh=64ba19f62ba4> (“Last season NFL franchises posted \$477 million of revenue, on average, and generated \$109 million of operating income per team, trouncing the NBA (\$70 million), MLB (\$50 million) and the NHL (\$25 million).”).

³⁷ See Shea, *supra* note 34, (“While MLS teams and the league don’t disclose financial information, data from Forbes’ annual MLS team valuations shows that 15 of 23 clubs studied after the 2017 season (the most recent analysis available) had negative operating income, *i.e.* financial losses. Teams and the league don’t disclose their finances, but MLS has acknowledged that it is not profitable as a whole. League spokesman Dan Courtemanche told *The Athletic* via email that the Forbes data is useful. ‘Regarding profitability, some MLS teams are profitable while others are not. The Forbes team valuations are a good barometer to gauge which teams are profitable,’ Courtemanche said.”).

³⁸ See Chris Smith, *Major League Soccer’s Most Valuable Teams 2019: Atlanta Stays On Top As Expansion Fees, Sale Prices Surge*, FORBES (Nov. 4, 2019), <https://www.forbes.com/sites/chris-smith/2019/11/04/major-league-soccer-s-most-valuable-teams-2019-atlanta-stays-on-top-as-expansion-fees-sale-prices-surge/?sh=7a7ed59751b5>.

operate each year.³⁹ None of the Big Four Leagues do this. Finally, with total league-wide revenues of \$1 billion, division tells us that the average club has revenues of approximately \$35.7 million, which qualifies as a small business according to the standards of the Small Business Administration.⁴⁰

Some commentators have likened MLS to a Ponzi scheme.⁴¹ We will explain. MLS had 20 teams in 2016. By 2023, it will have 29. Each of those new clubs paid expansion fees to enter the league, some in the hundreds of millions of dollars. For example, St. Louis City SC paid \$200 million⁴² and Charlotte FC paid \$325 million.⁴³ The league, through one channel or another, distributes much of those funds to its clubs to help fund their operations.⁴⁴ The league will likely expand up to 30 clubs, or maybe 32 at the most.⁴⁵ Thus, the league is approaching capacity and the stream of expansion fees will soon dry up.

³⁹ *Namoff v. D.C. Soccer, LLC*, 2012-CA-7050, 2014 WL 3254596, at *4 (D.C. Super. May 8, 2014).

⁴⁰ The size standards are available for download from the Small Business Administration's website at <https://www.sba.gov/document/support-table-size-standards>. In the table listing the standards, if you search for NAICS Code 711211 – Sports Teams and Clubs, you will find that the threshold to be considered a small business is \$41.5 million in revenue or less.

⁴¹ Ken Belson, *Don Garber on M.L.S.'s Past, Present and Future*, N.Y. Times (Aug. 3, 2019), <https://www.nytimes.com/2019/08/03/sports/soccer/don-garber-mls.html> [<https://perma.cc/4SFU-A524>]; Neil DeMause, *Is MLS a Ponzi Scheme?*, Deadspin (Aug. 4, 2017, 1:03 PM), <https://deadspin.com/is-mls-a-ponzi-scheme-1797509617> [<https://perma.cc/QJZ3-636Y>].

⁴² Thomas Barrabi, *MLS Expands to St. Louis: Why \$200M Startup Fee May Soon Seem Like a Bargain*, FOX BUS. (Aug. 20, 2019, 8:02 PM), <https://www.foxbusiness.com/features/mls-st-louis-team-expansion-fee-cost>.

⁴³ Cassandra Negley, *Charlotte's MLS Expansion Fee Reportedly a Record \$325M — Two-Thirds More Than Recent Expansions*, YAHOO (Dec. 16, 2019), <https://www.yahoo.com/video/charlotte-will-reportedly-become-30th-mls-franchise-for-record-325-m-twothirds-more-than-recent-expansions-212710659.html>.

⁴⁴ See Shea, *supra* note 34 (“The cash influx from adding teams is a financial sugar rush that can offset losses or seed new investments but isn’t a long-term solution to any money problems.”).

⁴⁵ Sam Stejskal, *Las Vegas is MLS Expansion Frontrunner; Media Rights, Diversity Policy and More Discussed at State of the League*, THE ATHLETIC (Dec. 7, 2021), <https://theathletic.com/3003883/2021/12/07/las-vegas-is-mls-expansion-frontrunner-media-rights-diversity-policy-and-more-discussed-at-state-of-the-league/?source=user-shared-article> [<https://perma.cc/L9HG-3UHG>].

In light of the above-described less than ideal financials, it appears that MLS generally relies on two ownership models.

First, there are uber-wealthy individuals who do not mind losing millions of dollars every year on their MLS club because it likely offsets taxable gains from profitable businesses elsewhere.⁴⁶ For example, several MLS clubs are owned by individuals who also own NFL clubs: Arthur Blank owns Atlanta United of MLS and the Atlanta Falcons of the NFL;⁴⁷ David Tepper owns Charlotte FC of MLS and the Carolina Panthers of the NFL;⁴⁸ Kroenke Sports & Entertainment owns the Colorado Rapids of MLS and the Los Angeles Rams of the NFL;⁴⁹ Jimmy Haslam owns the Columbus Crew of MLS and the Cleveland Browns of the NFL;⁵⁰ the Hunt family owns FC Dallas of MLS and the Kansas City Chiefs of the NFL;⁵¹ Robert Kraft owns the New England Revolution of MLS and the New England Patriots of the NFL;⁵² and the Wilf family owns Orlando City SC of MLS and the Minnesota Vikings of the NFL.⁵³ In a similar class, the Chicago Fire is owned by Joe Mansueto, with an estimated net worth of \$4.8 billion.⁵⁴

Second, the less well-off clubs rely more on outside financing. Specifically, some MLS clubs have borrowed \$100 million or more from major financial institutions such as Goldman Sachs,⁵⁵ to fund operations and construction of new soccer-specific stadiums, in the hopes that the equity value of the club will rise fast enough to allow for refinancing on better terms or attract new investors. Some clubs have sold off minor stakes in the clubs to fund the club's operations. For example, in June 2021, D.C. United sold a 1% stake in the

⁴⁶ See Shea, *supra* note 34 (quoting sports economist Andrew Zimbalist: "All those losses do is give the owners tax write-offs for the rest of their income.").

⁴⁷ *Cross-Ownership: MLS Teams Owned by NFL Owners*, SOCCER AM. (May 13, 2021), <https://www.socceramerica.com/publications/article/88860/cross-ownership-mls-teams-owned-by-nfl-owners.html>.

⁴⁸ *Id.*

⁴⁹ *Id.*

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² *Id.*

⁵³ *Id.*

⁵⁴ Joe Mansueto, FORBES, <https://www.forbes.com/profile/joe-mansueto/?sh=2add57841ed5> (last visited Sept. 30, 2022) [<https://perma.cc/482P-2RPS>].

⁵⁵ Daniel Kaplan, *Goldman Sachs Bullish on Funding MLS Clubs*, N.Y. BUS. J. (Jan. 11, 2018), <https://www.bizjournals.com/newyork/news/2018/01/11/goldman-sachs-bullish-on-funding-mls-clubs.html> [<https://perma.cc/6KEL-DSHN>].

organization to Mark Ingram, a running back for the Baltimore Ravens,⁵⁶ after the organization was valued at \$710 million.⁵⁷ In September 2021, the club sold a reported 5-6% of the organization to four investors, including hip-hop artist Yo Gotti.⁵⁸ The club reportedly needed “to raise capital to develop land on the east side of Audi Field, finish the FanDuel sportsbook in the north end of the stadium, expand premium spaces and complete a new training facility in Leesburg.”⁵⁹ The regular selling of slivers of an organization to fund its operations does not seem to be a sustainable or stable financial model. Nevertheless, the owners of these clubs believe the investments will result in an increased valuation of the club, permitting a profitable sale at some point down the road.⁶⁰

Despite the above questions, the league marshals on. Indeed, it successfully survived COVID-19 which it might not have been able to do a decade ago. The financial situation of the league and many of its clubs can sometimes seem precarious – particularly as compared to other sports leagues – but the league and clubs have managed their financial situations to date and likely will continue to do so. The new stadiums undoubtedly provide the clubs with additional revenue streams in the form of suites, events, and potentially sports betting. Nevertheless, there is nothing about MLS’ attendance figures or television ratings that indicates this economic model is going to materially change anytime soon. Consequently, MLS, the preeminent soccer league in the United States, seems likely to remain the fifth league.

II. MLS AND ANTITRUST LAW

An understanding of antitrust law is essential to an understanding of the history and present of American sports and the

⁵⁶ Steven Goff, *NFL's Mark Ingram II Buys 1 Percent Ownership Stake in D.C. United*, THE WASH. POST (June 3, 2021, 7:11 PM), <https://www.washingtonpost.com/sports/2021/06/03/mark-ingram-dc-united-ownership-stake/> [https://perma.cc/5ZSJ-9KAZ].

⁵⁷ Scott Soshnick & Eben Novy-Williams, *D.C. United Valued at \$710 Million as NFL's Mark Ingram Invests*, SPORTICO (June 3, 2021, 3:36 PM), <https://www.sportico.com/business/sales/2021/dc-united-value-1234631289/> [https://perma.cc/H633-RPGG].

⁵⁸ Steven Goff, *Hip-Hop Artist Yo Gotti Among Four New D.C. United Investors*, THE WASH. POST (Sept. 27, 2021, 12:53 PM), <https://www.washingtonpost.com/sports/2021/09/27/yo-gotti-dc-united-investor/> [https://perma.cc/2NTX-8NDV].

⁵⁹ *Id.*

⁶⁰ See Shea, *supra* note 34 (discussing recent sales of D.C. United and Chicago Fire).

law. The Sherman Antitrust Act was passed in 1890 to try and put an end to the monopolizing and predatory practices of corporate conglomerates a/k/a the “trusts.”⁶¹ The Act has been amended multiple times. Most importantly, the Clayton Act of 1914 provided that a plaintiff can recover “threefold” any damages suffered as a result of a violation of the Sherman Act as well as attorney’s fees.⁶² Nevertheless, professional sports was a nascent industry at the time of the Sherman Act’s passage, and the law’s potential application surely was not considered at the time. This sentiment is buttressed by the Supreme Court’s anomalous and erroneous decision, now a century old, in *Federal Baseball Club v. National League*, in which the Court held that the playing of professional baseball was not interstate commerce and therefore not subject to scrutiny under the Sherman Act.⁶³

While baseball’s antitrust exemption has been lessened over time,⁶⁴ the antitrust laws have always been found to apply to other professional sports leagues.⁶⁵ Thus, a recurring question in sports and the law is what level of competition off the field is appropriate for robust and interesting competition on the field.⁶⁶

Antitrust is a critical legal issue for MLS. As will be discussed below, it was an essential consideration in the league’s founding and still plays an important role today. Specifically, we will explore: (A) the MLS’ “single-entity” structure as an attempt to evade antitrust law; (B) ways in which antitrust law might look unfavorably upon certain restraints in the non-player labor market; and (C) how MLS’ unique antitrust-avoidance structure creates unintended legal complications for the league and its clubs.

A. ENDING THE SINGLE-ENTITY ARGUMENT

MLS’ status as a “single-entity” league is oft reported, but not well understood. The league, others like it (such as the National

⁶¹ 15 U.S.C. §§ 1-38.

⁶² 15 U.S.C. § 15(a).

⁶³ *Fed. Baseball Club, Inc. v. Nat’l League of Pro. Baseball Clubs*, 259 U.S. 200, 209 (1922).

⁶⁴ See Marianne McGettigan, *The Curt Flood Act of 1998: The Players’ Perspective*, 9 MARQ. SPORTS L.J. 379 (1999).

⁶⁵ See, e.g., *Radovich v. NFL*, 352 U.S. 445 (1957); *Haywood v. NBA*, 401 U.S. 1204 (1971); *Phila. World Hockey Club, Inc. v. Phila. Hockey Club, Inc.*, 351 F. Supp. 462 (E.D. Pa. 1972).

⁶⁶ *Brown v. Pro Football, Inc.*, 518 U.S. 231, 234 (1996); see also, *Am. Needle, Inc. v. NFL*, 560 U.S. 183 (2010).

Women's Soccer League ("NWSL")⁶⁷), and their extremely expensive antitrust counsel often hold it up as some sort of legal golden goose. However, MLS' single-entity status today is legally irrelevant from an antitrust perspective, as explained below.

This Part will proceed in five sections: (i) MLS' corporate structure; (ii) antitrust law and the single-entity concept; (iii) MLS and the single-entity defense historically; (iv) relevant MLS club operations today; and (v) why the single-entity defense is unhelpful to MLS today after the decision in the *Moultrie v. NWSL* case.

1. *MLS' CORPORATE STRUCTURE*

MLS is structured differently than the NFL, MLB, NBA, and NHL. In those leagues, each individual club is its own legal entity (for example, the New York Football Giants, Inc.).⁶⁸ Those clubs agree to the creation and operation of their leagues by contract, through Constitutions and Bylaws.⁶⁹ The leagues are unincorporated associations,⁷⁰ that is, they, generally speaking, are not separate legal entities. Each club operates as its own business and directly employs its own players and other personnel.

While there is no "National Football League, Inc." there is a "Major League Soccer, LLC." MLS is a limited liability company and consists of 28 professional soccer clubs. The legal entity which operates each individual club is a member of MLS.⁷¹ Thus, when

⁶⁷ See generally *O.M. v. Nat. Women's Soccer League*, 541 F. Supp. 3d 1171 (D. Or. 2021).

⁶⁸ See, e.g., *Brady v. NFL*, 640 F.3d 785 (8th Cir. 2011) ("This is an appeal by the National Football League and 32 separately-owned NFL teams").

⁶⁹ See, e.g., CONSTITUTION AND BY-LAWS OF THE NATIONAL BASKETBALL ASSOCIATION (May 29, 2012) (on file with author); MAJOR LEAGUE CONSTITUTION (March 2008) (on file with author).

⁷⁰ *Montador, Tr. of Est. of Montador v. NHL*, No. 15-cv-10989, 2020 WL 11647730, at *7 n.2 (N.D. Ill. Nov. 24, 2020); see also, *Senne v. Kan. City Royals Baseball Corp.*, No. 14-cv-608, 2021 WL 3129460, at *16 (N.D. Cal. July 23, 2021); *NCAA v. Governor of N.J.*, 939 F.3d 597, 597 (3d Cir. 2019); *Am. Needle, Inc. v. NFL*, 560 U.S. 183, 186 (2010).

⁷¹ See Complaint at ¶ 14, *MLS, LLC v. Pearson*, No. 21-cv-13940 (D.N.J. July 21, 2021) (identifying NYRB as the "entity that operates the New York Red Bulls soccer club"); *Nowak v. MLS, LLC*, No. 14-cv-3503, 2015 U.S. Dist. LEXIS 184338, at *1-2 (E.D. Pa. July 20, 2015) ("Each team within the MLS is owned by MLS but is operated by an owner-operator that is a member of MLS. Pennsylvania Professional Soccer, LLC, ('PPS') is the owner-operator that operates the Philadelphia Union MLS team, and is a member of MLS."); see also Defendants Olsen, D.C. Soccer, LLC and MLS, LLC's Motion to Dismiss at *5, *Horton v.*

people talk about MLS being a “single-entity,” the entity to which they are referring is “Major League Soccer, LLC.” Importantly, while the clubs employ (that is, pay and provide benefits to) their non-player personnel, players are employed by MLS – all player contracts are executed between the player and MLS,⁷² unlike in the NFL, MLB, NBA, or NHL. This structure is intended to provide protection from the antitrust laws.

2. ANTITRUST LAW AND THE SINGLE-ENTITY DEFENSE

Section 1 of the Sherman Act prohibits “every contract, combination or conspiracy in restraint of trade.”⁷³ The Supreme Court subsequently clarified that only “unreasonable” restraints are illegal.⁷⁴ Importantly, to state a Section 1 claim there must be a plurality of actors.⁷⁵ The leading case on this issue is *Copperweld Corp. v Independence Tube Corp.* in which the Supreme Court held that a parent corporation and its wholly owned subsidiary were incapable of conspiring with one another for purposes of Section 1.⁷⁶ The single-entity defense was thus born.

Since *Copperweld*, sports leagues have repeatedly tried to invoke the single-entity defense in antitrust lawsuits.⁷⁷ Sports leagues have credibly argued that they are unique products that require a high degree of collaboration to create. For example, you cannot have a game with just one team and teams need to agree to the rules of the game.⁷⁸ While courts have been sympathetic to these views in applying the antitrust laws, no court has ever found that a sports league, in any capacity, is a single-entity and therefore immune from antitrust law.⁷⁹ Most notably, in 2010, the Supreme Court unanimously rejected the NFL’s argument that its licensing arm (National Football League Properties) constituted a single-

Espindola, No. 17-cv-1230 (D.D.C. Sept. 7, 2017) ECF No. 17 (“MLS is owned by the operators of each of the teams that participate in the League.”).

⁷² Deubert et al., *supra* note 12, at 178.

⁷³ 15 U.S.C. § 1.

⁷⁴ *Standard Oil Co. of N.J. v. United States*, 221 U.S. 1, 87 (1911).

⁷⁵ *See Copperweld Corp. v. Indep. Tube Corp.*, 467 U.S. 752, 769-70 (1984).

⁷⁶ *Id.* at 771.

⁷⁷ *See* Gabriel Feldman, *The Puzzling Persistence of the Single-Entity Argument for Sports Leagues: American Needle and the Supreme Court’s Opportunity to Reject a Flawed Defense*, 2009 WIS. L. REV. 835, 844-49 (2009).

⁷⁸ *Id.*

⁷⁹ *See id.*

entity for purposes of licensing NFL club intellectual property for use on merchandise.⁸⁰

3. *MLS AND THE SINGLE-ENTITY DEFENSE HISTORICALLY*

To understand MLS' invocation of the single-entity defense, it is important to understand the application of antitrust laws to sports. The Big Four sports leagues consist of individual clubs which, among other things, compete in a labor market for players' services by, for example, offering longer contracts for more pay. This is the process we know as free agency.⁸¹ However, for many years, no such processes existed. Instead, player employment was strictly controlled by rules agreed upon by the clubs without player input. Notoriously, MLB's reserve clause bound players to their club in perpetuity, a status players had no meaningful ability to change.⁸²

Eventually, players challenged these rules as violations of Section 1 of the Sherman Act. They alleged these rules were unreasonable restraints on the leagues' labor markets. Courts frequently agreed. In lawsuits and other legal actions in the 1970s through early 90s, players in the Big Four won the right to free agency (and sometimes hundreds of millions of dollars in damages).⁸³ Today, restraints on the player market – such as salary caps, maximum salaries, service time requirements for free agency and the draft – are protected from antitrust law so long as they are agreed to with the players' unions. Typically this is accomplished as part of collective bargaining agreements ("CBA"s).⁸⁴ This

⁸⁰ *Am. Needle, Inc. v. NFL*, 560 U.S. 183, 196-204 (2010).

⁸¹ *See* Deubert, *supra* note 12, at 173.

⁸² Sam C. Ehrlich, *Probing for Holes in the 100-Year-Old Baseball Exemption: A New Post-Alston Challenge*, 90 U. CIN. L. REV. 1172, 1199 (2022) (discussing generally history of reserve clause in baseball); Mary Craig, *Chained to the Game: Professional Baseball and the Reserve Clause, Part Two*, SB NATION: BEYOND THE BOX SCORE (June 10, 2017, 1:00 PM), <https://www.beyondtheboxscore.com/2017/6/10/15766702/curt-flood-mlbpa-reserve-clause-free-agency>.

⁸³ The baseball players union achieved its bargaining leverage by gaining free agency for players through the grievance arbitration process. *See* Professional Baseball Clubs, 66 LAB. & DISP. SETT. 101 (1975) (Seitz, Arb.), *aff'd* sub nom., *Kan. City Royals Baseball Corp. v. Major League Baseball Players Ass'n*, 409 F. Supp. 233 (W.D. Mo. 1976), *aff'd*, 532 F.2d 615 (8th Cir. 1976). *See also* *Denver Rockets v. All-Pro Mgmt., Inc.*, 325 F. Supp. 1049 (C.D. Cal. 1971); *White v. NFL*, 822 F. Supp. 1389 (D. Minn. 1993) (where class members would receive an average settlement of \$100,000).

⁸⁴ *See* Gabe Feldman, *Collective Bargaining in Professional Sports: The Duel Between Players and Owners and Labor Law and Antitrust Law*,

concept is known as the “non-statutory labor exemption.”⁸⁵ The players unions agree to these restraints in exchange for a guaranteed percentage of league revenues, minimum salaries, pensions, and other economic and non-economic benefits.⁸⁶

The early and mid-1990s was a particularly acrimonious period in sports labor. In 1993, the NFL settled a series of lawsuits, culminating in *White v. NFL*, which had left the league without a CBA for six years.⁸⁷ In 1994, MLB players struck, preventing the playing of the World Series for the first time since 1904.⁸⁸ The NHL locked out its players at the start of the 1994 season⁸⁹ and the NBA did the same prior to the 1995 season.⁹⁰ In each case, the players and clubs were fighting over, among other things, the clubs’ desired restraints on the player labor market.

MLS wanted to avoid these lawsuits and work stoppages while maintaining control over the player market. Consequently, in consultation with antitrust lawyers from the other sports leagues, it came up with its single-entity structure.⁹¹ The idea was that if the league was formed as it ultimately was (and currently is), and the players signed their contracts with MLS, under *Copperweld*, MLS

in THE OXFORD HANDBOOK OF AMERICAN SPORTS LAW (Michael McCann ed. 2017), <https://www.oxfordhandbooks.com/view/10.1093/oxfordhb/9780190465957.001.0001/oxfordhb-9780190465957-e-10?print=pdf>.

⁸⁵ *Brown v. Pro Football Inc.*, 518 U.S. 231, 235-36 (1996) (expanding the non-statutory exemption to include agreements among employers themselves, aimed at resisting union pressure in collective bargaining).

⁸⁶ See Feldman, *supra* note 84.

⁸⁷ *Lifting the lockout brings back football, but not progress*, NFL (Apr. 5, 2011, 8:50 AM), <https://www.nfl.com/news/lifting-the-lockout-brings-back-football-but-not-progress-09000d5d81f19c7f>.

⁸⁸ MLB underwent a 32-day spring training lockout in 1990 and a 232-day strike in 1994, including the cancellation of the 1994 post-season. *Fehr leaving post after quarter-century*, ESPN (June 22, 2009), <https://www.espn.com/mlb/news/story?id=4278728>.

⁸⁹ NHL underwent a 103-day lockout during the 1994-95 season and a complete cancellation of the 2004-05 season due to a lockout. Paul D. Staudohar, *The Hockey Lockout of 2004-05*, 128 MONTHLY LAB. REV. 23, 23 (2005).

⁹⁰ NBA underwent an 11-week lock-out of its players during the summer of 1995, followed by a 9-week lock-out of its referees. Gary D. Way, *Sudden Death: League Labor Disputes, Sports Licensing and Force Majeure Neglect*, 7 MARQ. SPORTS L. J. 427, 427 (1997).

⁹¹ See *Fraser v. MLS, L.L.C.*, 97 F. Supp. 2d 130, 132-34 (D. Mass. 2000) (discussing MLS’ structure, operations and origin, including meetings with NFL’s antitrust counsel).

and its clubs would be viewed as a single-entity incapable of violating Section 1 of the Sherman Act.

MLS' efforts to avoid antitrust scrutiny were tested almost immediately. On February 13, 1997, MLS players, led by Iain Fraser, filed a lawsuit in the United States District Court for the District of Massachusetts against MLS and the handful of entities operating clubs at that time. They alleged the restraints imposed by MLS and the clubs over player movement were violations of Sections 1 and 2 of the Sherman Act.⁹² Section 2 of the Sherman Act governs monopolization.⁹³ The players, who were not unionized at that time, were represented by longtime counsel for sports unions and players, Jim Quinn and Jeffrey Kessler.⁹⁴ MLS and the clubs responded by asserting the single-entity defense.⁹⁵

The Court bought the argument, holding that MLS was a single-entity and thus dismissed the plaintiffs' Section 1 antitrust claims.⁹⁶ The remainder of the plaintiffs' claims were dismissed after a jury found that the plaintiffs had failed to adequately allege a relevant market in which MLS had allegedly violated the antitrust laws.⁹⁷

On appeal, the First Circuit disagreed, finding MLS' argument that it was a single-entity argument "doubtful"⁹⁸:

There is a diversity of entrepreneurial interests that goes well beyond the ordinary company. MLS and its operator/investors have separate contractual relationships giving the operator/investors rights that take them part way along the path to ordinary sports team owners: they do some independent hiring and make out-of-pocket investments in their own teams; they retain a large portion of the revenues from the activities of their teams; and each has limited sale rights in its own team that relate to specific assets and not just shares in the common enterprise. One might well ask why the formal difference in corporate structure should warrant treating MLS differently than the National

⁹² *Id.* at 132.

⁹³ *Id.* at 131.

⁹⁴ *Id.* at 139-140.

⁹⁵ *Id.* at 131.

⁹⁶ *Id.* at 139.

⁹⁷ *See Fraser v. MLS, L.L.C.*, 284 F.3d 47, 55 (1st Cir. 2002).

⁹⁸ *Id.* at 58.

Football League or other traditionally structured sports leagues.⁹⁹

However, the court declared that the single-entity question “need not be answered definitively in this case.”¹⁰⁰ The First Circuit affirmed the dismissal of the plaintiffs’ claims based on the jury’s determination about a relevant market.¹⁰¹

The court’s decision put MLS and its players on a path like those of the Big Four. MLS players formed a union, known today as the Major League Soccer Players Association (“MLSPA”) in 2003 and agreed to their first CBA with MLS in 2004.¹⁰² By virtue of the CBA, MLS’ restraints on the player market were then protected by the non-statutory labor exemption, and the antitrust challenges put to rest for the foreseeable future.

Nevertheless, MLS’ failure to receive a legal determination that it is a single-entity in the *Fraser* case is particularly striking given the league’s operations at that time. In the 1996 and 1997 seasons, there were ten clubs and only six owners: MLS owned and controlled the Dallas Burn, Tampa Bay Mutiny, and San Jose Clash; Phil Anschutz owned the LA Galaxy and Colorado Rapids; and Lamar Hunt owned the Columbus Crew and Kansas City Wiz.¹⁰³ If ever there was a time to conclude that the league was sufficiently centrally controlled such that it should be considered a single-entity for antitrust purposes, 1997 was the time. The league’s operations have become decentralized since then, making the single-entity defense seemingly implausible today.

4. *MLS CLUB OPERATIONS TODAY*

In support of its single-entity defense, MLS will always point to the fact that the players sign their employment contracts with the league and are paid by the league and not the individual clubs.

Nevertheless, aside from players signing directly with the league, the clubs do not possess any “unity of interest,” a crucial factor in the *Copperweld* decision. Clubs, without any material input from the league, control their own rosters and salary budgets – they research, scout, select, and negotiate terms with players (including free agents and transfers), all within the highly

⁹⁹ *Id.* at 57.

¹⁰⁰ *Id.* at 59.

¹⁰¹ *Id.* at 71.

¹⁰² *MLSPA History*, MLS Players ASS’N, <https://mlsplayers.org/about-us/history> (last visited June 1, 2022).

¹⁰³ BEAU DURE, LONG-RANGE GOALS: THE SUCCESS STORY OF MAJOR LEAGUE SOCCER 1, 14-16, 47 (2010).

competitive international soccer labor market.¹⁰⁴ Indeed, the MLS Constitution declares that teams have the “right and obligation” to “select players for the team.”¹⁰⁵ When a club and player have come to terms, the club presents the details to MLS to do the paperwork, largely as a formality. MLS is generally only involved to ensure that the contracts comply with the collective bargaining agreement and other rules¹⁰⁶ – the same role that all leagues play when it comes to reviewing and approving player contracts.¹⁰⁷ These facts should be fatal to any claim by MLS and its clubs that they are a single-entity within the player labor market.

¹⁰⁴ See Paul Tenorio, *The Top 10 MLS Free Agents for 2021*, THE ATHLETIC (Nov. 11, 2021), <https://theathletic.com/2949473/2021/11/11/the-top-10-mls-free-agents-for-2021/> (discussing free agency market in MLS); see also *New England Revolution Sign Jozy Altidore Through 2024 After Toronto Buys Out Former USMNT Star*, ESPN (Feb. 14, 2022), <https://www.espn.com/soccer/new-england-revolution/story/4593886/new-england-revolution-sign-jozy-altidore-through-2024-after-toronto-buys-out-former-usmnt-star> (discussing Altidore signing a three-year, \$5 million contract with the New England Revolution); *Atlanta United Signs Thiago Almada from Velez Sarsfield to Four-year DP Contract*, ESPN (Feb. 9, 2022), <https://www.espn.com/soccer/atlanta-united-fc/story/4589953/atlanta-united-signs-thiago-almada-from-velez-sarsfield-to-four-year-dp-contract> (discussing Atlanta United paying \$16 million transfer fee to acquire rights to Thiago Almada from Argentina’s Velez Sarsfield and signing four-year contract with Almada).

¹⁰⁵ MLS Constitution (Jan. 1, 2017), at Introduction, § B. The MLS Constitution is available as Exhibit B to Utah Soccer, LLC d/b/a Real Salt Lake’s Motion to Compel Arbitration and Dismiss or, in the Alternative, Stay the Proceedings, *Petke v. Utah Soccer, LLC*, No. 190907265 (Utah Dist. Ct. Oct. 7, 2019).

¹⁰⁶ Steven Goff, *MLS, Players Agree on Collective Bargaining Agreement with Time to Spare*, THE WASH. POST (Feb. 7, 2020), [https://www.westlaw.com/Document/I2cf7c4a049cd11ea841edf291bb6a51e/View/FullText.html?transitionType=Default&contextData=\(sc.Default\)&VR=3.0&RS=cblt1.0](https://www.westlaw.com/Document/I2cf7c4a049cd11ea841edf291bb6a51e/View/FullText.html?transitionType=Default&contextData=(sc.Default)&VR=3.0&RS=cblt1.0).

¹⁰⁷ See generally, *Penguins Sign No. 1 Pick Crosby*, CHI. TRIB. (Sept. 10, 2005), [https://www.westlaw.com/Document/I14ee2a70d5c411da9834fa27031356ee/View/FullText.html?transitionType=Default&contextData=\(sc.Default\)&VR=3.0&RS=cblt1.0](https://www.westlaw.com/Document/I14ee2a70d5c411da9834fa27031356ee/View/FullText.html?transitionType=Default&contextData=(sc.Default)&VR=3.0&RS=cblt1.0); *It’s Not Just Signing on the Line*, THE CINCINNATI ENQUIRER (Apr. 28, 2006), [https://www.westlaw.com/Document/I878f76a0a39e11deb2e59137208038f4/View/FullText.html?transitionType=Default&contextData=\(sc.Default\)&VR=3.0&RS=cblt1.0](https://www.westlaw.com/Document/I878f76a0a39e11deb2e59137208038f4/View/FullText.html?transitionType=Default&contextData=(sc.Default)&VR=3.0&RS=cblt1.0).

5. *MLS AND THE SINGLE-ENTITY DEFENSE TODAY*

MLS has numerous rules which restrain the labor market and could be subject to antitrust scrutiny. For example, MLS clubs are only permitted to spend a maximum amount on players (\$9.325M in 2022, rising to \$13.013M in 2027), a player cannot be considered a free agent until he is 24 years old and has at least five years of experience (dropping to four years in 2026), and there are maximum player salaries.¹⁰⁸ These rules are a part of the CBA with the MLSPA and thus are currently protected by the non-statutory labor exemption. Nevertheless, as will be discussed further below, this exemption applies only so long as there is a bargaining relationship with the union.¹⁰⁹ Consequently, MLS still has a significant interest in the single-entity defense.

The prospect of the MLS asserting the single-entity defense was struck a massive blow in June 2021 in the *Moultrie* case. Olivia Moultrie, born in September 2005, is a tremendous young soccer talent.¹¹⁰ However, the NWSL has a rule that requires players to be at least 18 years of age, which prevented Moultrie from playing in the league.¹¹¹

Moultrie sued, alleging that the NWSL's eligibility rule violated Section 1 of the Sherman Act by unreasonably preventing her from playing.¹¹² More specifically, Moultrie argued that "[t]he ten teams in the NWSL have agreed among themselves, and with the League, not to contract with soccer players under the age of 18, without regard to their talents or their ability to compete in the League."¹¹³ According to Moultrie, the rule "serves no legitimate business justification or procompetitive purpose."¹¹⁴

As a threshold matter, the United States District Court for the District of Oregon had to consider whether the NWSL's age rule

¹⁰⁸ *MLS & MLSPA Ratify New Collective Bargaining Agreement*, MLSSoccer.com (Feb. 8, 2021, 11:52 AM), <https://www.mlssoccer.com/news/major-league-soccer-mlspa-ratify-new-collective-bargaining-agreement-0> [https://perma.cc/M4FF-ZEHY].

¹⁰⁹ *Brown v. Pro Football Inc.*, 518 U.S. 231, 250 (1996).

¹¹⁰ Simon Borg, *Olivia Moultrie, 15, Becomes Youngest NWSL Pro Soccer Player with Debut for Portland Thorns*, SPORTING NEWS (July 3, 2021), <https://www.sportingnews.com/us/soccer/news/olivia-moultrie-youngest-soccer-nwsl-debut-portland-thorns/kevwlw5wl1m01d087elabmrid>.

¹¹¹ *Id.*

¹¹² *See O.M. v. Nat'l Women's Soccer League, LLC*, 544 F. Supp. 3d 1063, 1066 (D. Or. 2021).

¹¹³ *Id.* at 1066.

¹¹⁴ *Id.*

was protected by the non-statutory labor exemption.¹¹⁵ Although the league and the players union had not agreed to a CBA at the time (they since have), the league contended that its recognition of the union and agreement to a CBA negotiation process should provide the eligibility rule with protection from the non-statutory labor exemption.¹¹⁶ The court disagreed, finding that no court had ever held as the NWSL contended and that the eligibility rule was not the result of negotiations with the union as required for the exemption to apply.¹¹⁷

Having dispatched the NWSL's first attempt to shield itself from antitrust scrutiny, the court moved on to the second. The league contended that it was a single-entity and therefore could not violate Section 1 of the Sherman Act in restraining the player labor market.¹¹⁸ Indeed, the NWSL's structure matches that of MLS – each club is a member of National Women's Soccer League, LLC and the players sign their contract directly with the league, rather than individual clubs.¹¹⁹

The court rejected the NWSL's single-entity argument.¹²⁰ Citing the NWSL's LLC agreement, it listed out a wide range of “ways in which the NWSL and its member teams function as separate economic entities competing for player rights:

- Each Team Operator is required to deposit a ‘Collateral Deposit’ amount in cash into a Collateral Account, to ensure each and every team operator meets its financial obligations. ECF 55 at 169-70.
- Each Team Operator has the exclusive right to operate a team in its Home Territory. *Id.* at 168.
- Each Team Operator's accounting and operational records, annual budget, and business

¹¹⁵ *Id.* at 1074.

¹¹⁶ *Id.* at 1075.

¹¹⁷ *Id.* at 1077.

¹¹⁸ *Id.* at 1068.

¹¹⁹ NWSL's Opposition to Plaintiff's Motion for Temp. Restraining Ord. at 5-6, O.M. v. Nat'l Women's Soccer League, No. 21-cv-00683 (D. Or. May 12, 2021) (“The NWSL was founded with a single entity structure whereby the League is a LLC that employs all the players, and investors in the LLC receive the right to operate a team.”).

¹²⁰ See O.M. v. Nat'l Women's Soccer League, 544 F. Supp. 3d 1063 1070-71 (D. Or. 2021).

and marketing plan are kept confidential from other Team Operators and parties. *Id.* at 168-69.

- Each Team Operator is authorized to (i) license Local Broadcast Rights and sell Local Commercial Affiliations, (ii) sell tickets to home games, (iii) market and sell NWSL-sponsored, local promotional programs, (iv) sell and collect revenues generated by stadium concessions, parking, and other revenue-providing sources under the Stadium Lease, (v) sell team-branded merchandise in the Home Territory or via team website, and (vi) manage, promote, and sell and take other actions in connection with team-branded soccer camps, clinics, training, and academy and local soccer club affiliations. *Id.* at 170.

- Each Team Operator is authorized to negotiate agreements with players, conduct all local marketing within the Home Territory, and take other such actions on behalf of NWSL as NWSL shall expressly authorize. *Id.*

- Each Team Operator hires its own general manager or executive in charge of soccer operations for the Team, head coach and assistant coaches, and local office staff and other personnel to carry out its obligations under the form Operating Agreement. *Id.* at 171.

- Each Team Operator selects players for the team from NWSL's pool of eligible players pursuant to the rules and procedures established by the NWSL. *Id.* at 171.

- The Team Operator is entitled to, upon the prior written consent of the NWSL, trade players to other NWSL teams pursuant to rules and procedures established by NWSL. *Id.*

- Each Team Operator must carry its own insurance. *Id.*

- Each Team Operator executes its own Stadium Lease and pays all rent, expenses, and any other fees, penalties, and interest under the lease. *Id.* at 172.
- The Team Operator is required to provide uniforms and certain types of equipment. *Id.* at 173.
- Each Team Operator is required to pay all travel expenses associated with players and team staff. *Id.* at 175-76.
- Each Team Operator is required to pay for players' per-diem expenses and any ticket deductions. *Id.*¹²¹

Most importantly, the court found that “the member teams... are direct competitors in the market for players.”¹²² In sum, the court held that the “NWSL and its member teams are not a single entity under §1 of the Sherman Act despite the League’s legal classification as one LLC”¹²³ and enjoined the NWSL from enforcing the age rule.¹²⁴ Rather than appeal, the NWSL settled the matter by permitting Moultrie to play, theoretically keeping the age eligibility rule in place.¹²⁵

The Moultrie case, while only that of a single district court, is a massively problematic precedent for MLS. At the time of the case, the NWSL only had ten clubs and has much more centralized control than MLS does – perhaps akin to how MLS operated in 1997 at the time of the *Fraser* lawsuit. Today, MLS is a billion-dollar industry with club valuations in the hundreds of millions of dollars.¹²⁶ Further, each club employs more than a hundred employees to carry out its varied business functions and endeavors, including all or nearly all of those cited by the court in *Moultrie*. It is fantastical to suggest that the league is being operated as a “single-entity.”

¹²¹ *Id.* at 1070.

¹²² *Id.* at 1071.

¹²³ *Id.* at 1070-71.

¹²⁴ *Id.* at 1078.

¹²⁵ Michael McCann, *Soccer Phenom Olivia Moultrie Settles Age-Rule Suit with NWSL*, SPORTICO (July 30, 2021, 4:21 PM), <https://www.sportico.com/law/analysis/2021/soccer-phenom-olivia-moultrie-settles-age-rule-suit-with-nwsl-1234635939/>.

¹²⁶ See Shea, *supra* note 34.

Nevertheless, it should not matter. Today, MLS negotiates the terms and conditions of player employment with the MLSPA, taking advantage of the non-statutory labor exemption to the antitrust laws. The most recent CBA was agreed to in 2021 and runs through 2027.¹²⁷ At the expiration of that or any future CBA, MLS players could theoretically take a page out of the book of their brethren in the NFL and NBA by disclaiming the MLSPA as their bargaining representative and bringing an antitrust lawsuit.¹²⁸ In this strategy, when the union is no longer authorized to negotiate on behalf of the players, the non-statutory labor exemption would no longer apply, subjecting the league and its clubs to Section 1 scrutiny and possible treble damages.¹²⁹ If MLS players were to pursue this tactic, MLS would surely respond by asserting the single-entity defense.

However, such a lawsuit seems incredibly unlikely. Given the challenged financial condition of MLS, it seems that both MLS and MLSPA know such litigation – and the work stoppage it would involve – would be traumatic for the league and its future. Consequently, it seems that the MLS and MLSPA will, by bargaining collectively, continue to act like the other sports leagues. Commentators of all kinds should treat the MLS accordingly.

Given the seeming irrelevance of MLS' single-entity structure to its labor policy, the question is whether the league should change its structure to be like that of the Big Four.¹³⁰ In other words, dissolve Major League Soccer, LLC and instead have the clubs come together to operate MLS through a Constitution and Bylaws. Doing so would raise a variety of important legal considerations beyond the scope of this article, most notably in the areas of corporate and tax law. The result would likely be a decentralization

¹²⁷ *MLS & MLSPA Ratify New Collective Bargaining Agreement*, *supra* note 108.

¹²⁸ See Christopher Deubert et al., *All Four Quarters: A Retrospective and Analysis of the 2011 Collective Bargaining Process and Agreement in the National Football League*, 19 UCLA ENT. L. REV. 1, 4-5, 13 (2012) (discussing disclaimer of NFLPA and NBPA unions at different times); James T. McKeown, *2008 Antitrust Developments in Professional Sports: To the Single Entity and Beyond*, 19 MARQ. SPORTS L. REV. 363 (2009).

¹²⁹ See Deubert, *supra* note 128, at 8.

¹³⁰ Of note, in MLS' new minor league, MLS Next Pro, clubs do employ the players directly. Jeff Rueter, *MLS Next Pro to Have no Salary Cap, Other Key Differences From MLS Structure, Sources Say*, THE ATHLETIC (Jan. 14, 2022), <https://theathletic.com/3071305/01/14/mls-next-pro-to-have-no-salary-cap-other-key-differences-from-mls-structure-sources-say/> [<https://perma.cc/WE3L-ACZU>].

of power away from the MLS league office toward the clubs. For example, MLS owns all the clubs' intellectual property, such as the team names and logos,¹³¹ and consequently must approve any licensing thereof. While the NBA also owns its clubs' intellectual property, it is our understanding that the NBA is far less involved in how clubs use the intellectual property.

Nevertheless, breaking apart MLS as a legal entity seems unwise financially. The league office still requires capital calls from its member clubs to operate, a process that would likely become trickier if the clubs were no longer directly members of the league. Moreover, it seems likely that league executives would, by virtue of the single-entity structure, continue to be able to exercise some level of control or influence over the clubs' operations. In sum, devolving MLS would be a messy process without a clear upside. Consequently, do not expect it to happen any time soon.

B. RESTRAINTS ON NON-PLAYER PERSONNEL

The previous section explored antitrust issues among MLS, its clubs, and the players. There are also antitrust concerns as to non-players employed by the clubs, including but not limited to coaches, trainers, executives, and sales staff. This section addresses those issues.

To understand these issues, some additional background on antitrust law is required. Recall that Section 1 of the Sherman Act prohibits "unreasonable" restraints of trade.¹³² Certain practices – such as price fixing,¹³³ market division,¹³⁴ or group boycotts¹³⁵ – are considered so pernicious and without any procompetitive justification that they are *per se* illegal, to which there can be no defense. Nevertheless, as discussed above, courts have frequently noted the unique nature of sports and consequently avoid applying the *per se* analysis to practices of the sports industry which might be *per se* illegal in other industries.¹³⁶

Instead, to assess what is reasonable, courts considering Section 1 cases (sports and otherwise) generally apply the "rule of reason." This is a three-step, burden-shifting framework that provides as follows: (1) the plaintiff must first show that the challenged restraint

¹³¹ Simon Grossobel, *Major League Soccer: In Defiance of FIFA*, THE NAT'L L. REV. (Aug. 22, 2017), <https://www.natlawreview.com/article/major-league-soccer-defiance-fifa> [<https://perma.cc/E596-VTKC>].

¹³² See *Standard Oil Co. v. United States*, 221 U.S. 1, 87 (1911).

¹³³ See *United States v. Socony-Vacuum Oil Co.*, 310 U.S. 150, 218 (1940).

¹³⁴ See *Palmer v. BRG of Ga., Inc.*, 498 U.S. 46, 49-50 (1990).

¹³⁵ See *NYNEX Corp. v. Discon, Inc.*, 525 U.S. 128, 134-35 (1998).

¹³⁶ See *NCAA v. Alston*, 141 S.Ct. 2141, 2157 (2021).

has a substantial anticompetitive effect; (2) if the plaintiff carries that burden, the defendant must show a procompetitive rationale for the restraint; and, (3) if the defendant satisfies its burden, the plaintiff must show that the procompetitive benefits can be achieved through less restrictive means.¹³⁷

Importantly, since antitrust law is concerned with economic competitiveness, the challenged restraint and its procompetitive and anticompetitive traits must be analyzed within a relevant market.¹³⁸ As is hopefully obvious, labor markets, *i.e.*, the markets for employees, are subject to antitrust laws.¹³⁹ Finally, as mentioned above, antitrust law remains a powerful remedy because the Sherman Act calls for treble (triple) damages as well as attorney's fees.¹⁴⁰

We turn now to three practices of concern within MLS that may push the bounds of antitrust law.¹⁴¹

First, on an annual basis, MLS collects data from each club about the club's personnel, generally including the types of departments, the number of people in each department, the types and number of executives, and, most importantly, the compensation paid to employees.¹⁴²

Second, with the help of the data it collects, MLS assists clubs in negotiating with their employees as to compensation and position, *e.g.*, by telling the clubs the range of and average salaries for a given position or where a particular employee's salary ranks as compared to his peers at other clubs.

Third, MLS generally requests or requires that clubs interested in hiring an employee away from another club, contact that other club and advise it of the club's interest in the employee. Indeed, the MLS Constitution prohibits clubs from speaking to employees of

¹³⁷ *Id.* at 2160.

¹³⁸ *Id.* at 2151-52.

¹³⁹ *Id.* at 2154.

¹⁴⁰ 15 U.S.C. § 15(a).

¹⁴¹ Other sports leagues likely engage in the same or similar practices but that is beyond the scope of this article.

¹⁴² MLS Constitution (Jan. 1, 2017), at § 15, available as Exhibit B to Utah Soccer, LLC d/b/a Real Salt Lake's Motion to Compel Arbitration and Dismiss or, in the Alternative, Stay the Proceedings, *Petke v. Utah Soccer, LLC*, No. 190907265 (Utah Dist. Ct. Oct. 7, 2019) ("Each Team Operator is required to provide... [a] completed team and stadium financial information questionnaire at least once per year. The questionnaire requests, without limitation, information related to ticket revenue, local sponsorship and naming rights revenue, stadium revenue, *salary information* and other cost information.") (emphasis added).

other clubs about potential employment if the employee has a contract with the current club or is at the director level or above, unless the club first receives written permission from the employee's current club.¹⁴³

These practices likely have the effect of restraining the non-player labor market in MLS, potentially in violation of antitrust law. MLS' collection and dissemination of data about club personnel salaries likely suppresses the salaries of club personnel. Clubs should be competing for personnel by offering a better position or pay to entice an employee from one club to another. However, clubs can use the salary data from MLS both in making offers to new employees and in negotiating with their current employees. For example, if a club's athletic trainer requests a raise, the club may be able to learn from MLS that the athletic trainer is already the fifth highest paid athletic trainer, and that the trainer's salary is only \$15,000 less than the highest paid athletic trainer in the league. With that information in hand, the club can comfortably throttle any raise offers made to the athletic trainer and be less concerned about responding to the athletic trainer's demands since the club knows the boundaries of the market. Moreover, if another club wanted to hire that athletic trainer, the club will know how much the highest paid athletic trainer currently receives and cap its offer accordingly.

This is the type of information sharing that the Federal Trade Commission (FTC) and Department of Justice (DOJ), the federal agencies responsible for antitrust enforcement, warn against. Specifically, the FTC and DOJ have explained that when it comes to the "the sharing of competitively sensitive information – such as recent, current, and future prices, cost data, or output levels," the agencies are "concern[ed]" that doing so "may facilitate price or other competitive coordination among competitors" in violation of the antitrust laws.¹⁴⁴ Compensation amounts are prices in the labor market¹⁴⁵ – and the sharing among MLS clubs of salaries has the purpose and effect of facilitating price coordination among clubs which are competing for personnel, to the detriment of that personnel.

¹⁴³ *Id.* at § 7.

¹⁴⁴ DEP'T OF JUST. & FED. TRADE COMM'N, *ANTITRUST POLICY STATEMENT ON SHARING OF CYBERSECURITY INFORMATION 1*, 4-5 (Apr. 10, 2014), <https://www.ftc.gov/public-statements/2014/04/departement-justice-federal-trade-commission-antitrust-policy-statement>.

¹⁴⁵ See generally DEP'T OF JUST. ANTITRUST DIV. & FED. TRADE COMM'N, *ANTITRUST GUIDANCE FOR HUMAN RESOURCE PROFESSIONALS 1*, 2 (Oct. 2016), <https://www.justice.gov/atr/file/903511/download> (discussing various scenarios in which compensation might be illegally suppressed in a labor market).

Next, MLS' instructed practice of requiring clubs to speak with the other club before hiring away an employee, also potentially runs afoul of DOJ and FTC guidance. The agencies provide the following philosophical perspective:

Free and open markets are the foundation of a vibrant economy. Just as competition among sellers in an open marketplace gives consumers the benefits of lower prices, higher quality products and services, more choices, and greater innovation, competition among employers helps actual and potential employees through higher wages, better benefits, or other terms of employment. Consumers can also gain from competition among employers because a more competitive workforce may create more or better goods and services.

From an antitrust perspective, firms that compete to hire or retain employees are competitors in the employment marketplace, regardless of whether the firms make the same products or compete to provide the same services. It is unlawful for competitors to expressly or implicitly agree not to compete with one another, even if they are motivated by a desire to reduce costs.¹⁴⁶

More specifically, the agencies explain that “[a]n individual likely is breaking the antitrust laws if he or she: agrees with individual(s) at another company about employee salary or other terms of compensation, either at a specific level or within a range (so-called wage-fixing agreements), or agrees with individual(s) at another company to refuse to solicit or hire that other company’s employees (so-called ‘no poaching’ agreements).”¹⁴⁷ The DOJ and FTC have brought enforcement actions against prominent firms such as eBay and Intuit, Lucasfilm and Pixar, and Adobe, Apple, Google, Intel, Intuit, and Pixar for alleged no-poaching agreements.¹⁴⁸ And in 2021, Duke University agreed to pay \$19 million to settle allegations it had entered into a no-poach agreement

¹⁴⁶ *Id.*

¹⁴⁷ *Id.* at 3.

¹⁴⁸ *Id.* at 3-4.

with the University of North Carolina concerning faculty members.¹⁴⁹

While MLS' practice may not be an explicit "no poach" agreement, it substantially chills the labor market within MLS. Club personnel will be understandably reticent to seek out new employment with another MLS club if their current employer is going to find out – that is a surefire way for that employee to be viewed as disgruntled or expendable.

Notably, courts have found that the sharing of salary information among competitors in an industry, even in the absence of explicit no-poach agreements, can support a claim for violation of the antitrust laws.¹⁵⁰ Among the problematic practices identified in these cases are the collection of salary data via surveys and the discussions about appropriate salary ranges for certain positions.¹⁵¹ Additionally, these cases have narrowly interpreted the relevant market to be employment within the specific industry: "In the context of employment, 'the relevant market is one where employment positions are reasonably interchangeable with those offered by defendant[s].'"¹⁵² While MLS might contend that the entire sports industry should be considered the relevant market and that it has insufficient market power within that labor market, employees of MLS clubs could plausibly allege that their MLS-specific knowledge and skills constitute their own labor market.

Antitrust cases are notoriously complex and difficult to prove, often requiring extensive and contested economic analysis. MLS would surely have defenses to the issues raised herein, including the relevant market, whether there is actually any restraint agreed upon

¹⁴⁹ Natalie Schwartz, *Duke Pays \$19M to Settle Case Alleging No-Poach Agreement With UNC-Chapel Hill*, HIGHER ED DIVE (Oct. 26, 2021), <https://www.highereddive.com/news/duke-pays-19m-to-settle-case-alleging-no-poach-agreement-with-unc-chapel-h/608937/> [https://perma.cc/ZVY4-8953].

¹⁵⁰ *Todd v. Exxon Corp.*, 275 F.3d 191, 195-215 (2d Cir. 2001); *Jien v. Perdue Farms, Inc.*, No. 19-CV-2521, 2020 WL 5544183, at *1-15 (D. Md. Sept. 16, 2020); *In re Animation Workers Antitrust Litig.*, 123 F. Supp. 3d 1175, 1184-86, 1210-13 (N.D. Cal. 2015); *Clarke v. Baptist Mem'l Healthcare Corp.*, No. 06-2377, 2007 U.S. Dist. LEXIS 96710, at *15-40 (W.D. Tenn. May 17, 2007).

¹⁵¹ *See Todd*, *supra* note 150, at 196-97, 210-12; *Jien*, *supra* note 150, at *14-17; *In re Animation Workers Antitrust Litig.*, *supra* note 150, at 1184-86; *Clarke*, *supra* note 150, at *6.

¹⁵² *Jien*, *supra* note 150, at *11 (quoting *Nat'l Hockey League Players Ass'n v. Plymouth Whalers Hockey Club*, 419 F.3d 462, 472 (6th Cir. 2005)).

by the clubs, whether the clubs' conduct is merely "parallel,"¹⁵³ and that the clubs' sharing of data is reasonably necessary for the operation of the MLS joint venture. Nevertheless, there appears to be a prima facie case of concerning conduct which unnecessarily and unfairly restricts the pay and movement of non-player personnel within MLS.

MLS should put a halt to these practices if it wishes to continue its upward trajectory. Currently, MLS club salaries are believed to be lower than those with Big Four clubs and many of their employees are short on experience. As with its players, if MLS and its clubs want to achieve success, they need to compete in the labor market and attract top talent by offering attractive salaries and positions.

C. ADDITIONAL LEGAL PROBLEMS AS A RESULT OF THE SINGLE-ENTITY STRUCTURE

Above, we discussed the motivation behind MLS' single-entity structure. While we cast serious doubt on the single-entity defense in antitrust lawsuits, if MLS was successful in asserting the defense, it would provide considerable benefits. Nevertheless, things are rarely so simple, and the single-entity structure creates legal complications that other sports leagues do not have to face. Specifically, the single-entity structure (i) makes it nearly impossible for MLS to sue in federal court based on diversity jurisdiction, and (ii) makes it challenging for clubs to assert the workers' compensation defense in lawsuits brought by players.

1. *MLS CANNOT SUE BASED ON DIVERSITY JURISDICTION*

MLS' single-entity structure was designed to try and help it avoid scrutiny under the antitrust laws. Nevertheless, the single-entity structure creates a legal wrinkle that was likely not considered – the league's structure effectively bars it from suing in federal court based on diversity jurisdiction.

MLS is a limited liability company whose members are the 28 legal entities operating the professional soccer clubs competing in the league.¹⁵⁴ Some of the clubs are themselves limited liability

¹⁵³ See, e.g., *Kelsey K. v. NFL Enters., LLC*, 254 F. Supp. 3d 1140 (N.D. Cal. 2017).

¹⁵⁴ See Complaint at ¶ 14, *MLS, L.L.C. v. Pearson*, No. 21-cv-13940 (D.N.J. July 21, 2021), ECF No. 1 (identifying NYRB as the "entity that operates the New York Red Bulls soccer club"); *Nowak v. MLS, LLC*, No. 14-cv-3503, 2015 U.S. Dist. LEXIS 184338, at *2 (E.D. Pa. July 20, 2015)

companies (each, a “Club LLC”).¹⁵⁵ Each Club LLC, by the nature of limited liability companies, has its own members, which may either be additional legal entities or individuals.¹⁵⁶

With MLS’ corporate structure established, let us turn to diversity jurisdiction. Federal courts have jurisdiction in two instances: (a) where the action arises “under the Constitution, laws, or treaties of the United States,” known as federal question jurisdiction;¹⁵⁷ and, (b) “where the matter in controversy exceeds the sum or value of \$75,000, exclusive of interest and costs, and is between” (1) citizens of different States; (2) citizens of a State and citizens or subjects of a foreign state...; (3) citizens of different States and in which citizens or subjects of a foreign state are additional parties; and (4) a foreign state... as plaintiff and citizens of a State or of different States,” known as diversity jurisdiction.¹⁵⁸ Diversity jurisdiction thus enables parties to sue out-of-state parties in federal courts for state law causes of action, such as breach of contract, tortious interference, fraud, defamation, and so forth.

Nevertheless, an essential step in establishing diversity jurisdiction is determining the citizenship of the parties. For this article, we are concerned with determining the citizenship of an LLC like MLS. “The citizenship of an LLC is determined by the citizenship of its members.”¹⁵⁹ Its place of formation or business operations is “legally irrelevant.”¹⁶⁰ Moreover, “because a member of a limited liability company may itself have multiple members—

(“Each team within the MLS is owned by MLS but is operated by an owner-operator that is a member of MLS. Pennsylvania Professional Soccer, LLC, (‘PPS’) is the owner-operator that operates the Philadelphia Union MLS team, and is a member of MLS.”); *see also* Memorandum of Points and Authorities in Support of Defendants Olsen, D.C. Soccer LLC and Major League Soccer, LLC’s Motion to Dismiss, *Horton v. Espindola*, No. 17-cv-1230, 2017 U.S. Dist. Ct. Motions LEXIS 139609 at *8 (D.D.C. Sept. 7, 2017) (“MLS is owned by the operators of each of the teams that participate in the League.”)

¹⁵⁵ *Namoff v. D.C. Soccer, LLC*, 2012-CA-7050, 2014 WL 3254596, at *2 (D.C. Super. Ct. May 8, 2014) (describing that DC Soccer, LLC is the operator of the MLS club “D.C. United”).

¹⁵⁶ *See, e.g.,* Plaintiffs’ Supplemental Statement of Jurisdiction, *DC Soccer, LLC v. CapX Office Solutions, LLC*, No. 19-cv-03163 (D.D.C. Dec. 11, 2019) (describing the membership structure of DC Soccer, LLC, including identifying the residences of the ultimate individual members for purposes of establishing diversity jurisdiction).

¹⁵⁷ 28 U.S.C. § 1331.

¹⁵⁸ 28 U.S.C. § 1332(a).

¹⁵⁹ *Lincoln Benefit Life Co. v. AEI Life, LLC*, 800 F.3d 99, 105 (3d Cir. 2015) (quotations omitted).

¹⁶⁰ *Id.*

and thus may have multiple citizenships—the federal court needs to know the citizenship of each ‘sub-member’ as well.”¹⁶¹

At least 21 MLS clubs are limited liability companies.¹⁶² If each of those Club LLCs has ten individual members (a conservative estimate in the world of sports franchise ownership¹⁶³), about 210 individuals would have a membership interest in MLS. Since MLS is a citizen of each state where any of those individuals reside, it would have to allege the citizenship of each of those individuals to sue in federal court based on diversity jurisdiction.

With so many individuals with an interest in MLS across the country, for diversity purposes, MLS is likely a citizen of almost every state in the United States. At a minimum, there is almost certainly a citizen of every state in which there is an MLS club and in which MLS regularly does business. Even if MLS wanted to allege diversity jurisdiction, the process of ascertaining and alleging the citizenship of each club’s sub-members would be incredibly

¹⁶¹ V&M Star, LP v. Centimark Corp., 596 F.3d 354, 356 (6th Cir. 2010) (internal quotation omitted); *see also* Jakks Pac., Inc. v. Accasvek, LLC, 270 F. Supp. 3d 191, 195 (D.D.C. 2017) (citing Bayerische Landesbank v. Aladdin Cap. Mgmt., LLC, 692 F.3d 42, 49 (2d Cir. 2012) (“The citizenship of the members of an LLC is traced all the way through—that is, when a member of an LLC is itself an LLC, the citizenship of the members of that LLC are relevant for diversity purposes, and so on.”)).

¹⁶² The American entities are: LAFC Sports, LLC; Earthquakes Soccer, LLC; DC Soccer, LLC; Orland City Soccer Holdings LLC; Inter Miami CF, LLC; Atlanta United Football Club, LLC; Chicago Fire Soccer, LLC; Kraft Soccer, LLC (New England Revolution); Minnesota United Soccer Club, LLC; OnGoal, LLC (Sporting KC); New York City Football Club, LLC; Columbus Soccer Club LLC; FC Cincinnati Holdings, LLC; Peregrine Sports LLC (Portland Timbers); Keystone Sports and Entertainment LLC (Philadelphia Union); Nashville Soccer Club LLC; Dynamo Soccer, LLC; FC Dallas Soccer, LLC; Austin TeamCo, LLC; Utah Soccer, LLC; and, Seattle Soccer, LLC. This information can be confirmed by (1) reviewing the signatories to the Fifth Amended and Restated Limited Liability Company Agreement of Major League Soccer, L.L.C. (Jan. 3, 2012), found at *Nowak v. Major League Soccer, LLC*, 14-cv-3503, Dkt. 23 (E.D. Pa. Apr. 23, 2015), and (2) searching for the respective entities in the relevant states’ corporate databases.

¹⁶³ Brendan Coffey, *Move Over, Billionaires; The Really Big Money Wants in on Sports*, SPORTICO (July 27, 2020, 2:45 AM), <https://www.sportico.com/business/finance/2020/sports-team-ownership-billionaires-investment-funds-private-equity-1234609947/> (it is more common to have ownership divided into multiple limited partnership stakes rather than majority ownership).

complicated, if even possible. Consequently, MLS' ability to sue in federal court based on diversity jurisdiction is significantly limited.

2. *CLUBS CANNOT EASILY INVOKE THE WORKERS' COMPENSATION DEFENSE*

Above, we discussed that because of the single-entity structure, players execute contracts with MLS rather than the clubs for which they play. Therefore the league – and not the clubs – is the players' employer. The league pays the players, provides them health insurance and other benefits, and is otherwise the party principally responsible for complying with employment laws vis-à-vis the players. As discussed below, this arrangement presents complications in the event an MLS player sues his club.

What matters to clubs in this arrangement is the issue of workers' compensation. "Workers' compensation laws provide protections and benefits for employees who are injured in the course of their employment... [Typically], the workers' compensation regime grants tort immunity to employers in exchange for...protections and benefits to the employee."¹⁶⁴ In other words, "[t]he trade-off for workers' compensation benefits from an employee's perspective is that the laws generally bar any civil lawsuit against the employer or other employees."¹⁶⁵

However, for an employer to take advantage of this bar, they must be the employer of the employee. This can present complications for single-entity leagues like MLS. To try and take advantage of the workers' compensation defense in lawsuits brought by players, clubs must establish that they, with the league, are joint employers of the player.

The MLS club D.C. United (for which one of the authors of this article (Deubert) used to be General Counsel) has instructive history with this issue. In 2012, a former player, Bryan Namoff, sued the team, its coach, doctor, and athletic trainer. Namoff alleged that the medical staff had failed to properly treat his concussion, resulting in a variety of physical and mental conditions.¹⁶⁶ The court denied D.C. United's motion to dismiss the case based on the District of Columbia's workers' compensation statute, "finding that D.C. United did not provide Namoff with workers' compensation

¹⁶⁴ Gabe Feldman, *Closing the Floodgates: The Battle Over Workers' Compensation Rights in California*, 8 FIU L. REV. 107, 109 (2012).

¹⁶⁵ See Christopher R. Deubert et al., *Protecting and Promoting the Health of NFL Players: Legal and Ethical Analysis and Recommendations*, 7 HARV. J. SPORTS & ENT. L. (SPECIAL ISSUE) 1, 214 (2016).

¹⁶⁶ See Complaint at 1-10, *Namoff v. D.C. Soccer LLC*, No. 2012-CA-7050 (D.C. Super. Ct. Aug. 29, 2012).

insurance coverage and therefore did not gain the protection of the” law.¹⁶⁷ D.C. United was therefore forced to defend the case through discovery. The court ultimately granted summary judgment in favor of D.C. United, its coach, and its athletic trainer, finding that Namoff’s claims were barred by workers’ compensation laws.¹⁶⁸ After reviewing the record, the court found that MLS and D.C. United were “concurrent employers” of Namoff.¹⁶⁹ The court determined that “D.C. United controlled the day-to-day operations of Namoff’s performance”¹⁷⁰ and contributed to the MLS workers’ compensation insurance coverage through its capital contributions to the league.¹⁷¹

Despite the eventual success in the *Namoff* case, D.C. United continued to face difficulties on this issue. In 2017, a former player again sued D.C. United, alleging, among other things, that the team had failed to properly handle his concussion.¹⁷² D.C. United sought to have the claims dismissed, citing the workers’ compensation statute and *Namoff* decision.¹⁷³ The court declined to do so before discovery on the joint employment issue could be conducted.¹⁷⁴ After settlement conferences were held, the case was voluntarily dismissed.¹⁷⁵ Nevertheless, once again D.C. United was forced to go through the costly and intrusive discovery process.

This issue merits a final clarification. Many lawsuits brought by players against clubs are preempted by the existence of a CBA or must be arbitrated pursuant to the CBA’s grievance procedures. Indeed, the Labor Management Relations Act¹⁷⁶ often bars or “preempts” state common law claims, such as negligence.¹⁷⁷

¹⁶⁷ *Namoff v. D.C. Soccer, LLC*, No. 2012-CA-7050, 2014 WL 3254596, at *1 (D.C. Super. Ct. May 8, 2014).

¹⁶⁸ *Id.*

¹⁶⁹ *Id.* at *4.

¹⁷⁰ *Id.*

¹⁷¹ *Id.* at *5.

¹⁷² *See Horton v. Espindola*, 319 F. Supp. 3d 395, 398 (D.D.C. 2018).

¹⁷³ *Id.* at 405-06.

¹⁷⁴ *Id.* at 398.

¹⁷⁵ *See Stipulation of Dismissal by Charles A. Horton, Horton v. Espindola*, No. 17-cv-1230 (D.D.C. Dec. 20, 2019), ECF No. 47.

¹⁷⁶ 29 U.S.C. § 185.

¹⁷⁷ *See, e.g., Givens v. Tenn. Football, Inc.*, 684 F. Supp. 2d 985 (*M.D. Tenn.* 2010) (claims against Club preempted); *Jeffers v. D’Alessandro*, 199 N.C. App. 86 (N.C. App. 2009) (claims against Club preempted); *Williams v. Nat’l Football League*, 582 F.3d 863 (8th Cir. 2009) (players’ tort claims arising out of drug test preempted); *Sherwin v. Indianapolis Colts, Inc.*,

However, the bar only exists where the claim is “substantially dependent upon analysis of the terms” of a CBA, that is, where the claim is “inextricably intertwined with consideration of the terms of the” CBA.”¹⁷⁸ Not all claims meet this standard.¹⁷⁹ Consequently, clubs need to be prepared – and appropriately insured if possible – to fight claims by players. However, a successful defense is likely to require discovery.

III. MLS IN COMPETITION WITH THE USL

MLS and USL officials have claimed that the leagues are not in competition with each other.¹⁸⁰ Both leagues seem convinced of the upward trajectory of soccer in the United States and an apparently boundless population of new soccer fans. But is that true? This claim is particularly skeptical considering that, beginning in 2022, MLS clubs are pulling their affiliates out of the USL and starting a separate league, MLS NEXT Pro. This Part explores the evolving nature of the relationship between MLS and the USL.

First, soccer in the United States is not organized like the Big Four. In 1978, Congress passed the Amateur Sports Act,¹⁸¹ which granted what is today known as the United States Olympic and Paralympic Committee (“USOPC”) the authority to govern all Olympic-related athletic activity in the United States. The statute authorized the USOPC to certify a national governing body (“NGB”) for each sport.¹⁸² The USOPC has certified the United States Soccer Federation (“USSF”) as the NGB for soccer in the

752 F. Supp. 1172 (N.D.N.Y. 1990) (claims against club preempted; claims against doctors dismissed on jurisdictional grounds); *see also* Brocaill v. Detroit Tigers, Inc., 268 S.W.3d 90 (Tex. App. 2008) (MLB player’s claim that club failed to provide a proper second opinion preempted).

¹⁷⁸ *Allis-Chambers Corp. v. Lueck*, 471 U.S. 202, 213, 220 (1985); *see also* *In re NFL Players Concussion Injury Litig.*, 821 F.3d 410, 422 (3d Cir. 2016); *Turner v. NFL (In re NFL Players’ Concussion Injury Litig.)*, 307 F.R.D. 351, 388, 362, 390-92 (E.D. Pa. 2015).

¹⁷⁹ *See* *Green v. Ariz. Cardinals Football Club LLC*, 21 F. Supp. 3d 1020 (E.D. Mo. 2014); (certain claims brought by former players were not preempted); *Stringer v. NFL*, 474 F. Supp. 2d 894, 912 (S.D. Ohio 2007); Deubert, *supra* note 165, at 218-19 (summarizing other cases).

¹⁸⁰ *See* Kyle Bonagura, *Major League Soccer to Launch Development League in 2022*, ESPN (Jun. 21, 2021), <https://www.espn.com/soccer/major-league-soccer/story/4415507/major-league-soccer-to-launch-development-league-in-2022> [<https://perma.cc/2NX7-2TC3>].

¹⁸¹ 36 U.S.C. § 220501.

¹⁸² 36 U.S.C. § 220521.

United States.¹⁸³ While NGBs for football, baseball, basketball, and hockey exist in the United States, the professional leagues preceded those organizations and do not derive their standing from those NGBs.

In contrast, MLS and USL are formed pursuant to and governed by USSF Bylaws and Policies. Importantly, USSF Policies dictate that there shall be three levels of men's professional soccer ("Divisions I, II, and III").¹⁸⁴ The Divisions are separated by different standards for cities of play, stadium sizes, financial viability, television broadcasts and so forth.¹⁸⁵ For example, a Division I league (such as MLS), requires at least fourteen teams and stadiums that hold at least 15,000 fans.¹⁸⁶ Division II stadiums are only required to hold 5,000 people.¹⁸⁷

While MLS is the only league ever certified as Division I,¹⁸⁸ there has been a rotating cast of Division II and III leagues.¹⁸⁹ Today, the USL Championship ("USLC") is the sole Division II league and USL League 1 ("USL1") and the National Independent Soccer Association ("NISA") are the two Division III leagues.¹⁹⁰

Importantly, the current structure is the subject of ongoing litigation. The North American Soccer League ("NASL"), a Division II league from 2011 through 2017, has an ongoing lawsuit against USSF, MLS, and the USL, alleging that the three parties violated antitrust law by illegally conspiring to divide up the American soccer market.¹⁹¹ The NASL folded after it failed to

¹⁸³ *U.S. Soccer Reaching New Heights*, U.S. SOCCER, <https://www.ussoccer.com/about> (last visited June 1, 2022).

¹⁸⁴ UNITED STATES SOCCER FEDERATION, INC., 2022-23 POLICY MANUAL § 201(a) (2022), <https://www.ussoccer.com/governance/bylaws>.

¹⁸⁵ *See* UNITED STATES SOCCER FEDERATION PROFESSIONAL LEAGUE STANDARDS 1 (2014) <https://www.ussoccer.com/organization-members/pro-league-standards>.

¹⁸⁶ *Id.* at 4.

¹⁸⁷ *Id.* at 7.

¹⁸⁸ Ben Miller, *Attempting to Make Sense of the Various U.S. Soccer Leagues*, THE MANE LAND (Oct. 27, 2017, 1:00 PM), <https://www.themaneland.com/2017/10/27/16552550/attempting-to-make-sense-of-the-various-us-soccer-leagues>.

¹⁸⁹ *Id.*

¹⁹⁰ *Id.*

¹⁹¹ George Dudley, *NASL Takes US Soccer Federation to Court*, SPORTSPRO (Sept. 21, 2017), <https://www.sportspromedia.com/categories/decision-makers/politics-and-governance/nasl-takes-us-soccer-federation-to-court/>.

obtain a preliminary injunction,¹⁹² but the suit is ongoing.¹⁹³ The NASL's departure paved the way for the USLC to move from Division III to Division II and for the creation of USL1.

The American soccer market appeared to be stabilizing with the NASL out of the picture. In 2015, MLS folded its own Division III Reserve League and reached an agreement with the USL to coordinate on player development.¹⁹⁴ In the 2021 season, USLC had 32 clubs, 10 of which were owned, controlled, or otherwise affiliated with MLS clubs.¹⁹⁵ USL1 had 12 clubs, four of which were affiliated with MLS clubs.¹⁹⁶ Consequently, American soccer seemed to be morphing into a major and minor league structure similar to that which exists in baseball, hockey, and basketball.¹⁹⁷ Indeed, like minor league baseball, the USL has had success building smallish stadiums in small and mid-size cities as part of economic development plans.¹⁹⁸

¹⁹² See *N. Am. Soccer League, LLC v. USSF, Inc.*, 883 F.3d 32, 45 (2d Cir. 2018).

¹⁹³ Summary judgment motions are pending. See Defendant Major League Soccer, L.L.C.'s Motion for Summary Judgment Dismissing the Amended Complaint, *N. Am. Soccer League, LLC v. USSF, Inc.*, No. 17-cv-5495 (E.D.N.Y. Apr. 13, 2021).

¹⁹⁴ Liviu Bird, *As USL Grows, Partnership with MLS Seeks to Ramp Up Youth Development*, SPORTS ILLUSTRATED (May 26, 2015), <https://www.si.com/soccer/2015/05/26/mls-usl-partnership-player-development>.

¹⁹⁵ See *2021 Clubs / USL Championship*, USL, <https://www.uslchampionship.com/league-teams>, (Dec. 14, 2021) [<https://perma.cc/4HYN-66XH>].

¹⁹⁶ See *2021 Clubs / USL League One*, USL1, <https://www.uslleagueone.com/league-teams>, (Dec. 14, 2021) [<https://perma.cc/X7YN-BS4W>].

¹⁹⁷ See, e.g., MINOR LEAGUE BASEBALL, <https://www.milb.com/> (last visited Sept. 30, 2022); ECHL, <https://www.echl.com/en> (last visited Sept. 30, 2022); AM. HOCKEY LEAGUE (AHL), <https://theahl.com/> (last visited Sept. 30, 2022); NBA G LEAGUE, <https://gleague.nba.com/> (last visited Sept. 30, 2022).

¹⁹⁸ Deidre Woollard, *Episode #69: The Impact of Sport on Real Estate with Justin Papadakis*, THE MILLIONACRES PODCAST (Dec. 14, 2021), [https://www.audible.com/pd/Episode-69-The-Impact-of-Sport-on-Real-Estate-with-Justin-Papadakis-Podcast/B09NLYPC1F?action_code=ASSGB149080119000H&share_location=pdp&shareTest=TestShare](https://www.audible.com/pd/Episode-69-The-Impact-of-Sport-on-Real-Estate-with-Justin-Papadakis-Podcast/B09NLYPC1F?action_code=ASSGB149080119000H&share_location=pdp&shareTest=TestShare;); Michael LoRé, *USL Expansion Centered On Stadium-Anchored Entertainment Districts*, FORBES (Mar. 3, 2020, 8:00 AM), <https://www.forbes.com/sites/michaellore/2020/03/03/usl-expansion-centered-around-stadium-anchored-entertainment-districts/?sh=2e019eea41b5> [<https://perma.cc/B4PU-ZVRE>].

It is important to explain MLS clubs' involvement in the USL. The MLS LLC agreement contains a covenant not to compete. The covenant provides that, where each MLS club agrees, among other things, not to "anywhere in North America, carry on, own, manage, join, operate or control, or participate in the ownership, management, operation or control of, or be connected as a director, officer, employee, partner, member, consultant or otherwise with, or permit its name to be used by or in connection with, any soccer-related business which, directly or indirectly, competes with or is otherwise similar to the business of [MLS]." ¹⁹⁹ Therefore, MLS must approve – and historically has approved – each MLS club's involvement in the USL. This provision could potentially be subject to antitrust attack, as rules prohibiting sports team owners from owning teams in other sports leagues have previously been struck down. ²⁰⁰ Nevertheless, the rule stands.

If it appears that American soccer has found a previously unattainable homeostasis, why is that being disturbed once again? The MLS and USL development partnership ended at some uncertain recent date, potentially as a result of the NASL litigation. But, in 2022 MLS announced it was going to operate its own Division III league, ²⁰¹ named MLS NEXT Pro. To populate the league, the clubs previously playing in either the USLC or USL1 and which were owned by or affiliated with an MLS club, will be leaving the USL immediately or in the near future. ²⁰²

The USL insists that it does not perceive the new MLS league as a problem. Soccer commentators are not so sure. ²⁰³ Indeed, at

¹⁹⁹ See Defendant Major League Soccer, LLC's Motion to Dismiss, Exhibit 1 at 48, *Nowak v. MLS, LLC*, No. 14-cv-3503 (E.D. Pa. Apr. 20, 2015).

²⁰⁰ *N. Am. Soccer League v. NFL*, 670 F.2d 1249 (2d Cir. 1982).

²⁰¹ Bonagura, *supra* note 180; Jeff Rueter, *MLS Next Pro: 'We're Going to Use This New League as a Way to Test Concepts'*, THE ATHLETIC (Dec. 6, 2021), <https://theathletic.com/3001530/2021/12/06/mls-next-pro-were-going-to-use-this-new-league-as-a-way-to-test-concepts/> [<https://perma.cc/U2CN-QF6D>].

²⁰² Jeff Rueter, *MLS to Launch Reserves League Beginning Play in 2021*, *Sources Say*, THE ATHLETIC (Oct. 13, 2020), <https://theathletic.com/2136000/2020/10/13/mls-reserves-league-usl/> [<https://perma.cc/4BT5-GZAG>].

²⁰³ Derek Reese, *MLS vs USL and The Next Great Soccer War*, WORLD SOCCER TALK (July 19, 2022), <https://worldsoccertalk.com/2022/07/19/mls-vs-usl-soccer-war/>; John Morrissey, *Is There Conflict Brewing Between the USL and MLS Next Pro?*, BACKHEELED (Aug. 9, 2022), <https://www.backheeled.com/is-there-conflict-brewing-between-the-usl-and-mls-next-pro/>.

least two major issues exist. First, the sudden departure of clubs from USL1 threatens the league's licensing. The USSF's standards require Division III leagues to have at least eight teams.²⁰⁴ Consequently, USL must – and is on track to – replace the departing MLS-affiliated clubs to maintain its sanctioned status. Indeed, for 2022, USL1 had 11 clubs.²⁰⁵ While this problem may be solved for now, Division III soccer clubs are not a stable (or profitable) business enterprise and there is sure to be turnover among the clubs in future years.

Second, the USL and its clubs have now lost a significant part of their marketing cache by losing affiliation with MLS clubs. Part of the draw of seeing any athlete is knowing that they are in the pipeline to one day reach the major leagues.²⁰⁶ And USL clubs undoubtedly sought to market their players as the future of MLS. This is largely no longer going to be the case. Young players will no longer use the USL as a stepping-stone to MLS – instead, they will jump from their MLS Division III club to MLS.

As a result, the USL begins to resemble independent minor league baseball. Minor League Baseball (“MiLB”) is a network of more than 100 teams competing at various levels of baseball below MLB.²⁰⁷ Most of these clubs are owned, controlled, or otherwise affiliated with MLB clubs.²⁰⁸ The MLB clubs provide economic support and marketing cache for the clubs to remain viable, while the minor league clubs work to develop the MLB club's next generation of players²⁰⁹ (the relationship between MLB and MiLB has been fraught in recent years but those issues are beyond this article²¹⁰). When affiliation agreements expire, the MiLB clubs

²⁰⁴ U.S. SOCCER FEDERATION PROFESSIONAL LEAGUE STANDARDS, *supra* note 185, at 37.

²⁰⁵ 2022 *League Clubs* / *USL League One*, USL1, <https://www.usleagueone.com/league-teams> (last visited June 6, 2022).

²⁰⁶ See Complaint at 11-13, *Nostalgic Partners, LLC v. The Office of Comm’r of Baseball*, No. 1:21-cv-10876 (S.D.N.Y. Dec. 20, 2021) (discussing benefits of minor league – major league partnership).

²⁰⁷ Jonathan Mayo, *Minors Return With New Look, Structure*, MLB (May 2, 2021), <https://www.mlb.com/news/new-minor-league-baseball-structure>.

²⁰⁸ *Id.*

²⁰⁹ Jeff Passan, *Major League Baseball to Require Teams to Provide Housing for Minor League Players Starting in 2022*, ESPN (Oct. 17, 2021), https://www.espn.com/mlb/story/_/id/32419545/major-league-baseball-require-teams-provide-housing-minor-league-players-starting-2022-sources-say.

²¹⁰ See Ehrlich, *supra* note 82, at 1172-75 (discussing recent litigation between MLB and MiLB).

scramble to find a new MLB partner.²¹¹ Failure to do so can be catastrophic to the club.²¹² Nevertheless some MiLB leagues – independent leagues such as the United Shore Professional Baseball League, Empire Professional Baseball League, Pacific Association, and Pecos League – have generally operated without an affiliation with MLB clubs.²¹³ Not surprisingly, they have historically been far less stable, as both the leagues and their clubs come and go from time to time.²¹⁴

Is that the future of the USL? There is an important fact cutting against the idea that there is enough soccer interest to go around for both MLS and the USL. Neither is profitable. MLS' financial situation is suspect in various ways, and it is likely that the minor league USL is doing worse.²¹⁵ Competition has proven fatal to numerous American soccer leagues and clubs in the past. The new MLS Division III league appears to be a body blow to USL. Time will tell whether it is a knockout.

IV. THE IMPOSSIBILITY OF PROMOTION AND RELEGATION

A frequent topic of discussion among soccer fans is the absence of a promotion and relegation system in American soccer like that which exists in European leagues. This section explains why such a system is not realistically possible in America.

²¹¹ J.J. Cooper, *'The Wild West:' MiLB Teams on Chopping Block Scramble to Find MLB Partner*, BASEBALL AM. (May 20, 2020), <https://www.baseballamerica.com/stories/the-wild-west-milb-teams-on-chopping-block-scramble-to-find-mlb-partner/>.

²¹² *Id.*

²¹³ See *Independent Professional Baseball Teams and Leagues*, INDEPENDENTBASEBALL.NET, <https://www.independentbaseball.net/teams> (Feb. 13, 2022).

²¹⁴ Andrew Beaton, *How Independent Baseball Teams Make Money. Or Don't.*, WALL ST. J., <https://www.wsj.com/articles/how-independent-baseball-teams-make-money-or-dont-1440381696> (Aug. 24, 2015, 12:01 AM).

²¹⁵ Tim Sullivan, *The Pandemic Isn't the Only Reason for the Constant Churn Facing the USL*, LOUISVILLE COURIER J. (Nov. 15, 2020, 8:46 AM), <https://www.courier-journal.com/story/sports/2020/11/15/usl-soccer-leagues-rapid-growth-includes-casualties/6277525002/>; see also USL CHAMPIONSHIP - COLLECTIVE BARGAINING AGREEMENT, § 8(K) (Oct. 25, 2021) https://uslplayers.org/static/2021_USL_Collective_Bargaining_Agreement-5f2880735ea72eac9bdfcf7ce89b125c.pdf (providing players with the right to terminate their contract in the event the club defaults in paying their salary); *Id.* § 8(M) (discussing what is to be done to player contracts “in the event that a Club ceases to field a team in the League[.]”).

Promotion and relegation is a system whereby the worst clubs from a higher league are demoted (relegated) to a lower league and the best clubs from the lower league are promoted to the higher league.²¹⁶ The best example is that of the English soccer leagues. At the conclusion of each season, three clubs are relegated out of the English Premier League (“EPL”) (generally the best professional soccer league in the world) and replaced by three teams from the English Football League (“EFL”) Championship, the league immediately below the EPL.²¹⁷ To make it more exciting, the top two teams in the EFL Championship automatically get promoted while the next four teams compete in a playoff for the third promotion spot.²¹⁸ It would be like if at the end of each season, the worst MLB teams went to AAA and the best AAA teams joined MLB.

Theoretically, promotion and relegation in American soccer would take place between the USL and MLS. Indeed, three MLS clubs (FC Cincinnati, Nashville SC, and Orlando City SC) first played in the USL²¹⁹ and one club (Minnesota United FC) formerly played in the NASL.²²⁰ Moreover, promotion and relegation is popular among fans, as it gives small club underdogs the chance to play at the highest level; it rewards success and punishes failure; and, it discourages tanking and gives clubs at the bottom of the standings something to play for through the end of the season. Nevertheless, a promotion and relegation system is not well-suited for American soccer.

Promotion and relegation is ill-advised and problematic in the United States for the following reasons: (1) it is transactionally complex, if even possible; (2) it would destroy investment in MLS clubs and stadiums; (3) it would threaten the financial stability of MLS clubs; and, (4) it presents labor and antitrust law concerns.

First, it is important to remember that MLS and USL are separate corporate entities. As discussed above, MLS clubs are

²¹⁶ Thomas Conerty, *Promotion and Relegation as a Solution to Major League Soccer’s Anticompetitive Closed Model*, 27 SPORTS LAW. J. 39, 40 (2020).

²¹⁷ *Soccer Relegation and Promotion (Full Explanation)*, SOCCER COACHING PRO (Aug. 30, 2021), <https://www.soccercoachingpro.com/relegation-soccer/>.

²¹⁸ *Id.*

²¹⁹ John Jay Lee, *Are the USL and MLS Headed Towards an Ugly Divorce?*, URBAN PITCH (Dec. 25, 2021), <https://urbanpitch.com/are-the-mls-and-usl-headed-towards-an-ugly-divorce/>.

²²⁰ Adam Uren, *Minnesota United Says Goodbye to Blaine and the NASL*, BRING ME THE NEWS, <https://bringmethenews.com/news/minnesota-united-says-goodbye-to-blaine-and-the-nasl> (Mar. 8, 2018).

members of Major League Soccer, LLC. In contrast, USL clubs sign franchise agreements with United Soccer Leagues, LLC. USL clubs cannot simply enter MLS and vice versa. The MLS, USL, and their clubs would need to work out the terms and conditions of promotion and relegation through a complex series of agreements. This is possible, as the Premier League and EFL Championship are separately owned and operated by their member clubs.²²¹ Nevertheless, the feasibility of such a structure would require access to and complicated analysis of various MLS and USL corporate and governing documents, which is beyond the capability of this article.

Next, promotion and relegation would significantly curtail investment in MLS clubs and stadiums. In the last decade, MLS clubs have built ten soccer-specific stadiums, making 21 total in the league.²²² Each of those projects cost hundreds of millions of dollars.²²³ As discussed above in Part I, clubs borrow considerable sums from major financial to construct these stadiums. Those banks lend money based on the credit worthiness of the borrower, that is, the ability of the borrower to pay the bank back. To obtain those loans, clubs would have provided the banks with financial statements and projections. Those projections count on a significant increase in revenue with a new stadium. Banks assess those projections and then determine how much to lend, sometimes requiring clubs to use sports industry consultants or agencies to help the clubs maximize their revenue.

Promotion and relegation would introduce a level of uncertainty into these calculations that would make it nearly impossible for banks to lend to clubs. If an MLS club played poorly and was relegated to the USL, its attendance could go from 17,000 per game to 5,000 or less. This would be catastrophic to the club's revenues,

²²¹ See *About the Premier League*, PREMIER LEAGUE, <https://www.premierleague.com/about> (last visited June 6, 2022) ("The Premier League is a private company wholly owned by its 20 Member Clubs who make up the League at any one time."); *About the EFL*, EFL, <https://www.efl.com/-more/all-about-the-efl/> (last visited June 6, 2022) (discussing the EFL as being owned and operated by its member clubs).

²²² *Stadiums Built or Renovated for MLS Teams*, MLS (Nov. 22, 2021, 8:21 AM), <https://www.mlssoccer.com/news/stadiums-built-or-renovated-for-mls-teams>.

²²³ See, e.g., Keith Schneider, *As Major League Soccer Expands, Teams Are Getting New Homes*, N.Y. TIMES (June 30, 2020), <https://www.nytimes.com/2020/06/30/business/major-league-soccer-stadiums.html>; Zachary Phillips, *7 Pro Soccer Stadiums Underway Across the US*, CONSTR. DIVE (July 13, 2020), <https://www.constructiondive.com/news/7-pro-soccer-stadiums-underway-across-the-us/581381/>.

which, as discussed in Part I, relies principally on ticket sales. Clubs would likely respond (as they did during the COVID-19 pandemic²²⁴) by cutting their staffs and curtailing investment.

Additionally, it is questionable whether the clubs would be able to repay the banks. Therefore, the banks would be less likely to lend and would have to factor those risks into their pricing, likely increasing the rate to be charged to the clubs – if the banks were still willing to lend at all. The result would likely be no new MLS stadiums, detracting from the fan experience and MLS’ overall growth potential.

English soccer fans might respond by pointing out that clubs demoted from EPL to the EFL Championship receive “parachute payments,” a portion of the EPL’s television broadcast fees to help soften the financial blow.²²⁵ The goal of these payments is to ensure these clubs can mitigate the financial losses from not being at the top flight, especially as they continue to pay players at Premier League wages. As a result, These relegated clubs continue to receive a share of the top division revenues for a few years after their relegation.²²⁶ Under this system, relegated clubs receive 55% of the equal share of broadcast revenue paid to Premier League clubs in the first year after relegation, 45% the following year and 20% in year three.²²⁷ In 2015, parachute payments totaled around 90 million £ across a three-year period following relegation.²²⁸ For example, the three clubs relegated at the end of the 2015-16 season, Aston Villa, Newcastle, United and Norwich City, each received 40.9 million £ in year one while competing in the lower division.²²⁹

Parachute payments are not feasible in the current state of MLS affairs. The EPL generates revenue of approximately \$6 billion per

²²⁴ Kevin Draper, *M.L.S. Layoffs Cut League’s Staff by 20 Percent*, N.Y. TIMES (Nov. 19, 2020), <https://www.nytimes.com/2020/11/19/sports/soccer/mls-layoffs.html>.

²²⁵ Ben Miller, *What Are Parachute Payments? What Relegation Payout Could Mean for Burnley, Watford and Norwich City*, SPORTING NEWS (May 29, 2022), <https://www.sportingnews.com/us/soccer/news/parachute-payments-premier-league-relegation>.

²²⁶ *North American vs European Sports System*, SPORTSBITE (Feb. 27, 2017), <http://sportsbite.blog/north-american-vs-european-sports-system>.

²²⁷ *Parachute Payments by the FA Premier League*, IN BRIEF, <https://www.inbrief.co.uk/football-law/premier-league-parachute-payment/#:~:text=When%20Premier%20League%20clubs%20are%20relegated%20to%20the,be%20under%20contract%20on%20so-called%20Premier%20League%20wages>.

²²⁸ Rob Wilson et al., *Parachute Payments in English Football: Softening the Landing or Distorting the Balance?*, J. GLOB. SPORT MGMT. 351, 352 (2018).

²²⁹ *Id.*

year.²³⁰ By comparison, as discussed in Part I, MLS' revenues are approximately \$1 billion, and the league and its clubs operate at a loss.

Lastly, the players would have a say in any promotion and relegation scheme. Where employees are unionized (as MLS and USL players are), the National Labor Relations Act requires employers to bargain with the unions concerning the terms and conditions of the employees' employment.²³¹ Switching between major and minor leagues would undoubtedly affect the terms and conditions of employment, including pay. The players may be persuaded to agree to such a scheme if they found it to be financially beneficial, for example, if their salaries were increased and protected regardless of the league in which they were playing. MLS and USL cannot afford this. Moreover, good players on bad teams would almost certainly be resistant to such a system which could have serious negative long-term consequences on their career.

Additionally, the prospect of MLS and the USL agreeing to the structure of soccer in America raises antitrust red flags both for the players and potentially competing soccer leagues. Indeed, as discussed in Part IV, the NASL initiated litigation against these parties alleging they had illegally agreed to divide up the soccer market. The players would also have concerns about how coordination among the leagues might affect their compensation. As discussed in Section II.A.3 these concerns would have to be addressed in negotiations with the unions via the non-statutory labor exemption, or the leagues would face the threat of major antitrust lawsuits.

Promotion and relegation seemingly works in Europe because it is an accepted part of the sporting culture there. Soccer is sufficiently popular in many countries such that the leagues can financially support such a system and fans are less interested in the bells and whistles of new stadiums. That is not the case in America. MLS and USL will continue to import players from Europe for a long time to come, but it does not seem likely that promotion and relegation will make its way across the pond.

²³⁰ Theo Ajadi et al., *Annual Review of Football Finance 2021*, DELOITTE 1, 2 (July 2021), <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/sports-business-group/deloitte-uk-annual-review-of-football-finance-2021.pdf> (calculating that the Premier League had 4.5B pounds, which this note converted to \$5.95B using the pound-to-USD exchange rate, in 2019/2020).

²³¹ 29 U.S.C. § 158(d).

CONCLUSION

MLS beat the odds by surviving 25 years, capped off with perhaps its biggest challenge yet in the COVID-19 pandemic. During that time, it has morphed, contracted, evolved, and expanded on a regular basis. How the league survives (or thrives?) in the next 25 years, depends on its continued evolution and how it navigates its complicated legal and financial circumstances.

The league is on track to soon round out its membership at 30 or 32 clubs and, with its new television deal, look similar to the Big Four. Nevertheless, the MLS is still very much not the Big Four. Its gross revenues and television ratings are still a fraction of the other leagues'. While the clubs themselves are experiencing rapid growth in valuation, it is unclear when (or if) the clubs will be profitable and able to operate without a deep-pocketed owner or external financing.

Anticipating the challenges of operating a professional soccer league in the United States, MLS was formed via a unique single-entity structure designed to avoid antitrust litigation. MLS has used this structure with some success to help restrain the player labor market. However, given MLS' growth and related devolution of power to the clubs, the single-entity defense should no longer be taken seriously (to the extent it ever was). MLS and its clubs are undoubtedly subject to antitrust laws in their dealings with players. It seems that both MLS and the MLSPA recognize this fact and, consequently, we can expect that negotiations between these parties will continue to steer the course of the league for a long time to come.

More concerningly, MLS and its clubs have been engaging in actions which stifle the non-player labor market by sharing club employee salary data and requiring clubs to inform other clubs if they are interested in hiring one of their employees. These practices are particularly unfortunate given that many MLS employees are early in their careers and poorly paid. MLS and their clubs should change their behavior not only because it presents antitrust concerns but because it is the fair thing to do. If MLS and its clubs wants to be a world class league, they need to treat their employees accordingly.

Lastly, MLS must still navigate and compete in an uncertain American soccer landscape. While the USL almost certainly has no interest in challenging MLS for Division I supremacy, the leagues are competing at the lower levels, including competing for young talent because of MLS' new developmental league. The USL is likely to be harmed by the new competition, but that remains to be seen. In any event, the lack of structural and financial stability in

American soccer likely precludes considering promotion and relegation for some time to come.

In conclusion, MLS is doing fine. Not great, but fine. It still has legal and financial issues which complicate its trajectory. But more than anything, a still middling fan base is MLS' biggest hurdle. Rather than hyperbolically claim that MLS is the next big thing in American sports as some do, it would seem more appropriate if MLS accepts its niche status and pursues a course of steady growth and operational stabilization. MLS can thus secure its place in the American sports landscape for the next twenty-five years and beyond.

SPORTS & ENTERTAINMENT LAW JOURNAL

ARIZONA STATE UNIVERSITY

VOLUME 12

FALL 2022

ISSUE 1

A STUDY IN COPYRIGHT: A SCANDAL IN EVERGREENING

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INTRODUCTION

One of the most important things a creative person should think of is protecting their work, especially if that work is a multi-million dollar making character like Mickey Mouse or Sherlock Holmes. Thus, things like copyrights come in handy. With some influences from England, the Constitution granted Congress the power to create laws governing copyrights to promote the progress of sciences and useful arts.¹ Over time, statutory law grew to protect the works of all authorship.² What copyrights protected and how long that protection lasted expanded over time; however, a copyright is not forever.³

After repeated extensions, it appears that copyrights finally have a set length. Thus, as of now, copyright registrations for films like Disney’s *Steamboat Willie* will expire soon.⁴ This film represents one of the first expressions of the character Mickey Mouse in film. With the advent of streaming services and increased opportunities to take advantage of their copyrights, companies like Disney would want to do whatever they can to get their copyrights extended.⁵

That leaves the question: is there currently a viable way to extend a copyright? As works like famous books and movies enter the public domain, some companies are attempting to extend their

¹ U.S. CONST. art. I, § 8, cl. 8.

² See 1 JOHN W. HAZARD, JR., COPYRIGHT LAW IN BUSINESS AND PRACTICE § 1:58.50 (rev. ed. 2021) (discussing the changes made to US copyright laws over time).

³ See U.S. CONST. art. I, § 8, cl. 8; 17 U.S.C. §§ 302–305.

⁴ Timothy B. Lee, *Mickey Mouse Will Be Public Domain Soon – Here’s What That Means*, ARS TECHNICA (Jan. 1, 2019, 09:10 AM), <https://arstechnica.com/tech-policy/2019/01/a-whole-years-worth-of-works-just-fell-into-the-public-domain/> (discussing the consequences of no new copyright extension acts) [<https://perma.cc/CY67-AU82>].

⁵ See Megan Nugent, *Mickey Mouse, the Founding Fathers and Copyright Law*, FINANCIAL POISE (Feb. 12, 2020), <https://www.financialpoise.com/copyright-law/> (calling Disney one of the greatest challengers to copyright law) [<https://perma.cc/ZVZ3-293S>].

original copyright of characters through derivative works.⁶ Companies might abuse the new elements of the derivative characters to discourage the use of the original characters now in the public domain. These methods are akin to the practice of “evergreening” in patent law.⁷ In short, patent holders evergreen their patents by changing them in the slightest manner possible to obtain a new patent, extending their original patent and thereby frustrating their competitors.⁸ In copyright law, companies, which can exist far beyond the life of a human author, can similarly extend copyright protection for an original character in an underlying work by introducing new elements of that character in a derivative work.⁹

If companies create large amounts of derivative works for this purpose, characters like Mickey Mouse might not fairly and fully enter the public domain.¹⁰ Thus, evergreening harms the public policy of advancing the arts and encouraging creativity.¹¹ In Part I, I discuss the evolution of copyright law and the current length and scope of copyright protection. This evolution is relevant as the expansion of copyright protection has made evergreening possible.¹²

Currently, further attempts to extend copyright protection might be futile. In Part II, I discuss previous attempts to expand protection and analyze copyright extension acts and common law copyright. I also discuss how rights holders sometime resort to trademark law to protect expired copyrights. Though trademarks might not be a perfect backup to an expired copyright, a lack of options may be why people look to evergreening.

⁶ Jani McCutcheon, *Works of Fiction: The Misconception of Literary Characters as Copyright Works*, 66 J. COPYRIGHT SOC’Y U.S.A. 115, 158 (2019) (arguing that character copyrights should not exist, McCutcheon also points out that character copyrights artificially extend the rights of underlying works).

⁷ *Id.* at 156.

⁸ See KEVIN T. RICHARDS ET AL., CONG. RSCH. SERV., R46221, DRUG PRICING AND PHARMACEUTICAL PATENTING PRACTICES 2 (2020) (discussing patent practices in regard to drugs while directly referencing evergreening).

⁹ See McCutcheon, *supra* note 6, at 156–58.

¹⁰ *Id.* at 158–59.

¹¹ *Golan v. Holder*, 565 U.S. 302, 324 (2012) (“Congress’ copyright authority is tied to the progress of science; its patent authority, to the progress of the useful arts.”).

¹² See McCutcheon, *supra* note 6, at 155.

I also focus on the issue of companies abusing evergreening by introducing new elements of characters in derivative works.¹³ In Part III, I analyze the standards courts created to determine whether a character is copyrightable and the extent of the protection granted to derivative works.

In Part IV, I explain how evergreening works in the pharmaceuticals field under patent law. I also discuss litigation involving evergreening and what Congress is doing to potentially combat this threat to patents.

In Part V, I explain how evergreening happens to characters in the entertainment industry. I analyze a series of cases and analogize the abuse of new elements of a character in a derivative work or the character copyright itself to evergreening.

The threat of evergreening a character is serious enough that the courts should address it.¹⁴ I argue that evergreening could become a problem if companies purposely over-create derivative works and continually update their characters making it harder for others to use the original expression of the character from the public domain. In Part VI, I discuss when evergreening could become an actual problem and how the courts could devise a test that determines when newly added traits to a character are copyrightable. Such a test might prevent the use of small, incremental changes to characters intended to extend copyright protection of an original work.

I. A BRIEF OVERVIEW OF COPYRIGHT HISTORY

A copyright is a monopoly on the rights to distribute, copy, and transfer ownership of a work.¹⁵ A copyright also allows the owner to prepare derivative works based on the original work.¹⁶ Copyright length and scope of protection have evolved over time. In this section, I discuss the history of copyright law and examine the factors that have made evergreening possible.

Section A discusses the state of copyright law in England during the 1700s. Section B then overviews how copyrights in the United States developed, beginning with the first Copyright Act in 1790 and ending with the 1998 Copyright Term Extension Act (“CTEA”).

¹³ *See id.* at 156.

¹⁴ *See id.* (discussing that courts may have difficulty extracting all the elements of the characters and works in question).

¹⁵ 17 U.S.C. § 106.

¹⁶ *Id.*

A. ENGLISH COPYRIGHT LAW

In 1710, the British Parliament enacted the Statute of Anne, enabling authors, not just the printing companies, to own their work.¹⁷ The statute's purpose was to encourage "learned men" to write and compose.¹⁸ The Statute of Anne represented an early stage in copyright protection as it only covered books.¹⁹ The benefits of copyright included the ability to print and reprint the work.²⁰ Additionally, Parliament set the copyright protection term at fourteen years and, if the author was alive at the time of the first expiration, the author could renew it for another fourteen years.²¹ The Statute of Anne even survived a challenge by an author who wanted more time.

In *Donaldson v. Becket*, the issue was, among others, whether the Statute of Anne placed a permissible limit on the common law right to perpetual copyrights.²² The House of Lords held that copyrights are subject to the durational terms of the Statute of Anne without stating the reasoning for their decision.²³ This case represented an early example where an author argued for a longer monopoly in copyright than what the statutory laws provided.²⁴ But ultimately, this case became a loss for common law copyrights and a win for statutory copyright laws.²⁵ This sort of statutory thinking appears to have found its way into the United States.

B. AMERICAN COPYRIGHT LAW

When the Founding Fathers wrote the American Constitution, they included a section that became the foundation for our current copyright laws: "The Congress shall have Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."²⁶ Congress can only pass laws if

¹⁷ Copyright Act 1710, 8 Ann. c. 19, § 2 (Gr. Brit.).

¹⁸ *Id.* § 1.

¹⁹ *See id.* § 2.

²⁰ *Id.*

²¹ *Id.*

²² *See* H. Tomás Gómez-Arostegui, *Copyright at Common Law in 1774*, 47 CONN. L. REV. 1, 20–21 (2014) (making sense of the confusion regarding what happened in the case of *Donaldson* as academics gave differing summaries of the case).

²³ *Id.* at 45.

²⁴ *See id.* at 11–12.

²⁵ *See id.* at 45–46.

²⁶ U.S. CONST. art. I, § 8, cl. 8.

authorized by the Constitution.²⁷ Article 1, Section 8, Clause 8, also called the Copyright Clause, gives Congress the authority to define the scope and length of copyrights.²⁸ However, this part of the Constitution appears to lack any specifics about the length or scope of protection for copyrights.²⁹ Thus, Congress defined the length and scope later in time.

Congress first used the Copyright Clause by enacting the Copyright Act of 1790.³⁰ This Act, like the Statute of Anne, allowed authors to hold copyrights in their works for a period of fourteen years, renewable for another fourteen years.³¹ In addition to books, Congress added maps and charts as protectable works of authorship.³² The Act's purpose was to provide an incentive for authors to create their works, as the copyright provided a temporary monopoly on works of authorship.³³ But, on the other hand, Congress limited the monopoly to stimulate creativity and the advancement of science and the arts.³⁴ The public domain arose as works became usable by others to create their own new works based on underlying works with expired copyright protection.³⁵ Congress revisited this Act years later.

The United States could not keep its eyes off Europe's approach to copyright. To match Europe's regulations, Congress revised the Copyright Act in 1831, extending copyright duration to twenty-eight years with a possible fourteen-year renewal.³⁶ This small change to the length of copyrights became another precursor to the continual changes yet to come. A few years later, though, an American author fought for common law copyright.

Despite the recent copyright extension, not all authors were happy. In 1834, *Wheaton v. Peters* echoed a similar argument to *Donaldson v. Becket*: perpetual common law copyrights should exist and trump limited statutory copyright laws.³⁷ Apparently,

²⁷ See *Marbury v. Madison*, 5 U.S. (1 Cranch) 137, 138 (1803) (alluding to the fact that Congress cannot pass a law without the Constitution giving them authority to do so).

²⁸ U.S. CONST. art. I, § 8, cl. 8.

²⁹ *Id.*

³⁰ See HAZARD, *supra* note 2, § 1.58.50.

³¹ Copyright Act of 1790, Pub. L. No. 1-15, § 1, 1 Stat. 124, 124 (1970).

³² *Id.*

³³ See *id.*

³⁴ See *id.*

³⁵ See *id.*

³⁶ *Id.* § 2.

³⁷ *Wheaton v. Peters*, 33 U.S. (1 Pet.) 591, 595-96 (1834) (refusing to create a common-law copyright in the opinion of the court).

Wheaton did not properly copyright his works under federal rules, so his lawyer created an argument based on the premise that people supposedly owned perpetual copyrights at common law.³⁸ Peters insisted that Wheaton had no “natural right” in his work.³⁹ Ultimately, the court held that remedy will only be found through the statute as enacted by Congress.⁴⁰ The court refused to recognize a perpetual copyright at common law.⁴¹ The case of *Wheaton v. Peters* represented the victory of statutory copyright law over perpetual copyrights. While this case dashed the possibility of a perpetual copyright, it did not stop later Congresses from extending copyright lengths and expanding the scope of protected works.

The 1909 revision of the Copyright Act expanded copyright protection to all works of authorship.⁴² Additionally, Congress extended the length of the copyright renewal period from fourteen years to twenty-eight years.⁴³ Extending copyright protection to all works of authorship enabled courts to interpret the law so that character copyrights could be afforded protection.⁴⁴

This next revision of the Copyright Act made great advancements. Technological development and possible adherence to the Berne Convention⁴⁵ by the United States powered the next revision of the Copyright Act.⁴⁶ The 1976 Act preempted all previous acts and again expanded the scope and length of copyright protection.⁴⁷ The length of copyright protection was extended to the life of the author plus fifty years.⁴⁸ Additionally, the Act more clearly defined derivative works and the accompanying protections.⁴⁹ Works made for hire received protection for seventy-five years from their publication or a term of 100 years from their

³⁸ *Id.*

³⁹ *Id.* at 596.

⁴⁰ *See generally id.* at 660-65.

⁴¹ *See id.*

⁴² Copyright Act of 1909, Pub. L. No. 60-349, § 1, 35 Stat. 1075, (1909) (repealed 1978).

⁴³ *Id.* at § 23.

⁴⁴ *See Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir. 1930) (setting a standard for characters to garner copyright protection).

⁴⁵ The Berne Convention is an 1887 international agreement governing copyright.

⁴⁶ *See HAZARD, supra* note 2, § 1.58.50.

⁴⁷ *Id.*

⁴⁸ Copyright Act of 1976, Pub. L. No. 94-553, § 301, 90 Stat. 2541 (1976) (current version at 17 U.S.C. §302).

⁴⁹ *Id.* § 101.

creation, whichever was shorter.⁵⁰ The Act also extended protection to unpublished works.⁵¹

In 1992, Congress amended Section 304 of Title 17 to provide for automatic copyright renewal.⁵² This likely hurt the utilitarian benefit of the public domain, which encourages innovation by allowing authors to use previously protected works of authorship.⁵³

The CTEA in 1998 represents another important extension to the lengths. The CTEA also has the infamous nickname, the “Mickey Mouse Protection Act,” due to Disney lobbying Congress for this copyright extension.⁵⁴ The CTEA brought American copyright protection in line with extended copyright protection under the 1993 European Union directive.⁵⁵ Congress extended copyrights on works of authorship to the life of the author plus seventy years.⁵⁶ For anonymous works, pseudonymous works, and works made for hire, copyrights endure for a term of ninety-five years from the year of their first publication or a term of 120 years from the date of their creation, whichever expires first.⁵⁷ While companies like Disney might have loved the CTEA as the Act extended copyrights, someone challenged the Act as the CTEA removed works from the public domain.⁵⁸

In *Eldred v. Ashcroft*, Petitioners were individuals and businesses upset with the result that works created before the CTEA went into effect received extensions on their copyright terms.⁵⁹ Petitioners argued that the CTEA failed constitutional review under the Copyright Clause’s “limited Times” prescription and free

⁵⁰ *Id.* § 301.

⁵¹ *Id.* § 101.

⁵² Copyright Renewal Act of 1992, Pub. L. No. 102-307, § 102, 106 Stat. 264, 264–66 (1992).

⁵³ *See id.*

⁵⁴ Kaitlyn Hennessey, *Intellectual Property—Mickey Mouse’s Intellectual Property Adventure: What Disney’s War on Copyrights has to do with Trademarks and Patents*, 42 W. NEW ENG. L. REV. 25, 28–29 (2020) (exploring the copyright and trademark laws underlying Disney’s characters in light of Mickey Mouse’s looming copyright expiration).

⁵⁵ David C. Pulice, *U.S. Supreme Court Upholds Copyright Extension Law*, LAWYERS J., Feb. 16, 2003, at 12 (discussing the passing of the CTEA and the rationale used by Congress to justify another extension).

⁵⁶ Sonny Bono Copyright Term Extension Act, Pub. L. No. 105-298, § 102, 112 Stat. 2827, 2827–28 (1998) (codified at 17 U.S.C. § 302).

⁵⁷ *Id.*

⁵⁸ *See HAZARD, supra* note 2, § 1.58.50.

⁵⁹ *See Eldred v. Ashcroft*, 537 U.S. 186, 192–93 (2003) (considering a claim that the CTEA is not constitutional and ultimately ruling that the CTEA is constitutional and that Congress may extend copyright protection for “limited periods” without creating perpetual copyrights).

speech guarantee of the First Amendment.⁶⁰ The petitioners sought to challenge not the length of a copyright following the life of the author, but rather the removal of works from the public domain.⁶¹ In other words, Congress could create a perpetual copyright right by continuously extending the lengths of copyrights for “limited Times.”⁶² However, the D.C. Circuit previously found nothing that would suggest that “a term of years for a copyright is not a ‘limited Time’” if copyrights are extended for only another limited time.⁶³ The Supreme Court agreed.⁶⁴ This case seems to permit the possibility of Congress creating “perpetual” copyrights by constantly extending copyright length.⁶⁵ Through the Constitution, Congress possesses the power under the Copyright Clause to “amplify” the terms of copyrights, and the Supreme Court defers to Congress regarding copyright decisions.⁶⁶

After the passing of the CTEA and the decision, Congress and the judiciary left us with a set copyright term and wide scope of protection, though Congress may extend the term at their discretion.⁶⁷ But, we have not seen any new acts since the CTEA. Thus, works such as *Steamboat Willie* will enter the public domain in 2024.

The length and scope of copyrights seemed to change to match current trends in technology and the world.⁶⁸ But with no new copyright extension act in motion, companies that still have a financial interest in their works that are entering the public domain might have to get creative to protect their financial interests. Thus, evergreening a copyright, which is possible with rights to derivative works, poses a problem for the copyright law’s policy goal: promoting creative works.⁶⁹ A shield of derivative works might be one of the last tricks Mickey Mouse has to secure prolonged protection of his copyright benefits.

⁶⁰ *Id.* at 193.

⁶¹ *See id.*

⁶² *Id.* at 198.

⁶³ *Id.* at 197.

⁶⁴ *Id.* at 222.

⁶⁵ *See id.* at 198.

⁶⁶ *See id.*

⁶⁷ *See id.*

⁶⁸ *See* HAZARD, *supra* note 2, § 1.58.50.

⁶⁹ *See* McCutcheon, *supra* note 6, at 154–56.

II. UNFEASIBLE METHODS OF COPYRIGHT EXTENSION

Having discussed the evolution of copyrights, I will now explain in more detail the infeasibility of several ways to extend a copyright, the result of which may lead to evergreening. Section A begins with a discussion of how a lack of good influence, pushback from certain parties, and a threat of bad press will probably prevent another copyright extension act. Section B then discusses futile attempts at “copyright extension” with the common law. Section C includes a discussion of how trademarks might serve as a backup plan to expired copyrights but concludes that trademark law fails to be a perfect replacement. The probable failure of these three methods to extend copyright protection suggests that companies will turn to evergreening.

A. ANOTHER COPYRIGHT EXTENSION ACT

Since 1998, Congress has not introduced any new legislation extending copyrights. It is probably not strange that Disney is not lobbying for another extension even though Congress does have the discretion to extend copyrights for “limited Times.”⁷⁰ There are three good reasons why another copyright extension act probably has not happened yet. First, Congress does not have a strong model like Europe to emulate. Second, lobbyists against copyright extension are more prevalent. Third, another copyright extension act might bring some unwanted, bad press coverage.

First, the United States wanted to mimic Europe with the 1831 Revision of the Copyright Act. Thus, Congress extended the length of our copyright terms to match theirs.⁷¹ This occurred again with the 1976 revision of the Copyright Act, which brought our copyright term lengths on par with international copyright laws from the Berne Convention.⁷² Also, Congress rationalized the CTEA to bring the United States once more on equal ground with the copyright protection given to those in the European Union as granted in the 1993 European Union directive.⁷³ A driving force behind some of our past copyright extensions was the argument that we needed to match Europe’s standards.⁷⁴ Some countries, like Mexico, have

⁷⁰ See *Eldred*, 537 U.S. at 198.

⁷¹ HAZARD, *supra* note 2, § 1.58.50.

⁷² *Id.*

⁷³ Pulice, *supra* note 55, at 12.

⁷⁴ See HAZARD, *supra* note 2, § 1.58.50.

longer copyright terms than the United States.⁷⁵ Mexico's term limit is set at the life of the author plus 100 years.⁷⁶ If Disney or some other organization were to lobby Congress for another copyright extension, Mexico's copyright length might be at the center of the argument. However, Mexican law probably lacks the amount of influence that the European laws exert on the world.⁷⁷ It is more likely that United States law would influence Mexico to change rather than Mexican law influencing the United States to change.⁷⁸

Second, influential groups like Google and Public Knowledge oppose the extension of copyright.⁷⁹ Google rivals Disney in terms of money and internet influence.⁸⁰ Perhaps their presence has scared Disney away from lobbying for another copyright extension act like the CTEA. Public Knowledge exists to "promote creativity through balanced copyright."⁸¹ They could be an enemy to anyone who seeks to expand copyright terms preventing works from entering the public domain. Thus, it is likely that advocates for copyright extension cannot steamroll through the legislature; they will have pushback.⁸²

⁷⁵ Carolyn Wimbly Martin, *The Public Domain Landscape 2019*, LUTZKER & LUTZKER LLP (Feb. 1, 2019), <https://www.lutzker.com/the-public-domain-landscape-2019/> (discussing generally the public domain and its effect while making mention to copyright laws in foreign countries) [<https://perma.cc/V4AM-CL7V>].

⁷⁶ Reglamento de la Ley Federal del Derecho de Autor [RLFDA] Artículo 29 § 1, Diario de la Federación [DOF] 24-12-1996, últimas reformas DOF 10-06-2013 (Mex.).

⁷⁷ See generally Kit Walsh, *A Legal Deep Dive on Mexico's Disastrous New Copyright Law*, ELEC. FRONTIER FOUND. (July 30, 2020), <https://www.eff.org/deeplinks/2020/07/legal-deep-dive-mexicos-disastrous-new-copyright-law> (discussing Mexico's disastrous new copyright law that was passed due to pressure from the US) [<https://perma.cc/Y4GY-G9SQ>].

⁷⁸ See *id.*

⁷⁹ See Wimbly Martin, *supra* note 75.

⁸⁰ Timothy B. Lee, *Why Mickey Mouse's 1998 Copyright Extension Probably Won't Happen Again*, ARS TECHNICA (Jan. 8, 2018, 6:00 AM) <https://arstechnica.com/tech-policy/2018/01/hollywood-says-its-not-planning-another-copyright-extension-push/> (arguing that political and technical changes will prevent further copyright extension acts) [<https://perma.cc/YA9U-B2JN>].

⁸¹ About Us, PUB. KNOWLEDGE, <https://www.publicknowledge.org/about-us> [<https://perma.cc/PH9C-QDZ7>].

⁸² See Lee, *supra* note 80.

Third, criticism against the CTEA's extension of copyright protection will likely prevent companies like Disney from lobbying for another copyright extension act. Disney lobbied Congress to enact the CTEA in an attempt to save Mickey Mouse from entering the public domain in 2003.⁸³ Disney also provided \$6.3 million to President Bill Clinton's presidential re-election campaign in 1998—the same year the CTEA was signed.⁸⁴ Because of Disney's actions, Mickey Mouse received twenty more years of copyright protection; thus, some referred to the CTEA jokingly as the "Mickey Mouse Protection Act."⁸⁵ Subsequently, Disney's reputation suffered because people saw Disney using its deep pockets to get another copyright extension.⁸⁶ The *Eldred* case also demonstrates how far criticism of the CTEA went as proponents of the public domain tried to prove the Act was unconstitutional.⁸⁷ Disney will likely seek to avoid another reputational scandal, and Congress would likely want to avoid another Supreme Court case. Thus, another copyright extension act is probably unlikely.

Strong opponents against copyright extension and the potential for bad publicity could be the reason why Disney is letting Mickey Mouse's expression from *Steamboat Willie* fall into the public domain. Also, Congress lacks a good model to look to when justifying the extension. Of course, due to COVID-19, Congress just might not be interested in discussing copyright matters and entertainment at this time. As for other copyright extension options, the common law also does not seem like a viable alternative.

B. THE COMMON LAW

Arguments for perpetual copyrights at common law failed twice; once in England and once in the United States. Simply put, federal copyright laws preempt state copyright laws.⁸⁸ Only in one case did state law give some extra life to a copyright where federal law provided that the copyright expired.

In a limited manner, state copyright law managed to come into effect in *Capitol Records, Inc. v. Naxos of Am., Inc.* The court held that state common law in New York could protect some ownership interest in a sound recording if the sound recording was made before

⁸³ Elissa A. Santo, *The Impact of the Digital Age on Copyright Law*, N.J. LAW., Dec. 2004, at 30 (discussing technologies impact on copyright law while mentioning Disney's participation with the CTEA).

⁸⁴ *Id.*

⁸⁵ Hennessey, *supra* note 54, at 28.

⁸⁶ See Santo, *supra* note 83, at 30.

⁸⁷ See *Eldred v. Ashcroft*, 537 U.S. 186, 192 (2003).

⁸⁸ 17 U.S.C. § 301.

1972 and not covered by the Federal Copyright Act.⁸⁹ Basically, there was a gap in the federal law that allowed New York common law to kick in because federal law did not cover sound recordings created before 1972.⁹⁰

However, the limited nature of this case does not prove that the common law can prevail over or preempt federal copyright laws. It merely showed where one area Congress missed might allow a very limited common law right to the copyright of a sound recording created before 1972 to come into effect.⁹¹ Common law perpetual copyrights are still not recognized. However, a perpetual form of protection does exist in another area of law: trademark law.

C. TRADEMARK LAW

Trademarks offer a form of perpetual protection. Thus, a party seeking to protect their works might look to trademark law to extend their copyright. Disney holds live trademarks for the words “Mickey Mouse” and for depictions of Mickey Mouse that appear similar to his expression in *Steamboat Willie*.⁹² Big companies like Disney could be resorting to trademark protection in response to their loss of copyrights.⁹³ However, trademarks are an imperfect substitute because they protect different things.

Trademarks have a different goal of protection as opposed to copyrights. Trademarks are words, phrases, or designs that people and companies may use to identify and distinguish their goods or services from those of another similar company.⁹⁴ However, the rights to a trademark arise from the actual use of the word, phrase, or design. Unlike copyright protection, they are not automatically granted, and a trademark may last in perpetuity as long as one consistently uses it.⁹⁵

On the other hand, a copyright does not protect ideas like a brand or slogan, but instead protects original works of authorship

⁸⁹ *Capitol Records, Inc. v. Naxos of Am., Inc.*, 830 N.E.2d 250, 267 (N.Y. 2005) (holding that Naxos is not entitled to defeat Capitol Record’s claim for infringement of common-law copyright due to a hole in federal copyright law allowing New York copyright law to give some protection).

⁹⁰ *Id.* at 264-65.

⁹¹ *See id.* at 265.

⁹² *See e.g.*, MICKEY MOUSE, Registration No. 6,267,084; Exaggerated cartoon depiction of an animal, Registration No. 3,580,903.

⁹³ *See Hennessey, supra* note 54, at 33 (stating that Disney has acquired various Mickey Mouse trademarks in different categories).

⁹⁴ 15 U.S.C. §§ 1051–1054.

⁹⁵ *Id.*

fixed in a tangible form of expression.⁹⁶ A copyright offers a temporary monopoly on a work with rights to reproduce, prepare derivative works, distribute, publicly perform, display the work, and even assign those rights to others.⁹⁷ Copyrights possess different protection and lack the perpetuity that trademarks offer.

Thus, the requirements for trademark protection prevent trademarks from being a perfect replacement for copyrights. Trademark protection is, in theory, narrower than copyright because it does not prevent all uses of a mark, only those that are “likely to dilute the value of the mark or confuse consumers into believing that goods or services originate with, or are sponsored or approved by, the mark holder.”⁹⁸ Elizabeth Rosenblatt states, “Trademark protection reaches only literary characters that serve as identifiers of a single source, and fair use doctrines similarly permit many uses of otherwise protected characters.”⁹⁹ This narrow reach is trademark law’s kryptonite and prevents it from being a complete backup to copyright law.

Using trademark protection when no copyright claims were available failed when Universal City Studios sued Nintendo over a gorilla.¹⁰⁰ Nintendo released the game “Donkey Kong,” which featured a man trying to rescue a woman being held captive by a large gorilla at the top of a tall building.¹⁰¹ Universal City Studios felt that the premise of “Donkey Kong” and the use of another large gorilla in a similar fashion to their films violated their trademark rights in the words “King Kong” and the associated character.¹⁰² Shigeru Miyamoto, the creator of Donkey Kong, even referred to Nintendo’s gorilla as “King Kong” during development.¹⁰³ But, Universal City Studios’ description of their trademark—an “extraordinarily large gorilla standing on top of a tall building holding a woman captive”—was lacking.¹⁰⁴ This description also matched the description of King Kong in copyrighted works owned

⁹⁶ 17 U.S.C. § 102.

⁹⁷ *See id.*

⁹⁸ Elizabeth L. Rosenblatt, *The Adventure of the Shrinking Public Domain*, 86 UNIV. COLO. L. REV. 561, 593-94 (2015) (discussing various factors and cases that limit what enters the public domain).

⁹⁹ *Id.* at 622.

¹⁰⁰ *Universal City Studios, Inc. v. Nintendo Co., Ltd.*, 578 F. Supp. 911, 913-14 (S.D.N.Y. 1983) (holding that the character “Donkey Kong” has been diluted too much to have a single origin).

¹⁰¹ *Id.*

¹⁰² *Id.*

¹⁰³ *Id.* at 918.

¹⁰⁴ *Id.* at 924.

by other entities.¹⁰⁵ Because others owned the rights to similar depictions of King Kong, the court reasoned that King Kong could not have been identified as a trademark having a single source—Universal City Studios—and Nintendo won the lawsuit.¹⁰⁶ Copyrights in derivative works are not inhibited by this concept of having a single source; thus, trademarks are an imperfect way to perpetually protect a character's expression.

With the narrow protection of a trademark and the potential complications of designating a single source, trademarks cannot be a complete replacement for copyrights. Thus, companies might need to rely on the copyrights in derivative works to extend the legal protection of their original works.

III. NEW POSSIBILITIES WITH DERIVATIVE WORKS AND CHARACTER COPYRIGHTS

With this lack of options for copyright extensions, entertainment companies that can survive beyond the life of an author will have to get creative if they want to protect their money-making characters. With the expansion of the copyrights over time, protection covered all works of authorship. The copyrights also included the right to create derivative works. Over time, the concept of character copyrights also arose. Derivative works and character copyrights are two key areas of copyright that allow the possibility of “evergreening.”¹⁰⁷ With perpetual copyrights declared unconstitutional, derivative works might offer one way of extending copyrights for valuable characters like Mickey Mouse.¹⁰⁸

To fully understand the possibility of evergreening a character, I will first discuss the standards of derivative works and character copyrights. Their origins are important and give us insight into how they might be used in a way that “artificially enlarges” a copyright. Section A explores the standard for derivative works becoming copyrightable and the scope of protection. Next, section B lays out two standards for characters becoming copyrightable expressions ending with a short discussion briefing how new elements of characters in derivative works could lead to evergreening.

¹⁰⁵ *See id.*

¹⁰⁶ *See id.* at 923–26.

¹⁰⁷ *See* McCutcheon, *supra* note 6, at 158.

¹⁰⁸ *See id.*

A. DERIVATIVE WORKS

A copyright in a work of authorship includes many exclusive rights to the work. Section 106 of the Copyright Act affords authors several exclusive rights over their works.¹⁰⁹ One of those rights is the exclusive right to prepare derivative works based upon the underlying work.¹¹⁰ The United States Code defines a derivative work as “a work based upon one or more preexisting works . . . in which a work may be recast, transformed, or adapted.”¹¹¹ Ultimately, a derivative work might be able to obtain its own copyright protection, but what are the qualifications and what is protected under that new copyright?

For the derivative work to obtain copyright protection, there must be some new elements. Before *Feist*, there were some inconsistencies in circuit courts over the standard for determining derivative works. For example, in *L. Batlin & Son Inc. v. Snyder*, the Second Circuit held that a derivative work must have “some substantial, not merely trivial originality.”¹¹² However, in the same case, the Second Circuit went on to say that the test of originality is low and the author just needs to contribute something more than a merely trivial variation.¹¹³ Later, in *Durham Industries, Inc. v. Tomy Corp.*, the Second Circuit upheld a seemingly low standard by stating that the new elements of the derivative work must not be trivial, ignoring the substantial requirement.¹¹⁴ Alternatively, the Seventh Circuit stood by a harsher standard in *Gracen v. Bradford Exchange*: a derivative work must be substantially different from the underlying work to be copyrightable.¹¹⁵

The Supreme Court settled the discrepancy between the circuits by ruling that the amount of change needed in the new work to garner copyrightability appears to be just some minimal degree of

¹⁰⁹ 17 U.S.C. § 106.

¹¹⁰ *Id.* § 106(2).

¹¹¹ *Id.* § 101.

¹¹² *L. Batlin & Son Inc. v. Snyder*, 536 F.2d 486, 490 (2d Cir. 1976) (quoting *Chamberlin v. Uris Sales Corp.*, F.2d 512, 513 (2d Cir. 1945)) (giving derivative works a higher standard to avoid copyright owners from abusing small changes).

¹¹³ *Id.*

¹¹⁴ *See Durham Indus., Inc. v. Tomy Corp.*, 630 F.2d 905, 909 (2d Cir. 1980) (attempting to affirm the standard of a derivative work in a lawsuit over toys and games).

¹¹⁵ *Gracen v. Bradford Exch.*, 698 F.2d 300, 305 (7th Cir. 1983) (holding a higher standard for derivative works than the low standard of the Second Circuit).

creativity.¹¹⁶ In other words, the requisite level of creativity is low, requiring some spark of creativity no matter how small, humble, or crude.¹¹⁷

The *Feist* case labels this small degree of change a “modicum of creativity.”¹¹⁸ In *Feist*, Rural Telephone Co.’s (“Rural”) new phone book lacked that modicum of creativity to garner copyrightability as a new expression of the included information.¹¹⁹ The Supreme Court held that, as a constitutional matter, copyright only protects elements that offer more than a *de minimis* quantum of creativity.¹²⁰ Arrangement of information might garner copyright protection in the way that the information is put together.¹²¹ However, Rural merely organized all the numbers of its subscribers in alphabetical order by surname.¹²² The Supreme Court found that this arrangement was insufficiently creative as a statutory matter.¹²³ In *Feist*, the Supreme Court set a constitutional floor for the creativity requirement in works, including derivative works, yet they did not give the lower courts a tool to determine what musters a modicum of creativity.¹²⁴

Certain changes might be too minimal to garner copyright protection.¹²⁵ For example, a change in rhythm or a slight variation in the accompaniment of a song fails to suffice as a modicum of creativity.¹²⁶ Another trivial change that will not count towards being a modicum of creativity is a simple edit like a change in shading.¹²⁷ However, if one is to alter the arrangement of a song,

¹¹⁶ *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 345 (1991) (“To be sure, the requisite level of creativity is extremely low; even a slight amount will suffice.”).

¹¹⁷ *Id.*

¹¹⁸ *Id.* at 363.

¹¹⁹ *Id.*

¹²⁰ *Id.*

¹²¹ *Id.* at 362.

¹²² *Id.*

¹²³ *Id.* at 363.

¹²⁴ Joseph S. Miller, *Hoisting Originality*, 31 CARDOZO L. REV. 451, 479–82 (2009).

¹²⁵ See 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT §§ 2.01[A]–2.01[B] (2021) [hereinafter NIMMER] (discussing the standards for derivative works and the modicum of change).

¹²⁶ *Shapiro, Bernstein & Co. v. Jerry Vogel Music Co.*, 73 F. Supp. 165, 167 (S.D.N.Y. 1947).

¹²⁷ *Rexnord, Inc. v. Modern Handling Sys., Inc.*, 379 F. Supp. 1190, 1196 (D. Del. 1974) (stating that limited rearrangements of printed matter and changing a typeface are trivial changes that do not constitute a modicum of change).

that could create enough change to satisfy the low bar for creativity.¹²⁸ This standard seems vague, but simply put, derivative works just need some modicum of creativity that is not trivial. Despite this, the circuit courts seem to go their own ways when interpreting the *Feist* decision.

After *Feist*, the circuit courts are still struggling to apply the modicum of creativity standard. While attempting to interpret *Feist*, the Second Circuit created some confusing precedent. In *Matthew Bender & Co. v. Web Pub. Co.*, the Second Circuit stated that the standard for derivative and non-derivative works requires that when the work is analyzed as a whole, it must display sufficient originality to constitute an “original work of authorship.”¹²⁹ This appears to be a harsh interpretation of the low standard from *Feist*.¹³⁰ However, in the same case, the court also cites the low standard from *Feist* and the requirement for substantial variation from *L. Batlin & Son, Inc.* in support of their decision.¹³¹ The Second Circuit does not seem to realize that it strung together vastly different standards leading to a confusing reasoning.¹³²

The Ninth Circuit, on the other hand, is crafting careful holdings regarding the modicum of creativity standard. For example, in *Entertainment Research Group, Inc. v. Genesis Creative Group, Inc.*, 3D inflatable costumes based on cereal characters, Toucan Sam and Cap’n Crunch, did not constitute a derivative work.¹³³ The Ninth Circuit created a two-prong test for determining if the original aspects of a derivative work are copyrightable.¹³⁴ First, the changes must be more than trivial.¹³⁵ Second, the original aspects must reflect the degree to which it relies on the pre-existing material and must not in any way affect the copyright protection in the pre-

¹²⁸ See *Italian Book Co. v. Rossi*, 27 F.2d 1014 (S.D.N.Y. 1928) (holding that a remix of a folksong contained enough changes by the author to garner protection for the new elements of the song).

¹²⁹ *Mathew Bender & Co. v. West Publ’g. Co.*, 158 F.3d 674, 680 (2d Cir. 1998) (holding that a publisher’s factual enhancements to judicial opinions were not sufficiently creative or original to warrant copyright protection).

¹³⁰ See *id.*

¹³¹ *Id.*

¹³² 2 WILLIAM F. PATRY, PATRY ON COPYRIGHT § 3:53 (2021).

¹³³ *Ent. Rsch. Grp., Inc. v. Genesis Creative Grp., Inc.*, 122 F.3d 1211, 1224 (9th Cir. 1997) (holding that 3D costumes were not sufficiently original as they only contained elements necessary to create the costumes but did not contain any real new aspect of originality).

¹³⁴ *Id.* at 1220.

¹³⁵ *Id.*

existing material.¹³⁶ There, the changes made to the characters to create the costumes were not distinguishable from the originals and consisted of only minor accommodations to fit the 3D design of the costume.¹³⁷ This two-prong test still stands, as it was used in 2018 in the case of *ABS Entertainment, Inc. v. CBS Corporation*.¹³⁸

With influences from *Feist*, a district court in the Seventh Circuit might have lowered that circuit's standard for what constitutes a derivative work in the case of *Theotokatos v. Sara Lee Personal Products*.¹³⁹ While holding on to the idea that a derivative work must be substantially different as decided by the Seventh Circuit in *Gracen*, the district court conceded that the requirement was still modest.¹⁴⁰ Interestingly, the same district court from *Theotokatos* held that "increments of expression" contained in copyrighted works warrant copyright protection in *Klinger v. Conan Doyle Estate, Ltd.*¹⁴¹ The court found new traits of characters such as a getting a second wife, revealing an athletic background, or retiring to be copyrightable.¹⁴² This might suggest that a new character trait itself might be copyrightable, possibly making evergreening characters a concern if creators can copyright emotional changes and other small, incremental changes in their characters.¹⁴³ However, the Seventh Circuit failed to address those findings when the *Klinger* case went on appeal, thus leaving the question open regarding the extent of which traits are copyrightable.¹⁴⁴

The standard for what constitutes a derivative work is in a state of flux, but generally, when someone makes a successful copyright claim on a derivative work, the copyright protection will only cover

¹³⁶ *Id.*

¹³⁷ *Id.* at 1221.

¹³⁸ *ABS Ent., Inc. v. CBS Corp.*, 908 F.3d 405, 414 (9th Cir. 2018) (re-affirming the two-prong test for the Ninth Circuit when determining when aspects in a derivative work garner copyright protection).

¹³⁹ *Theotokatos v. Sara Lee Pers. Prods.*, 971 F. Supp. 332, 338 (N.D. Ill. 1997) (holding that the plaintiff's rearrangement of the Olympic flags and designs constituted a derivative work).

¹⁴⁰ *Id.*

¹⁴¹ *Klinger v. Conan Doyle Est., Ltd.*, 988 F. Supp. 2d 879, 891 (N.D. Ill. 2013) (noting that new aspects from the ten books about Sherlock Holmes that are still protected by copyright maintain some protection as to the new elements added).

¹⁴² *Id.* at 892.

¹⁴³ *McCutcheon*, *supra* note 6, at 155.

¹⁴⁴ *See id.*

elements that are original with the work.¹⁴⁵ This means that the copyright for the derivative work cannot offer any new protection to elements from the underlying work.¹⁴⁶ If a copyright for the derivative work is approved, the original copyright of the underlying work should remain unaffected.¹⁴⁷ However, Professor Jani McCutcheon, a law lecturer with The University of Western Australia, still fears that copyrights for derivative works and characters can virtually extend the copyrights of the underlying works via evergreening by making it harder to use expressions of characters from the public domain.¹⁴⁸ Because evergreening a copyright focuses on characters, the standard for character copyrights deserves some discussion in this paper.

B. CHARACTER COPYRIGHTS

As judicial and legislative history progressed, characters in a story eventually became protectable by copyright.¹⁴⁹ The 1909 Copyright Act likely enabled the copyrightability of characters by expanding copyright protection to all works of authorship.¹⁵⁰ The character will be protected by copyright if sufficiently original.¹⁵¹ However, copyright does not protect the name or general idea of the character.¹⁵² In a novel, for example, a valid character copyright will prevent possible infringers from stealing a character from a popular story and using it in their own story.¹⁵³ Two mainstream tests determine when a character deserves copyright protection: the “sufficiently delineated” test and the “story being told” test.

1. SUFFICIENTLY DELINEATED TEST

Perhaps the most dominant test is the one formulated by Judge Learned Hand, where the character must be sufficiently delineated

¹⁴⁵ *R. Ready Prod., Inc. v. Cantrell*, 85 F. Supp. 2d 672, 681 (S.D. Tex. 2000) (stating that copyrights for derivative works only cover the original elements of the claimant).

¹⁴⁶ *Russell v. Price*, 612 F.2d 1123, 1128 (9th Cir. 1979) (“Thus, although the derivative work may enter the public domain, the matter contained therein which derives from a work still covered by statutory copyright is not dedicated to the public.”).

¹⁴⁷ 17 U.S.C. § 103(b).

¹⁴⁸ *See McCutcheon*, *supra* note 6, at 158.

¹⁴⁹ *NIMMER*, *supra* note 125, § 2.12[A][2].

¹⁵⁰ *See id.*

¹⁵¹ U.S. COPYRIGHT OFFICE, COMPENDIUM OF U.S. COPYRIGHT OFFICE PRACTICES § 911 (3d ed. 2014).

¹⁵² *Id.*

¹⁵³ *NIMMER*, *supra* note 125, § 2.12[A][1].

in the story.¹⁵⁴ As Judge Hand pointed out, the less developed a character is, the less the character can be copyrighted.¹⁵⁵ The characters must be sufficiently distinct.¹⁵⁶ In *Nichols v. Universal Pictures Corporations*, the characters involved were a Jewish gentleman and his Irish lover.¹⁵⁷ The author did not develop the characters enough beyond those concepts and thus created mere “prototypes.”¹⁵⁸ Sufficiently delineated characters must more than stock characters; the author must fully develop them.¹⁵⁹

For instance, Superman is a sufficiently delineated character.¹⁶⁰ The Second Circuit found that Superman was distinct enough to command copyright protection, unlike the prototypical characters from the *Nichols* case.¹⁶¹ Additionally, the Second Circuit assumed in its holding that a character like Tarzan is a character sufficiently delineated to garner copyright protection and was thus not too indistinct to be a prototype character.¹⁶² Under the sufficiently delineated test, the court looks to see if the character has distinct qualities and is not merely a stock character like a “Jewish gentleman.”¹⁶³

2. STORY BEING TOLD TEST

The “sufficiently delineated” test arose in the Second Circuit, but the Ninth Circuit applies a more restrictive test: the “story being told” test.¹⁶⁴ The “Sam Spade Case” provides the standard that no character is protectable under copyright law unless the character

¹⁵⁴ *Id.* § 2.12[A][2].

¹⁵⁵ *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir. 1931).

¹⁵⁶ *Id.*

¹⁵⁷ *See id.* at 122.

¹⁵⁸ *See id.*

¹⁵⁹ *Id.*

¹⁶⁰ *See Warner Bros. Inc. v. Am. Broad. Companies Inc.*, 654 F.2d 204, 206, 211 (2d Cir. 1981) (considering an argument if ABC’s character, Hero, infringed on Warner Bros. Inc.’s Superman).

¹⁶¹ *See id.* at 206.

¹⁶² *See Burroughs v. Metro-Goldwyn-Mayer, Inc.*, 683 F.2d 610, 631 (2d Cir. 1982) (mentioning in their conclusion that while they do not assess the copyrightability of Tarzan, the court assumes he is a character with some copyright protection).

¹⁶³ *See Nichols*, 45 F.2d. at 119.

¹⁶⁴ NIMMER, *supra* note 125, § 2.12[A][3][a].

“constitutes the story being told” and is not just part of the story.¹⁶⁵ This case concluded that the famous detective character, Sam Spade from Dashiell Hammett’s work, cannot enjoy copyright protection.¹⁶⁶

The “story being told” test could exclude many characters from copyright protection, as they need to be “the story told,” rather than a distinct character in the story as prescribed by the “sufficiently delineated” test.¹⁶⁷ The “story being told” test appears to set forth a standard where a story is “devoid” of a plot, and the character constitutes all or a substantial portion of the work.¹⁶⁸ Under this strict standard, cases like *Bach v. Forever Living Prods. U.S., Inc.* represent a rare example where a character survives the “story being told” test.¹⁶⁹ In *Bach*, the character Jonathan Livingston Seagull met this standard because the story revolved solely around this character’s development.¹⁷⁰

While the “story being told” test appears to be the dominant test in the Ninth Circuit, the Ninth Circuit also recognizes the generally accepted standard under the *Nichols* case.¹⁷¹ Thus, Judge Hand’s “sufficiently delineated” test might be the more preferred standard for courts.¹⁷² Regardless of which test determines that a character garners copyright protection, copyrights expanded in a new area of coverage.

Because characters can receive copyright protection through some tests set by the courts, it stands to reason that new elements of characters should also receive some protection in derivative works.¹⁷³ However, those new elements of the characters should garner copyright production only if they surpass the low bar for the

¹⁶⁵ *Warner Bros. Pictures v. Columbia Broad. Sys.*, 216 F.2d 945, 950 (9th Cir. 1954) (considering the standard from *Nichols*, the court reasons that if a character is just a chessman in the game of telling the story, then the character does not deserve copyright protection).

¹⁶⁶ *Id.*

¹⁶⁷ NIMMER, *supra* note 125, § 2.12[A][3][a].

¹⁶⁸ *See Walt Disney Prods. v. Air Pirates*, 581 F.2d 751, 755 (9th Cir. 1978) (discussing the “story being told test” in their consideration for the holding).

¹⁶⁹ NIMMER, *supra* note 125, § 2.12[A][3][a].

¹⁷⁰ *Bach v. Forever Living Prods. U.S., Inc.*, 473 F. Supp. 2d 1127, 1136 (W.D. Wash. 2007) (reasoning that Jonathan Seagull garnered copyright protection because “[h]e is the title character in a book that is entirely about his development from an ordinary seagull to an extraordinary one.”).

¹⁷¹ *See* NIMMER, *supra* note 125, § 2.16[A].

¹⁷² *Id.*

¹⁷³ *See Klinger v. Conan Doyle Est., Ltd.*, 988 F. Supp. 2d 879, 891 (N.D. Ill. 2013).

modicum of creativity. With some case law focused on new aspects of characters, Professor McCutcheon theorizes that updated elements of characters in the derivative works could make it harder for creators to use characters in the underlying works, thus leading to the issue of evergreening.¹⁷⁴ In other words, the new traits in the characters could become numerous and make it harder for third parties to use the original expression of the character that is in the public domain.

IV. THE ORIGINS OF EVERGREENING IN PATENTS

To understand more about how evergreening can become an issue, I will discuss evergreening's emergence in patent law. Using evergreening in patent law as a model, I will further articulate how evergreening can be a problem in copyright law.

Evergreening is a “term of art” from the realm of patent law.¹⁷⁵ Unlike copyrights and trademarks, patents protect new and useful processes, machines, compositions of matter, ornamental designs for articles of manufacture, and varieties of plant.¹⁷⁶ The length of a normal patent is twenty years from the date of the application filing.¹⁷⁷ A patent includes the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States.¹⁷⁸

Patents are another statutory protection of intellectual property that monopolize an invention or process for a limited time.¹⁷⁹ This is akin to how copyrights offer a monopoly on a work of authorship for a limited time. This section discusses how evergreening is a problem in patent law and what the courts and Congress have done to combat it.

Evergreening patents has become problematic in the pharmaceutical industry.¹⁸⁰ One can evergreen a drug patent by filing multiple follow-on patents to cover trivial innovative advances.¹⁸¹ As of 2017, AbbVie has filed 247 patents for their drug

¹⁷⁴ See McCutcheon, *supra* note 6, at 158.

¹⁷⁵ See RICHARDS ET AL., *supra* note 8, at 2.

¹⁷⁶ 35 U.S.C. § 101.

¹⁷⁷ *Id.* § 154(a).

¹⁷⁸ See *id.* § 271.

¹⁷⁹ See *id.*

¹⁸⁰ Uri Y. Hacohen, *Evergreening at Risk*, 33 HARV. J. L. & TECH. 479, 484–87 (2020) (discussing the incentive for pharmaceutical companies to evergreen their patents for drugs).

¹⁸¹ *Id.* at 485.

Humira.¹⁸² The United States Patent and Trademark Office (“USPTO”) issued over 100 of those patents, and the potential combined legal protection of them could very well extend to 2034.¹⁸³ That protection would extend over three decades since the drug came on the market and nearly two decades after the lead patent for the drug had expired.¹⁸⁴

Evergreening a patent complicates the medical and pharmaceutical markets when other companies try to introduce generic variations of important drugs.¹⁸⁵ Evergreening would affect low-income people who need access to drugs that may only be available from one company and are thus prohibitively expensive.¹⁸⁶ While the follow-on patents cannot extend the length of the original patent, the protected new aspects of the follow-on patents make it harder for others to access the original patent.¹⁸⁷ Those who try to create generics based on an expired drug patent need to worry about infringing on a follow-up patent based on the expired patent.¹⁸⁸ If there are too many troublesome follow-up patents, a company might give up on making an affordable generic.¹⁸⁹ Courts and Congress appear to be addressing this issue.

For example, in *Indivior Inc. v. Dr. Reddy’s Laboratories, S.A.*, the court vacated a preliminary injunction against Dr. Reddy’s Laboratories.¹⁹⁰ Dr. Reddy’s Laboratories tried to create a generic and more affordable version of Indivior’s drug, Suboxone, and Indivior sued.¹⁹¹ The lawsuit focused on infringements of patents for the drying methods of the films used in relation to Suboxone.¹⁹² Indivior claimed that Dr. Reddy’s Laboratories’ generic drug would infringe on Indivior’s patent, ‘305, pertaining to drying methods related to Indivior’s Suboxone films.¹⁹³ However, Indivior based patent ‘305 off a previous patent, ‘514.¹⁹⁴ Patent ‘305 included only minor changes from Indivior’s earlier patent ‘514; the words “dried”

¹⁸² *Id.* at 486.

¹⁸³ *Id.*

¹⁸⁴ *Id.* at 486–87.

¹⁸⁵ *See id.* at 487.

¹⁸⁶ *See id.*

¹⁸⁷ *See id.*

¹⁸⁸ *See id.*

¹⁸⁹ *See id.*

¹⁹⁰ *Indivior Inc. v. Dr. Reddy’s Lab’ys, S.A.*, 752 F. App’x. 1024, 1025 (Fed. Cir. 2018) (holding that just changing the words of a patent is not distinct enough to garner a new patent).

¹⁹¹ *See Hacothen, supra* note 180, at 480.

¹⁹² *Indivior Inc.*, 752 F. App’x. at 1026.

¹⁹³ *Id.* at 1028.

¹⁹⁴ *Id.* at 1034.

and “drying” were changed to “continuously cast.”¹⁹⁵ Looking at the evidence, the court determined that Indivior would likely lose on the merits because their newer patent, ‘305, was indistinct from patent ‘514.¹⁹⁶ Indivior was attempting to evergreen its drug by claiming a small change in their drying methods constituted a valid patent.¹⁹⁷ Though courts are catching some obvious attempts at evergreening, some members of Congress feel that more action must be taken.

Currently, evergreening a patent appears to be a concern for some Congress members who proposed the Terminating the Extension of Rights Misappropriated Act of 2019 (“Term Act”).¹⁹⁸ This bill seeks to amend Title 35 to prevent double patenting, or evergreening.¹⁹⁹ It would require patent applicants to prove by a preponderance of the evidence that a new patent is distinct from any previous patent.²⁰⁰ The Term Act does not change the standard for patentability; it instead shifts the burden of proof for distinctness to the patent applicant rather than the USPTO.²⁰¹ However, members of Congress have only introduced the Term Act, and it currently rests in the hands of the Subcommittee on Courts, Intellectual Property, and the Internet.²⁰²

V. EVERGREENING IN COPYRIGHT LAW

So far, I have discussed how copyrights have expanded to protect derivative works and characters. I also included evergreening’s origins in patent law. I will now analyze how copyright holders can abuse updated elements of characters in derivative works, resulting in the evergreening of a copyright.

¹⁹⁵ *Id.*

¹⁹⁶ *Id.* at 1035.

¹⁹⁷ *See* Hacothen, *supra* note 180, at 480.

¹⁹⁸ *See* Terminating the Extension of Rights Misappropriated Act, H.R. 3199, 116th Cong. (1st Sess. 2019).

¹⁹⁹ *Id.*

²⁰⁰ *Id.*

²⁰¹ Christopher M. Holman, *Congress Should Decline Ill-Advised Legislative Proposals Aimed at Evergreening of Pharmaceutical Patent Protection*, 51 U. PAC. L. REV. 493, 520-21 (2020) (assessing the viability of current laws against evergreening).

²⁰² *All Actions H.R.3199 – 116th Congress (2019-2020)*, CONGRESS.GOV, <https://www.congress.gov/bill/116th-congress/house-bill/3199/all-actions> [https://perma.cc/W7B8-2LYD].

While patents experience evergreening issues in pharmaceuticals,²⁰³ copyright sees similar issues in the entertainment industry with regard to new elements of characters in derivative works.²⁰⁴ Like making the smallest changes possible to obtain a new patent based on the same drug, evergreening in copyright law requires just a modicum of creativity in the new expression of the character to garner copyright protection. This new trait could be found in the character copyright itself or as a part of the character's expression in a derivative work.²⁰⁵

Evergreening of both patents and copyrights purposely frustrates inventors and creators by increasing the chance that a third party's use of material in the public domain might infringe on a new patent or a derivative work.²⁰⁶ The following sections feature some cases where, if one re-evaluates some of the creators' intent, one could understand where evergreening could become problematic in the copyright realm, and that characters might not fully and fairly enter the public domain. Some examples require less imagination to recognize evergreening. Section A discusses the potential misuse of adding new physical traits to a character in a derivative work. Section B analyzes how the Conan Doyle Estate ("CDE") could be attempting to evergreen Sherlock Holmes. Section C discusses a tactic involving creating a derivative work with the purpose of making that new work the "definitive edition," which could be an attempt to evergreen depending on the intent of the creator. Finally, section D shows how later expressions of a character in a film could lead to confusion and could make a character in the public domain harder to use.

A. WARNER BROS. ENTERTAINMENT V. X ONE X PRODUCTIONS

Warner Bros. Entertainment v. X One X Productions demonstrates that using something in the public domain as a basis for a new product can still open doors to litigation with the concept

²⁰³ See *Indivior Inc. v. Dr. Reddy's Laboratories, S.A.*, 752 F. App'x. 1024, 1024 (Fed. Cir. 2018).

²⁰⁴ See McCutcheon, *supra* note 6, at 156.

²⁰⁵ See *id.*

²⁰⁶ See generally Jesse Kirkland, *A Not-Quite-Forever Copyright*, THE BLOG (Mar. 30, 2020), <https://blog.jipiel.law.nyu.edu/2020/03/a-not-quite-forever-copyright/> (discussing how later expressions of Mickey Mouse have created a legal landscape that will make it hard for people to use the original expression of Mickey Mouse that is entering the public domain soon) [<https://perma.cc/6XWS-66V5>].

of evergreening lurking in the background.²⁰⁷ More recent innovations, like films, sometimes add new and different features like the “back[s]” of characters.²⁰⁸ The defendant, AVELA, used a 2D poster from the public domain that depicted characters from the book, *The Wizard of Oz*, to create 3D busts and models of the characters.²⁰⁹ The Eighth Circuit concluded the busts and models infringed upon the new expression of the characters from the film adaptation of *The Wizard of Oz* by Warner Bros.²¹⁰ There, the film was a derivative work of the book and had some of its own copyright protection for the characters distinct from the depictions in the 2D poster.²¹¹

Derivative works do not extend the previous copyright but might keep the spirit of the copyright alive in new works. The film, *The Wizard of Oz*, introduced new elements that the posters from the public domain did not have: the “back[s]” of the characters. Warner Bros.’ depicting the backs of the characters appeared to pass the modicum of creativity needed for the film to garner some new copyright protection, though the case does not mention how.²¹² The publicity materials used by AVELA contained only the fronts of the characters, and thus only the frontal expressions of the characters were in the public domain.²¹³ When AVELA created the 3D models of the characters using just the 2D poster, the backs on the figures should have been blank or different from the film’s depiction.²¹⁴ However, AVELA, instead of creating their own design for the backs of the characters, decided to make figurines in accordance with the backs as depicted in the film assuming it would not pose a problem.²¹⁵ But the court concluded the backs of 3D models created by AVELA copied the film’s depiction of the characters, constituting copyright infringement.²¹⁶

Those who are not careful about what falls into the public domain could get into some trouble. One evergreening issue the case raises is this: What if all companies continually unveiled

²⁰⁷ See Warner Bros. Ent., Inc. v. X One X Prod., 644 F.3d 584, 604 (8th Cir. 2011) (holding that 3D busts and models based on a 2D poster contained an apparent taking from the film, *The Wizard of Oz*).

²⁰⁸ See *id.*

²⁰⁹ *Id.* at 603.

²¹⁰ *Id.*

²¹¹ *Id.*

²¹² *Id.*

²¹³ See *id.* at 602.

²¹⁴ *Id.* at 603.

²¹⁵ *Id.*

²¹⁶ *Id.* at 604.

copyrightable aspects of characters over time to frustrate those who might want to use works in the public domain? This hypothetical does not suggest Warner Bros. acted intentionally, but it shows how companies can act in such a manner. Suppose Warner Bros. was the original owner of the copyrights to the story of *The Wizard of Oz*. Would it not seem shady for them to slowly release derivative works containing new, almost trivial elements of the characters, like their backs?

Evergreening would be more apparent if first saw Warner Bros. releasing derivative works with minor updates that passed a modicum of creativity, and then policing those copyrights with a litigious demeanor and goal of stopping creators from using characters in the public domain. A combination of these scenarios would appear to result in evergreening.²¹⁷ The same method of staggering new elements also appears in a case featuring a very popular detective.

B. KLINGER V. CONAN DOYLE ESTATE, LTD. AND THE NETFLIX LAWSUIT

Klinger v. Conan Doyle Estate, Ltd. involves a character copyright and demonstrates how hard it is to use characters like Sherlock Holmes that have already fallen into the public domain, possibly opening up a theory for evergreening. In this case, Klinger created an anthology that included stories and characters from other authors he believed had entered the public domain.²¹⁸ Klinger did not believe he needed to pay the CDE for rights to use the estate's characters; but, the CDE asked for it, and Klinger paid for the license anyway.²¹⁹

The anthology was a success, so Klinger decided to write a sequel, and the CDE threatened the publishers of the sequel that if Klinger did not obtain another license, it would prevent distribution.²²⁰ In response, Klinger decided to sue for a declaratory judgment that he was free to use the fifty Sherlock Holmes stories already in the public domain but could not use the ten remaining books with active copyright protection.²²¹ The CDE argued that the characters were not complete until the later works were released,

²¹⁷ See McCutcheon, *supra* note 6, at 156.

²¹⁸ *Klinger v. Conan Doyle Est., Ltd.*, 755 F.3d 496, 497 (7th Cir. 2014) (holding that Klinger's anthologies only took elements of Sherlock Holmes that were in the public domain, but also noting that new elements of Sherlock Holmes in the books still protected by copyright held some protection as well).

²¹⁹ *Id.*

²²⁰ *Id.* at 497–98.

²²¹ *Id.* at 498.

but the Seventh Circuit rejected that argument, as it would revive the expired copyrights.²²² However, the court conceded that the later features of the characters could enjoy some copyright protection.²²³ Klinger prevailed as his work only included elements of Sherlock Holmes that were in the public domain.

While this case may seem like a loss for evergreening, the threat still exists. The CDE seems to be diligent in policing its rights. In fact, it managed to get Klinger to pay a licensing fee for the first anthology. That Klinger paid a licensing fee for a character already in the public domain is a sign that evergreening is still a possible danger. While Klinger ended up not having to pay a second licensing fee, any further sequels in his anthology could potentially contain infringements of the new elements of Sherlock Holmes that exist in the works still protected by copyright. The ten more recent books by Sir Arthur Conan Doyle do not extend the life of the copyrights for the books in the public domain, but they appear to create a barrier surrounding Sherlock Holmes in the expired works.²²⁴ Creators who fear their use of Sherlock Holmes will infringe on the works still protected by copyright might just buy a license they do not need.

Relying on the *Klinger* decision, the CDE claimed in 2020 that the Netflix film, *Enola Holmes*, infringed on a newer element of Sherlock Holmes.²²⁵ The CDE claimed the copyrights of the ten books still under copyright protection contained a warmer and more concerned Sherlock Holmes.²²⁶ If those new emotions or personalities did possess a modicum of creativity sufficient to represent new copyright protection, the CDE could have had a good case. However, the CDE and Netflix settled the case.²²⁷ Thus,

²²² *Id.* at 503.

²²³ *Id.* at 502.

²²⁴ See McCutcheon, *supra* note 6, at 156.

²²⁵ Adi Robertson, *Arthur Conan Doyle's Estate Sues Netflix*, THE VERGE (Jun. 25, 2020, 9:32 AM), <https://www.theverge.com/2020/6/25/21302942/netflix-enola-holmes-sherlock-arthur-conan-doyle-estate-lawsuit-copyright-infringement> (discussing the lawsuit from the estate of Sir Arthur Conan Doyle claiming that Netflix infringed on a “warmer” Sherlock Holmes still protected by copyright) [<https://perma.cc/VRK5-VR3M>].

²²⁶ *Id.*

²²⁷ Adi Robertson, *Netflix and Arthur Conan Doyle's Estate Dismiss Lawsuit*, THE VERGE (Dec. 21, 2020, 9:57 AM), <https://www.theverge.com/2020/12/21/22193330/netflix-enola-holmes-doyle-estate-sherlock-holmes-emotions-lawsuit-dismissed> (discussing the

though a settlement may indicate that the CDE did get some money out of this, there is no definitive answer on the merits.²²⁸

The dangers implicated by this lawsuit show that continual additions or increments of expression to characters can create a wall of confusion for those who want to use something in the public domain. It also creates opportunities for a litigious company to sue and get some money from an expired copyright. Even if a character is in the public domain, creators should be wary of small changes in the character that may seem trivial but contain a modicum of change.

Companies also can potentially evergreen characters that are not people.²²⁹ In the case of *DC Comics v. Towle*, the Ninth Circuit held that “characters” like the Batmobile can garner copyright protection.²³⁰ Even when the original expression of the Batmobile enters the public domain, creators still must worry about not infringing on newer increments of expression of the Batmobile.²³¹ Thus, the dangers of evergreening are present in not just human characters, but also in cars that cannot talk.²³²

As for animal characters like Mickey Mouse, the original expression that is black and white with no gloves will enter the public domain in 2024.²³³ But those who wish to use the “original Mickey Mouse” for their own derivative work should be aware that the copyright for the first expression of Mickey Mouse with gloves does not expire until 2025.²³⁴ *Fantasia*’s expression of Mickey Mouse as a sorcerer is protected by copyright until 2036.²³⁵ When *Steamboat Willie* enters the public domain, redistributing the movie will not be an issue, but any alterations of the “original Mickey Mouse” for the purpose of a derivative work need to steer clear of later additions to the mouse, even if it involves just adding gloves.²³⁶

Derivative works keep the spirit of the expired copyright alive when others are not sure if their creative work will infringe on any other works the original author made due to incremental changes

dismissal of the lawsuit by the estate of Sir Arthur Conan Doyle while alluding to the fact there could have been a settlement) [<https://perma.cc/2N3T-PXCC>].

²²⁸ *Id.*

²²⁹ See *DC Comics v. Towle*, 802 F.3d 1012, 1021–22 (9th Cir. 2015) (showing that characters’ copyrights may extend to iconic vehicles and is not limited to just living characters).

²³⁰ *Id.*

²³¹ See *id.*

²³² See *id.*

²³³ Hennessey, *supra* note 54, at 29.

²³⁴ *Id.*

²³⁵ *Id.*

²³⁶ See *id.*

and will thus buy licenses they do not need.²³⁷ This danger of evergreening can occur with human characters like Sherlock Holmes, cars like the Batmobile, and animals like the anthropomorphic Mickey Mouse.

C. ANOTHER METHOD OF EVERGREENING A COPYRIGHT

Another method of evergreening a character could be creating a remake and hoping it will be the “definitive version.”²³⁸ This might be more of a business strategy than a legal argument, but is still a form of evergreening as remakes may affect the public domain.²³⁹ The goal of creating a new “definitive version” is that the new, unique expression of the main character could become more popular than the original expression.²⁴⁰ The new expression becoming the definitive version, or true version, would likely mean that third parties may only find value in the newer edition and not bother looking at the underlying work.²⁴¹

Universal Pictures performed this feat with an expression of Frankenstein’s monster.²⁴² Mary Shelley described the monster vaguely enough that it left the visual depiction of the monster up to interpretation.²⁴³ People now associate the monster’s visual depiction with the expression from the film by Universal Pictures.²⁴⁴ Exclusive rights by Universal Pictures to use the film’s expression of Frankenstein’s monster extend until 2027 despite the underlying work being in the public domain for quite some time.²⁴⁵

As discussed earlier, copyright protection only covers newly added features in derivative works. But these new features have the potential to cover most of the new expression, as seen with Frankenstein’s monster.²⁴⁶ If a company can reinvent its character enough causing the new expression to take over as the most popular depiction of the character, then the company has technically extended the spirit of the original work’s copyright.²⁴⁷ In other

²³⁷ See McCutcheon, *supra* note 6, at 158.

²³⁸ Hennessey, *supra* note 54, at 31.

²³⁹ See *id.*

²⁴⁰ See *id.*

²⁴¹ See *id.* at 31.

²⁴² *Id.*

²⁴³ *Id.*

²⁴⁴ *Id.*

²⁴⁵ *Id.*

²⁴⁶ See *id.*

²⁴⁷ See Kirkland, *supra* note 206 (arguing that derivative works create a legal landscape for those who want to use characters in the public domain).

words, companies like this are excising their copyright benefits and popularity from one expression and implanting them in a newer expression. If that company had the sole intent of financial gain rather than advancing the arts, making the new expression of the character the “definitive edition” is probably just another method of evergreening.

D. METRO-GOLDWYN-MAYER, INC. v. AMERICAN HONDA MOTORS CO.

Even when the original expression for Ian Fleming’s James Bond character enters the public domain, the later film expression of the character could cause some problems.²⁴⁸ *Metro-Goldwyn-Mayer, Inc. v. American Honda Motors Co.* demonstrates how a film’s portrayal of a character can become the dominant expression of that character, and how creators wanting to use the character from the public domain might not realize that they infringed on a derivative work.

Honda decided to release a commercial using a character that resembled Metro-Goldwyn-Mayer’s (“MGM”) depiction of James Bond.²⁴⁹ The character in the commercial featured an actor, who paralleled James Bond, engaged in a helicopter chase scene with background music similar to the James Bond theme.²⁵⁰ Thus, MGM sued seeking a preliminary injunction and claimed that Honda’s commercial infringed on its expression of James Bond in MGM’s sixteen films that depicted the promiscuous agent.²⁵¹ Though Honda claimed that MGM did not own the rights to the James Bond character,²⁵² MGM only argued that the commercial infringed on their expression of the character in the films. The court concluded MGM owned copyrights to the James Bond character as expressed and delineated in MGM’s sixteen films.²⁵³ The court further found that there was a triable issue of fact and granted the preliminary injunction.²⁵⁴

Rather than infringing on the expression of James Bond from the books, Honda’s advertisement infringed on the depiction of

²⁴⁸ See Rosenblatt, *supra* note 98, at 589 (alluding to the “definitive edition” theory of evergreening as mentioned in the previous section).

²⁴⁹ *Metro-Goldwyn-Mayer, Inc. v. American Honda Motors Co.*, 900 F. Supp. 1287, 1291–92 (C.D. Cal. 1995) (holding that Honda’s commercial is likely an infringement on MGM’s film depiction of James Bond, rather than the original character from the books).

²⁵⁰ *Id.* at 1292.

²⁵¹ *Id.*

²⁵² *Id.* at 1293.

²⁵³ *Id.* at 1303.

²⁵⁴ *Id.* at 1304.

James Bond in MGM's films.²⁵⁵ MGM's films depicted James Bond in action and comedy spy thrillers.²⁵⁶ Honda mimicked those film's visual depictions with a commercial that exploited similar action and music from the MGM films.²⁵⁷

This case demonstrates evergreening where a character's depiction in film, rather than earlier literary depictions, becomes the dominant expression of the character.²⁵⁸ When Honda's employees thought of the idea for the James Bond commercial, they appeared to use the films' depictions as inspiration rather than literary depictions, potentially without realizing it.²⁵⁹ The books depicting James Bond obviously do not possess the same visual effects and epic background music. When the original depiction of Ian Fleming's James Bond character enters the public domain, those who wish to use the character should be cautious not to base their use on film depictions. The case of *Metro-Goldwyn-Mayer* seems to say the film's depiction is how everyone imagines James Bond.²⁶⁰ By creating a new dominant expression of James Bond, MGM has made it harder for James Bond to enter the public domain because people might accidentally refer to the film expression rather than the literary expression.²⁶¹ It is hard to argue that what MGM has done is evergreening. However, if MGM purposely created more depictions with money as their primary goal and the intention of making it harder to use the original expression of James Bond, then evergreening might be present.

VI. DEALING WITH THE THREAT OF EVERGREENING

This discussion of evergreening in copyright law required some additions of litigious characteristics to the copyright holder to show how evergreening can be a problem. However, some of the referenced cases featured a copyright holder who properly protected a derivative work. Also, "definite editions" might be a problem only for those ignorant of the obvious changes to a character's expression. Evergreening a character copyright might not currently pose a problem, and we will need to wait and see how quietly companies

²⁵⁵ Rosenblatt, *supra* note 98, at 588–89.

²⁵⁶ *Id.*

²⁵⁷ *Metro-Goldwyn-Mayer, Inc. v. Am. Honda Motors Co.*, 900 F. Supp. 1287, 1292 (C.D. Cal. 1995).

²⁵⁸ Rosenblatt, *supra* note 98, at 588–89.

²⁵⁹ *See Metro-Goldwyn-Mayer, Inc.*, 900 F. Supp. at 1292.

²⁶⁰ *See Rosenblatt, supra* note 98, at 589.

²⁶¹ *See id.*

let their characters like Mickey Mouse or even Captain America enter the public domain.²⁶²

However, evergreening could become an issue if characters are not fully and fairly entering the public domain because of small incremental changes to the character.²⁶³ The *Klinger* case and Sherlock Holmes controversy best indicate that evergreening a character copyright is an imminent problem. The genuine issue of evergreening is contingent on some bad rulings from the Seventh Circuit regarding granting copyright protection to increments of expression.²⁶⁴ Section A discusses how the Seventh Circuit's "increments of expression" standard could lead to public frustration, and how wrongful intent of a derivative work could make evergreening a real issue. In section B, I propose how courts should rule in cases like the Sherlock Holmes Netflix lawsuit to prevent potential abuse of incremental changes to characters in derivative works.

A. BECOMING A REAL AND CURRENT PROBLEM

An abuse of incremental changes to characters might anger the people and frustrate the purpose that Congress has for the Copyright Clause: the advancement of the useful arts.²⁶⁵ The frustration of those who want to use characters in the public domain may cause genuine concern.²⁶⁶ Also, the purpose of derivative works could shift to financial gain, which should only be incidental to the advancement of the useful arts.²⁶⁷

If, in the future, the Seventh Circuit interprets "increments of expression" to include new emotions or minor changes—such as "the character likes dogs now"—as garnering copyright protection without a proper standard for how this occurs, evergreening could pose a problem.²⁶⁸ Also, if the other circuits or the Supreme Court adopt such a ruling, the "increments of expression" standard could be a ticking time bomb for lawsuits over small changes found in derivative works once more famous characters enter the public

²⁶² See Lee, *supra* note 4.

²⁶³ Kirkland, *supra* note 206.

²⁶⁴ See McCutcheon, *supra* note 6, at 155–57; cf. Rosenblatt, *supra* note 98, at 562–67.

²⁶⁵ See *Golan v. Holder*, 565 U.S. 302, 324 (2012).

²⁶⁶ See Kirkland, *supra* note 206.

²⁶⁷ See *Berlin v. E.C. Publ'n, Inc.*, 329 F.2d 541, 543–44 (2d Cir. 1964) ("[C]opyright protection is designed 'To promote the Progress of Science and useful Arts,' and the financial reward guaranteed to the copyright holder is but an incident of this general objective, rather than an end in itself.").

²⁶⁸ See McCutcheon, *supra* note 6, at 154–56.

domain.²⁶⁹ As previously mentioned, the CDE sued Netflix over a warmer Sherlock Holmes.²⁷⁰ Should more cases like this arise before courts explain how traits are copyrightable, users of characters in the public domain could become exhausted trying to distinguish all the slight variations of a character covered by copyright.²⁷¹ Further, companies could use tiny, incremental changes in their characters to create an intellectual property shield around characters entering the public domain. This could disincentivize creators from wanting to use what should fairly be in the public domain.

Additionally, laypeople may be unaware of the extent of rights in other derivative works and may believe they can do whatever they want with a character from the public domain.²⁷² They could potentially step on an intellectual property landmine, resulting in cease and desist orders and lawsuits based on small aspects of the character from derivative works.²⁷³ These intellectual property landmines could also potentially lead to concern from the public on the ridiculous amount of other derivative works they must step around.²⁷⁴

Also, companies purposely creating derivative works to protect financial potential in a character from an underlying work goes against the public domain's purpose.²⁷⁵ The Copyright Clause seeks to encourage creators to innovate by using what falls into the public domain.²⁷⁶ But how can those in the entertainment industry innovate if companies over-create derivative works to drain every last penny out of their copyrights?

The financial gain of copyright holders is only incidental to the general objective of promoting the sciences and arts.²⁷⁷ If the courts allow simple additions of emotions as copyrightable traits, large corporations will use their resources to constantly pump out derivative works. They could also potentially abuse the right to

²⁶⁹ *See id.*

²⁷⁰ *See* Robertson, *supra* note 225.

²⁷¹ *See* Klinger, *supra* note 218, at 501.

²⁷² *See* McCutcheon, *supra* note 6, at 158.

²⁷³ *See* Lee, *supra* note 4.

²⁷⁴ *See id.*

²⁷⁵ *See* Luck's Music Libr., Inc. v. Ashcroft, 321 F. Supp. 2d 107, 112 (D.D.C. 2004) (reasoning that the intent of the IP clause is to allow people to access the works of others when the copyright protection expires and the work enters the public domain).

²⁷⁶ *Id.*

²⁷⁷ *See* Berlin v. E.C. Publications, Inc., 329 F.2d 541, 543–44 (2d Cir. 1964).

derivative works by releasing many new derivative works when the underlying work is about to expire. This scenario would discourage those who would like to innovate on a character in the public domain due to the possibility it will be impossible to know if another derivative work would infringe on something else.²⁷⁸ Abusing derivative works for financial gain does not advance the useful arts. Courts should carefully rule on cases to prevent trivial “increments of expression” from gaining copyright protection, thus preventing evergreening from becoming a major issue.

B. ACTION BY THE COURTS

One careless ruling could make evergreening a problem.²⁷⁹ If another lawsuit like the one over a warmer Sherlock Holmes arises, then hopefully courts can rule on the merits and provide guidance on how the new traits added as “increments of expression” should garner copyright protection.²⁸⁰ *Feist* provides a low bar for derivative works, but courts are in a position where they can help figure out what really musters the originality needed.²⁸¹ Accordingly, courts may nudge up the originality required by statute to constitute a derivative work or a protectable “increment of expression.”²⁸² A careful test that does not allow trivial traits to be copyrighted could help prevent abuse of derivative works.²⁸³ It may also lend some support to those who want to use characters from the public domain. It could also disincentivize companies from over-creating derivative works solely for monetary gain and frustrating those who want to use characters in the public domain.

If the Seventh Circuit rules on the merits in a case like the recent Netflix lawsuit, it could create a test that might prevent evergreening from becoming a major problem, especially if that test is adopted by other circuits or the Supreme Court. The CDE sued Netflix, claiming that the warmer Sherlock Holmes in the film, *Enola Holmes*, infringed on a warmer Sherlock Holmes still protected by copyright.²⁸⁴ The Seventh Circuit previously held that newer traits of Sherlock Holmes from the ten more recent books do deserve copyright protection, but they went no further than that declaration.²⁸⁵ If the opportunity arises, the Seventh Circuit could

²⁷⁸ See Kirkland, *supra* note 206.

²⁷⁹ See McCutcheon, *supra* note 6, at 155.

²⁸⁰ See Miller, *supra* note 124, at 486.

²⁸¹ *Id.*

²⁸² *Id.*

²⁸³ *Id.*

²⁸⁴ Robertson, *supra* note 225.

²⁸⁵ See *Klinger v. Conan Doyle Est., Ltd.*, 755 F.3d 496, 502 (7th Cir. 2014).

create a test to determine how new traits like a warmer personality or a second marriage can gain copyright protection as an “increment of expression.” I propose the following language of the test as such:

A new trait of a character in a derivative work will only garner copyright protection as a new expression of said character if it satisfies two requirements. First, the trait must be genuinely new to the character in said derivative work. Second, the new trait must contribute to the story in some manner in said derivative work.

Placing the burden of proof on the derivative work’s owner with the new trait in question, that party must show the legitimacy of the trait. Using the Netflix case as an example, the CDE would need to prove that Sherlock Holmes never expressed a warmer personality before, and his new trait somehow contributed to the story in a non-trivial manner. If Sherlock Holmes is simply a warmer person and it in no way affects his relationships or the story, then it is trivial and not a copyrightable “increment of expression.” Conversely, a warmer Sherlock Holmes may be a noticeable change from his previous expression and could affect his relationship with other characters and help him solve a case. In that case, a warmer Sherlock Holmes should garner copyright protection.

If such a test is adopted, those who want to use a character in the public domain could apply this test as a preemptive tool in determining what new traits in a derivative work might be protected by copyright. Though this creates some work for those who want to use characters from the public domain, a new rule determining when additional traits are copyrightable should not create a free pass for creators to use characters in the public domain as they please. The test will be a tool that will help creators decipher what newer traits of characters might be protectable, allowing them to assess the risk that their potential derivative work might infringe on another derivative work. The public domain exists to help progress the sciences and the useful arts.²⁸⁶ This test could further that purpose by helping creators analyze derivative works and underlying works so they can properly use characters from the public domain.

This test for traits as copyrightable “increments of expression” could also help balance the number of derivative works being created. A real threat of evergreening would involve companies

²⁸⁶ See *Luck’s Music Libr., Inc. v. Ashcroft*, 321 F. Supp. 2d 107, 112 (D.D.C. 2004).

creating a slew of derivative works with almost trivial additions to the characters.²⁸⁷ However, this test will help make that harder by requiring the trait to be genuinely new and having some effect on the story. The litigious company could not add a new emotional expression to a character and automatically expect copyright protection. The company will have the burden of showing how the new trait connects to the story. Thus, this test will ensure that companies are truly adding original creativity to the derivative work.

This solution to the problem of evergreening does not address the issue that new “definitive editions” might make it harder for characters to enter the public domain. However, Professor McCutcheon’s concern with evergreening rests more on smaller changes to characters.²⁸⁸ The test I proposed can help cure that concern by making it harder to garner copyright protection by making incremental changes to characters. The test also gives potential users of the public domain the ability to detect smaller copyrightable traits. “Definitive editions” as a method of evergreening a copyright by itself would probably be a *de minimis* threat to the public domain because the changes involved in a new “definitive edition” are easier to detect than smaller “increments of expression.”²⁸⁹ Closely monitoring the copyrightability of incremental changes to characters could prevent evergreening from becoming a problem overall.²⁹⁰

CONCLUSION

Copyrights in the United States have certainly evolved over time. They began as short terms for copyrights of books, but now they can cover expressions of the Batmobile for the life of the author plus seventy years. However, derivative works have unintentionally opened the door for the possibility of companies to “artificially enlarge[]” copyrights when companies update characters.²⁹¹ Evergreening could make it harder for others to use characters that will soon enter the public domain if we do not address the requirement for new incremental character traits in derivative works.²⁹²

But we may need to wait until more popular characters—not just Mickey Mouse—enter the public domain to see how courts will react. We also must wait for the right case to come along for courts

²⁸⁷ See McCutcheon, *supra* note 6, at 156.

²⁸⁸ *Id.* at 158.

²⁸⁹ See Rosenblatt, *supra* note 98, at 585.

²⁹⁰ Cf. McCutcheon, *supra* note 6, at 156–58.

²⁹¹ *Id.*

²⁹² *Id.*

to properly determine which traits are copyrightable as “increments of expression.” Evergreening of a character might just be a natural side effect of the right to be creative, but it may also lead to detrimental effects on the advancements of the arts and science if left unchecked.

SPORTS & ENTERTAINMENT LAW JOURNAL

ARIZONA STATE UNIVERSITY

VOLUME 12

FALL 2022

ISSUE 1

WITH GREAT POWER COMES GREAT RESPONSIBILITY: CITIZENS' RIGHT TO RECORD LAW ENFORCEMENT IN THE DIGITAL AGE

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ABSTRACT

In the wake of George Floyd's murder, American citizens have increasingly begun recording law enforcement officers working in their official capacities. In response, some law enforcement officers have played copyrighted music during encounters in an attempt to trigger takedowns of any footage citizens later post online. In at least one incident, an officer admitted his agency directed him to play copyrighted music on his phone for that purpose.

This Note examines whether law enforcement officers' strategic use of this tactic violates citizens' First Amendment right to record and constitutes DMCA takedown abuse, and if that conduct should result in legal liability under existing case law. This Note also proposes legislative solutions banning overly aggressive automated takedowns and providing a fair use exception for content creators' recordings of law enforcement officers publicly conducting their official duties.

INTRODUCTION

On May 25, 2020, Darnella Frazier video recorded Officer Derek Chauvin's murder of George Floyd, and later posted the recording to Facebook.¹ Ms. Frazier was awarded a 2021 Pulitzer Prize for "courageously recording the murder of George Floyd, a video that spurred protests against police brutality around the world, highlighting the crucial role of citizens in journalists' quest for truth and justice."² Since George Floyd's murder, "[f]ilming the police has become a popular accountability tool that is simultaneously essential and dangerous",³ the objective being to hold law enforcement responsible for effectively and ethically serving and protecting the public, all while treating citizens fairly.

The First Amendment protects people who gather and share information, especially when it is about official misconduct and advances government

¹ Joshua Nevett, *George Floyd: The Personal Cost of Filming Police Brutality*, BBC (June 11, 2020), <https://www.bbc.com/news/world-us-canada-52942519>.

² *Darnella Frazier: The 2021 Pulitzer Prize Winner in Special Citations and Awards*, THE PULITZER PRIZES, <https://www.pulitzer.org/winners/darnella-frazier> (last visited Sept. 5, 2022).

³ Abby Ohlheiser, *The Tactics Police Are Using to Prevent Bystander Video*, MIT TECH. REV. (Apr. 30, 2021), <https://www.technologyreview.com/2021/04/30/1024325/police-video-filming-prevention-tactics/>.

accountability. Police body cameras point towards the public, effectively surveilling those already being policed. The civilian's camera, by contrast, is appropriately pointed towards the officer. ... Police officers *know* that when they use their extraordinary powers, the public has the right to watchdog and record them. When the police violate that right, the public must be able to hold them accountable.⁴

Law enforcement officers have used a number of tactics to prevent themselves from being filmed, including “physically blocking a camera with their bodies, and ‘threatening, intimidating, [and] harassing the people who are using video cameras.’”⁵ But, where traditional methods fail, some law enforcement officers now employ an unconventional maneuver: playing copyrighted music on their smartphones during filmed encounters to trigger algorithmic takedowns from online platforms.⁶ Media outlets have reported on at least four occasions where law enforcement officers have used this tactic,⁷ but likely many more similar incidents remain undisclosed.

⁴ Mukund Rathi, *EFF to Federal Appeals Courts: Hold Police Accountable for Violating Civilians’ Right to Record*, ELEC. FRONTIER FOUND. (Dec. 13, 2021) (emphasis added), <https://www.eff.org/deeplinks/2021/12/eff-federal-appeals-courts-hold-police-accountable-violating-civilians-right-0>.

⁵ Ohlheiser, *supra* note 3.

⁶ Morgan Sung, *Cops Are Playing Music During Filmed Encounters to Game YouTube’s Copyright Striking*, MASHABLE (July 1, 2021), <https://mashable.com/article/police-playing-music-copyright-youtube-recording>.

⁷ See Dexter Thomas, *New Video Shows Beverly Hills Cops Playing Beatles to Trigger Instagram Copyright Filter*, VICE MEDIA GRP. (Feb. 11, 2021, 7:34 PM), <https://www.vice.com/en/article/bvxa7q/new-video-shows-beverly-hills-cops-playing-beatles-to-trigger-instagram-copyright-filter>; Ian Spiegelman, *Activists Say Beverly Hills Cops Are Playing Music to Keep Themselves Off Instagram*, L.A. MAG. (Feb. 10, 2021), <https://www.lamag.com/citythinkblog/beverly-hills-cops-sublime/>; Dexter Thomas, *It Sure Looks Like This Cop Played Country Music to Avoid Being Filmed*, VICE MEDIA GRP. (Mar. 2, 2021, 1:31 PM), <https://www.vice.com/en/article/wx89kn/it-sure-looks-like-this-cop-played-country-music-to-avoid-being-filmed>; Melissa Hernandez, *Alameda County Deputy Blares Taylor Swift Song During Encounter with Protesters*, L.A. TIMES (July 2, 2021, 1:28 PM PST),

This Note discusses potential legal liability for officers' use of this tactic by analyzing these incidents in light of Third and Ninth Circuit case law. This Note concludes this tactic constitutes a flagrant violation of citizens' First Amendment right to record law enforcement officers because these recordings occurred on public property and were intended to complement the news media's role. Moreover, these officers took affirmative steps to prevent dissemination of the recordings. This tactic also amounts to Digital Millennium Copyright Act ("DMCA") takedown abuse because the officers involved deliberately chose to play well-known music during the recording, demonstrating a bad faith attempt to trigger algorithmic takedowns while likely knowing those algorithms cannot accurately determine fair use.

This Note also proposes legislative solutions targeting copyright law which would further police accountability reform efforts. First, circuit court case law and First Amendment scholarship lend support to a heightened standard for newsworthiness which would modify overly aggressive automated takedown standards currently in place. This solution proposes some regulation of social media platforms, which is arguably justified under these circumstances. Second, recognizing an overriding public interest in newsworthy, educational recordings, Congress could create a new fair use exception allowing citizens to post recordings of law enforcement officers working in their official capacities regardless of whether they contain infringing material. This solution also suggests the creation of a mechanism allowing content creators to flag their own online recordings of law enforcement officers working in their official capacities as a fair use exception.

This Note proceeds in three parts. Part I presents background information on circuit courts' recognition of citizens' First Amendment right to record; copyright law, including DMCA and notice and takedown procedures; and several instances where officers have used this tactic in an attempt to keep citizens' recordings offline. Part II analyzes recent incidents in light of *Fields v. City of Philadelphia* and *Lenz v. Universal Music Corp.*, and explains why this tactic violates citizens' First Amendment right to record and amounts to DMCA takedown abuse. Part III concludes this Note by calling for copyright law reform and offering two solutions which would better serve to protect citizens' First Amendment rights and further recent police accountability reform efforts: legislation banning overly aggressive automated takedowns,

and a new fair use exception shielding protected speech from online removal.

I. BACKGROUND

A. THE FIRST AMENDMENT AND CITIZENS' RIGHT TO RECORD LAW ENFORCEMENT

1. *RECOGNIZING A RIGHT TO RECORD LAW ENFORCEMENT*

In recent years, video recording advancements have effected courts' recognition of a First Amendment right to record matters of public interest. The First Amendment provides Congress shall make no law "abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble[.]"⁸ In 1987, the Supreme Court recognized the First Amendment protects most verbal criticism and challenges directed at law enforcement.⁹ Simultaneously, portable cameras became more compact and easier to use during the late 1980s and early 1990s, thus growing in popularity among the public.¹⁰ Consequently, everyday consumers could regularly record footage in public. Soon after, the Ninth Circuit recognized citizens' right to record matters of public interest.¹¹ Presently, police departments across the nation, often with the U.S. Department of Justice's input, are developing policies addressing and supporting the First Amendment right of civilians to observe, record, and share police activity.¹²

2. *MOST CIRCUIT COURTS RECOGNIZE THE RIGHT TO RECORD LAW ENFORCEMENT*

Not all circuit courts recognize a First Amendment right to record law enforcement. However, over half the circuit courts have ruled "[r]ecording governmental officers engaged in public duties is a form of speech through which private individuals may gather and disseminate information of public concern, including the conduct of

⁸ U.S. CONST. amend. I.

⁹ See *City of Hous. v. Hill*, 482 U.S. 451 (1987) (holding that a city ordinance making it unlawful to interrupt law enforcement during performance of their official duties was unconstitutionally overbroad).

¹⁰ Olivia Harlow, *History of the Camcorder*, ANALOG: A LEGACYBOX BLOG, <https://legacybox.com/blogs/analog/history-of-the-camcorder> (last visited Nov. 11, 2021).

¹¹ *Fordyce v. City of Seattle*, 55 F.3d 436, 439 (9th Cir. 1995).

¹² *Fields v. City of Phila.*, 862 F.3d 353, 358 (3d Cir. 2017).

law enforcement officers.”¹³ Moreover, recording police activity is generally accepted so long as that person is not interfering with policing operations or trespassing.¹⁴

Every odd-numbered circuit court has upheld citizens’ First Amendment right to record police activity in public.¹⁵ In *Fields v. City of Philadelphia*, plaintiffs brought section 1983 excessive force claims against the City and police officers alleging “the officers illegally retaliated against them for exercising their First Amendment right to record public police activity[.]”¹⁶ One plaintiff was a legal observer who, without interfering with police, attempted to record an arrest when an officer “pinned her against a pillar for one to three minutes,” preventing her from observing or recording the arrest.¹⁷ The other plaintiff was a college student who photographed police breaking up a house party from fifteen feet away when an officer ordered him to leave, subsequently arrested him, confiscated his phone, and detained him.¹⁸ Both plaintiffs offered evidence showing the police department’s official policies recognized their First Amendment right to record police activity.¹⁹

The *Fields* court held “the First Amendment protects the act of photographing, filming, or otherwise recording police officers conducting their official duties in public[.]” reasoning technological progress has allowed for increased “observation, recording, and

¹³ Lauren Regan, *Policing the Police: Your Right to Record Law Enforcement*, C.L. DEF. CTR. (Apr. 21, 2015), <https://cldc.org/policing-the-police/> (citing *Glik v. Cunniffe*, 655 F.3d 78, 82 (1st Cir. 2011)).

¹⁴ *Id.*

¹⁵ See *Project Veritas Action Fund v. Rollins*, 982 F.3d 813, 831 (1st Cir. 2020) (affirming the “particular significance of First Amendment newsgathering rights with respect to government”) (internal quotation marks and citations omitted); see also *Turner v. Driver*, 848 F.3d 678, 690 (5th Cir. 2017) (“This right [to record the police], however, ‘is not without limitations.’ Like all speech, filming the police ‘may be subject to reasonable time, place, and manner restrictions.’ In this case, however, we need not decide which specific time, place, and manner restrictions would be reasonable.”) (quoting *Glik v. Cunniffe*, 655 F.3d at 84); *Am. C.L. Union of Ill. v. Alvarez*, 679 F.3d 583, 606 (7th Cir. 2012) (noting that the court need not address surreptitious recordings or recordings of private conversations); *Fordyce*, 55 F.3d at 439 (stating that the Washington Supreme Court had not yet interpreted whether its wiretapping statute governs private conversations); *Smith v. City of Cumming*, 212 F.3d 1332, 1333 (11th Cir. 2000) (recognizing the First Amendment right to record but not defining its scope).

¹⁶ *Fields*, 862 F.3d at 356.

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Id.*

sharing of police activity,” which has “contributed greatly to our national discussion of proper policing[,]” and “police departments nationwide . . . are developing policies addressing precisely these issues[.]”²⁰ The court further noted the right of the public and press to have access to information about officials’ public activities is “particularly important because it leads to citizen discourse on public issues, ‘the highest rung of the hierarchy of First Amendment values, and is entitled to special protection.’”²¹ Finally, the court explained the recordings themselves supply many benefits, including providing different perspectives, filling gaps when police do not use their body cameras or withhold footage from the public, complementing the news media’s role, adding a first-person perspective to news coverage, helping police departments identify and discipline problem officers, and helping to exonerate officers charged with wrongdoing.²²

One even-numbered circuit court has recognized citizens’ First Amendment right to record. In July 2022, the Tenth Circuit in *Irizarry v. Yehia* joined the odd-numbered circuit courts in their previous decisions upholding the public’s right to record government officials publicly performing their official duties.²³

B. COPYRIGHT LAW AND THE DMCA

1. *THE DIGITAL MILLENNIUM COPYRIGHT ACT*

In 1998, Congress passed the DMCA, codified in section 512 of the Copyright Act, which provides a safe harbor for an internet service provider (“ISP”) who satisfies certain conditions.²⁴ An ISP may avoid liability by (1) having no knowledge of the infringement (and once gaining the knowledge, promptly removing the content), (2) having no financial benefit (where the ISP has the right and ability to control the infringing activity), and (3) adhering to notice and takedown procedures by “expeditiously removing infringing content when a copyright owner notifies the ISP of the infringement.”²⁵

²⁰ *Id.* at 356, 358.

²¹ *Id.* at 359.

²² *Id.* at 359-60.

²³ See *Irizarry v. Yehia*, 38 F.4th 1282 (10th Cir. 2022).

²⁴ Digital Millennium Copyright Act, 17 U.S.C. § 512.

²⁵ NED SNOW, INTELLECTUAL PROPERTY: A SURVEY OF THE LAW 521 (2d ed. 2020).

2. NOTICE AND TAKEDOWN PROCEDURES ON YOUTUBE AND INSTAGRAM

Notice and takedown procedures have become “a prominent standard of online copyright enforcement.”²⁶ In recent years, copyright holders have used automated algorithms to track online infringements and to automatically file takedown notices with online mediators.²⁷ For example, YouTube’s “Content ID can notify rights holders whenever a newly uploaded video matches a work that they own.”²⁸ Rights holders can then choose to block or remove the content, share information, or monetize the content.²⁹ Moreover, Instagram “has been increasingly strict on posting copyrighted material. Any video that contains music, even if it’s playing in the background, is potentially subject to removal by Instagram.”³⁰ Subject to DMCA guidelines, both social media platforms allow people who post allegedly infringing content to challenge Content ID and Instagram takedowns and attempt to restore their content.³¹ However, many agree YouTube’s and Instagram’s takedown methods are subject to abuse and exploitation.³²

The Ninth Circuit recognized and addressed a potential for DMCA takedown abuse. In *Lenz v. Universal Music Corp.*, the plaintiff uploaded a video of her child dancing to Prince’s “Let’s Go Crazy” onto YouTube.³³ The recording lasted a few seconds with

²⁶ Sharon Bar-Ziv & Niva Elkin-Koren, Article, *Behind the Scenes of Online Copyright Enforcement: Empirical Evidence on Notice & Takedown*, 50 CONN. L. REV. 339, 342 (2018).

²⁷ Joe Karaganis & Jennifer Urban, *The Rise of the Robo Notice*, 58 COMM’NS ACM 28, 28-30 (2015).

²⁸ Bar-Ziv & Elkin-Koren, *supra* note 26, at 352; *see also* YouTube Help, YouTube Content ID, YOUTUBE (Sept. 28, 2010), https://www.youtube.com/watch?time_continue=6&v=9g2U12SsRns (describing YouTube’s process for protecting copyright holders).

²⁹ Bar-Ziv & Elkin-Koren, *supra* note 26, at 352.

³⁰ Ian Spiegelman, *Activists Say Beverly Hills Cops Are Playing Music to Keep Themselves Off Instagram*, L.A. MAG. (Feb. 10, 2021), <https://www.lamag.com/citythinkblog/beverly-hills-cops-sublime/>.

³¹ *See* YouTube Help, *supra* note 28; *see also* Facebook Help Center: Reporting Copyright Infringements, FACEBOOK (last visited Jan. 17, 2022), <https://www.facebook.com/help/instagram/454951664593304>.

³² Katharine Trendacosta, *Unfiltered: How YouTube’s Content ID Discourages Fair Use and Dictates What We See Online*, ELEC. FRONTIER FOUND. (Dec. 10, 2020), <https://www.eff.org/wp/unfiltered-how-youtubes-content-id-discourages-fair-use-and-dictates-what-we-see-online>.

³³ *Lenz v. Universal Music Corp.*, 815 F.3d 1145, 1149 (9th Cir. 2016).

“Let’s Go Crazy” as background noise.³⁴ Further, the recording contained no transformative elements and made no commentary about the nature of Prince’s song.³⁵ Universal Music discovered the video and issued a takedown request, alleging copyright infringement.³⁶ YouTube then provided a copyright infringement notification to the plaintiff, who challenged Universal Music pursuant to section 512(f) which provides any party who “knowingly materially represents” a takedown request is liable for damages the allegedly infringing party may incur as a result of the request.³⁷ The plaintiff argued absent fair use consideration, a takedown request is an “[abuse of] extrajudicial takedown procedures provided in the DMCA” where an employee was tasked with monitoring YouTube for infringing videos.³⁸ Without considering fair use, Universal Music could not have adequately formed a good faith belief of unlawful use, which amounted to a misrepresentation in violation of section 512(f).³⁹

The Ninth Circuit agreed, holding section 512(f) “unambiguously contemplates” fair use as something authorized by law.⁴⁰ The court then broke from precedent—that fair use was an affirmative defense to infringement—and described fair use as non-infringing use, explaining section 107 authorizes fair use.⁴¹ Thus, for notice and takedown, the court held because fair use was a “use authorized by the law[.]” a rights-holder must have considered fair use before issuing a takedown request.⁴² Finally, the court’s initial decision noted “the implementation of computer algorithms appear[ed] to be a valid and good faith middle ground for processing a plethora of content while still meeting the DMCA’s requirements to somehow consider fair use[.]” however, the passage has since been omitted, suggesting “that reliance on automated programs and filters alone may not be sufficient for a good faith determination of fair use.”⁴³

³⁴ *Id.*

³⁵ *Id.*

³⁶ *Id.*

³⁷ *Id.* at 1149-51.

³⁸ *Id.* at 1148-49.

³⁹ *Id.* at 1153.

⁴⁰ *Id.* at 1151.

⁴¹ *Id.* at 1152.

⁴² *Id.* at 1151.

⁴³ Arash Majdi et al., *The Dancing Baby Returns: Computer Algorithms, Good Faith and Fair Use*, PILLSBURY INTERNET & SOC. MEDIA BLOG (Mar. 31, 2016), <https://www.jdsupra.com/legalnews/the-dancing-baby-returns-computer-88971/>.

C. INCIDENTS INVOLVING LAW ENFORCEMENT OFFICERS PLAYING COPYRIGHTED MUSIC DURING ENCOUNTERS

Since January 2021, media outlets have reported at least four instances where law enforcement officers have deliberately played copyrighted music during filmed encounters with civilians—some during peaceful protests and others in the course of casual interactions—in an attempt to trigger takedowns of those recordings from online platforms.⁴⁴ During each of those incidents, a civilian engaged an officer and began filming the encounter with a smartphone, then that officer loudly played well-known music on his own smartphone before engaging with the civilian filming the interaction. During one recording, an Alameda County deputy stated, “You can record all you want, I just know it can’t be posted to YouTube[.]”⁴⁵ VICE News has indicated use of this tactic is not an isolated incident, and the outlet has accused law enforcement officers of intentionally attempting to trigger “algorithmic copyright filters, which could result in videos of police interactions with the public being taken down.”⁴⁶

Agencies have differing views on this tactic, and it remains unclear whether those agencies involved have official policies recognizing civilians’ right to record law enforcement. The Beverly Hills Police Department has responded to the tactic by saying it “[was] not a procedure that has been recommended by . . . command staff,” and claimed the officer’s behavior was currently under review.⁴⁷ The Alameda County Sheriff’s Office went further, indicating its office was “in the process of writing a new policy that prohibits such behavior[.]”⁴⁸ Conversely, the Lasalle County

⁴⁴ In an April 2022 incident, one officer admitted to a California lawmaker that he hoped playing loud, copyrighted music during a civilian interaction would trigger an online takedown. That lawmaker is now calling for a complete ban on the practice. See Taylor Romine, *Police Play Disney Tunes to Prevent Video of Them on Patrol Being Posted Online, California Lawmaker Claims*, CNN (Apr. 27, 2022, 12:30 PM), <https://www.cnn.com/2022/04/20/us/santa-ana-police-music-ordinance/index.html>.

⁴⁵ Hernandez, *supra* note 7.

⁴⁶ Dexter Thomas, *New Video Shows Beverly Hills Cops Playing Beatles to Trigger Instagram Copyright Filter*, VICE MEDIA GRP. (Feb. 11, 2021, 7:34 PM), <https://www.vice.com/en/article/bvxa7q/new-video-shows-beverly-hills-cops-playing-beatles-to-trigger-instagram-copyright-filter>.

⁴⁷ Spiegelman, *supra* note 7.

⁴⁸ Hernandez, *supra* note 7.

Sheriff's Office ignored VICE's request for clarification on whether the tactic was official policy.⁴⁹

Ultimately, rather than being removed, these videos actually went viral and may still be found online.⁵⁰ While this is only the beginning of law enforcement officers' attempt to hack copyright filters "in order to curtail the First Amendment rights of civilians to openly film the police[.]"⁵¹ Congress can and should take steps to deter this behavior in the future.⁵²

II. ANALYSIS: LEGAL LIABILITY FOR USE OF THIS TACTIC

Though these recordings were temporarily removed from online platforms and later reinstated, law enforcement officers' conduct—playing copyrighted music during filmed encounters in an attempt to trigger algorithmic video takedowns—raises two major issues: (1) whether this tactic violates citizens' First Amendment right to record, and (2) whether this tactic constitutes DMCA takedown abuse.

A. THIS TACTIC VIOLATES THE PUBLIC'S FIRST AMENDMENT RIGHT TO RECORD

Law enforcement officers' use of this tactic not only violates the First Amendment right of citizens to record police while working in their official capacities, but officers involved should not receive qualified immunity where citizens file section 1983 lawsuits arising under similar facts. Circuit courts have held recording law enforcement officers' conduct while working in their official capacities is a form of speech allowing civilians to gather and disseminate information of public concern and is generally accepted so long as the person filming refrains from interfering with policing

⁴⁹ Dexter Thomas, *It Sure Looks Like This Cop Played Country Music to Avoid Being Filmed*, VICE MEDIA GRP. (Mar. 2, 2021, 1:31 PM), <https://www.vice.com/en/article/wx89kn/it-sure-looks-like-this-cop-played-country-music-to-avoid-being-filmed>.

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² In July 2022, Arizona Governor Doug Ducey signed into law House Bill 2319, criminalizing the act of filming—within eight feet and without permission—on-duty law enforcement officers. *See* H.B. 2319, 55th Leg., 2d Reg. Sess. (Ariz. 2022); *see also* Elvia Díaz, *Arizona Bill Could Land You in Jail for Filming Police*, ARIZ. REPUBLIC (Mar. 18, 2022), <https://www.azcentral.com/story/opinion/op-ed/elviadiaz/2022/03/18/arizona-bill-could-land-you-jail-filming-police/7085777001/>.

operations or trespassing.⁵³ Additionally, most circuit courts have upheld citizens' right to record public police activity.⁵⁴

The *Fields* court held the First Amendment protects the act of filming or otherwise recording police officers publicly conducting their official duties.⁵⁵ The court emphasized the public's and press's right of access to information is vital because it results in discourse on public issues; the court then outlined benefits those recordings supply to both the public and law enforcement.⁵⁶

Here, civilians use their devices to film encounters with law enforcement, prompting those officers to play well-known, copyrighted music on their own smartphones during those interactions with intent to trigger takedowns of those recordings. Like *Fields*, these recent events occurred while law enforcement officers worked in their official capacities.⁵⁷ Moreover, like the *Fields* plaintiffs, all the civilians who filmed these encounters remained on public property; while filming, they never trespassed onto private property.

However, unlike the *Fields* plaintiffs who recorded police activity from afar, the civilians contemplated by this Note actively confronted officers while standing near them. Thus, law enforcement officers here might argue their actions were justified because these civilians interfered with police activity by engaging officers while standing very close to them. Should the court accept this argument, it might determine these civilians overstepped their First Amendment right to record. But it is unlikely their conduct rose to the requisite level of interference. Had officers felt their conduct truly interfered with policing operations, the officers might have physically prevented them from recording the encounters or,

⁵³ Regan, *supra* note 13.

⁵⁴ See *Project Veritas Action Fund v. Rollins*, 982 F.3d 813, 831 (1st Cir. 2020); see also *Fields v. City of Phila.*, 862 F.3d 353, 358 (3d Cir. 2017).

⁵⁵ See generally *Fields*, 862 F.3d at 358.

⁵⁶ *Id.* at 358-60.

⁵⁷ The Beatles incident occurred when a civilian engaged officers lining Los Angeles streets and preparing for what appears to be a march or protest. Thomas, *New Video Shows Beverly Hills Cops Playing Beatles to Trigger Instagram Copyright Filter*, *supra* note 7. The Sublime incident happened when a civilian, believing he had been unfairly ticketed, confronted an officer. Spiegelman, *supra* note 7. The Blake Shelton incident transpired when a civilian dropped off complaint forms to the Lasalle County Sheriffs' Office. Thomas, *It Sure Looks Like This Cop Played Country Music to Avoid Being Filmed*, *supra* note 7. Finally, the Taylor Swift incident involved an encounter between several civilians and a police sergeant during a protest. Hernandez, *supra* note 7.

at minimum, asked them to stop recording. Instead, each officer casually removed his smartphone to search for and play well-known, copyrighted music, suggesting the civilians' actions posed neither an immediate threat nor interference with their official duties.

Moreover, unlike *Fields*, where the City of Philadelphia has an official policy recognizing citizens' right to record, it is unclear whether Beverly Hills, Alameda County, or Lasalle County had policies in place prohibiting officers' use of this tactic. Beverly Hills' command staff maintained it did not condone this behavior among its officers, and Alameda County claimed to be in process of writing a new policy prohibiting the use of this tactic. Even though those agencies had no official policies prohibiting that practice, the *Fields* court's rationale in upholding the right to record directly supports at least two purposes behind granting both the public and press access to the recordings.⁵⁸ Specifically, these recordings complemented the news media's role by allowing the public to participate in and observe other civilians personally engaging with and documenting their experiences with law enforcement officers.⁵⁹ Additionally, the recordings assisted a police department in identifying and disciplining a problem officer.⁶⁰ At least one Beverly Hills officer was under review for use of this tactic.⁶¹

Finally, even though these law enforcement officers did not physically block civilians from recording their encounters, playing well-known, copyrighted music was meant to produce the same result: restricting the public's and press's access to information. Here, one officer admitted his intent to prevent dissemination of the recording, stating, "You can record all you want, I just know it can't be posted on YouTube[.]"⁶² But recent events—notably, the recording of George Floyd's murder—lend the most support for the right to record police activity. There are two major benefits to these recordings: (1) they assist in the administration of justice by filling gaps where officers choose not to record, and (2) they help to exonerate officers charged with wrongdoing.⁶³ Following *Fields*, law enforcement officers' use of this tactic violates citizens' First Amendment right to record police while working in their official capacities.

⁵⁸ *Fields*, 862 F.3d at 359-60.

⁵⁹ *Id.*

⁶⁰ *Id.*

⁶¹ Spiegelman, *supra* note 7.

⁶² Hernandez, *supra* note 7.

⁶³ *See Fields*, 862 F.3d at 359-60.

If citizens bring section 1983 claims against officers who engaged in this practice, then courts should deny qualified immunity protection to those officers. Courts may grant qualified immunity if the state of the law does not give fair warning to law enforcement that an act is constitutionally protected.⁶⁴ Here, however, by playing copyrighted music to trigger takedowns, law enforcement officers deliberately and brazenly attempted to prevent citizens from exercising their First Amendment right to record. Even if officers claim they did not know their conduct was unlawful, the recordings indicate they took affirmative steps to intentionally interfere with citizens' ability to publish newsworthy content. More importantly, each circuit court considering this issue has held the press and public have a "clearly established" First Amendment right to record police activity in public places.⁶⁵ Accordingly, these officers should not receive qualified immunity protection.

B. THIS TACTIC AMOUNTS TO DMCA TAKEDOWN ABUSE

Law enforcement officers' use of this tactic also constitutes DMCA takedown abuse. "The primary purpose of copyright law is not so much to protect the interests of the authors/creators, but rather to promote the progress of science and ... knowledge."⁶⁶ Further, "[that] monopoly is somewhat limited when it conflicts with an overriding public interest," like the necessity to use a copy of a work for nonprofit, educational purposes.⁶⁷ Under section 102 of the Copyright Act, copyrightable subject matter includes original works of authorship which are fixed in a tangible medium.⁶⁸ Section 106 gives copyright owners the exclusive right to perform the work publicly and to perform the work publicly by means of a digital audio transmission.⁶⁹ Infringement occurs when an infringer violates one or more of those exclusive rights.⁷⁰ To establish

⁶⁴ *Hope v. Pelzer*, 536 U.S. 730, 739-40 (2002).

⁶⁵ See generally *Project Veritas Action Fund v. Rollins*, 982 F.3d 813, 831 (1st Cir. 2020); *Fields*, 862 F.3d at 359; *Turner v. Lieutenant Driver*, 848 F.3d 678, 688 (5th Cir. 2017); *Am. C.L. Union of Ill. v. Alvarez*, 679 F.3d 583, 595 (7th Cir. 2012); *Fordyce v. City of Seattle*, 55 F.3d 436, 439 (9th Cir. 1995); *Smith v. City of Cumming*, 212 F.3d 1332, 1333 (11th Cir. 2000); *Irizarry v. Yehia*, 38 F.4th 1282, 1289 (10th Cir. 2022).

⁶⁶ *Purpose of Copyright Law*, S. ILL. UNIV. CARBONDALE, <https://lib.siu.edu/copyright/module-01/purpose-of-copyright-law.php>, (last visited Feb. 26, 2022).

⁶⁷ *Id.*

⁶⁸ See *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., Inc.*, 499 U.S. 340, 345 (1991); see also 17 U.S.C. § 101.

⁶⁹ See 17 U.S.C. § 106.

⁷⁰ See 17 U.S.C. § 501.

infringement, a plaintiff must prove two elements: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original.⁷¹ If a plaintiff establishes a *prima facie* case of infringement, the burden then shifts to the defendant to raise a fair use defense.⁷²

In *Lenz*, the plaintiff uploaded onto YouTube a short video of her child dancing to a well-known, copyrighted song which was playing in the background.⁷³ The video contained no transformative elements and made no commentary about the nature of the song, and the defendant issued a takedown request after discovering the video on YouTube.⁷⁴ The plaintiff then challenged the defendant's infringement notification, arguing the defendant's failure to consider fair use before issuing the notification violated section 512(f) of the DMCA,⁷⁵ and the Ninth Circuit agreed.⁷⁶ The court reasoned section 107 of the Copyright Act authorizes fair use, so a rights-holder must consider it before sending a takedown request.⁷⁷

Here, law enforcement officers played well-known, copyrighted music on their own smartphones during filmed civilian encounters, intending to trigger algorithmic takedowns of those recordings. Like *Lenz*'s Prince song, songs by The Beatles, Sublime, Taylor Swift, and Blake Shelton are all registered, copyrighted subject matter. Also, like *Lenz*'s dancing baby, even though the recordings' main purpose was to document interactions between civilians and police officers, the background music alone triggered an infringing use. Recent events, however, lean more in favor of non-infringement because the subjects of the recordings—law enforcement officers—chose and played well-known music from their devices, unlike *Lenz* where the plaintiff played a Prince song which “was very much the focus of the video.”⁷⁸

Additionally, those factors distinguishing *Lenz* from recent incidents lend the most support for legal liability arising from DMCA takedown abuse. First, unlike the *Lenz* plaintiff who played well-known background music to complement her recording, law enforcement officers here played well-known music in a bad faith attempt to trigger algorithmic, automatic takedowns from online

⁷¹ *Feist*, 499 U.S. at 361.

⁷² *See* 17 U.S.C. § 107.

⁷³ *Lenz v. Universal Music Corp.*, 815 F.3d 1145, 1149 (9th Cir. 2016).

⁷⁴ *Id.*

⁷⁵ *Id.* at 1148-49.

⁷⁶ *Id.* at 1151.

⁷⁷ *Id.* at 1152, 1157-58.

⁷⁸ *Lenz*, 815 F.3d at 1149.

platforms. Again, one officer admitted his intent to abuse the DMCA takedown process by playing copyrighted music on his phone, resulting in suppression of that civilian's First Amendment right to record.⁷⁹ Second, under the current DMCA framework, legal scholars agree "the scales are tipped considerably in favor of copyright holders . . . [and] should be adjusted to protect First Amendment interests."⁸⁰ Third, legislative intent behind copyright law lends further support because the public's interest in reform and police accountability outweighs creators' rights, especially when the infringing material is background music and not the recording's focus. Thus, copyright law should require copyright holders to "consider fair use before curtailing speech[.]"⁸¹

Finally, unlike *Lenz* where Universal Music relied on an employee to discover and issue an infringement notification, these officers expected algorithms to automatically block the public from viewing those recordings. Granted, algorithms are more commonly relied upon today to detect infringement than they were fifteen years ago in *Lenz*. Nevertheless, if, as the Ninth Circuit suggested, fair use must be considered before issuing takedown notices, YouTube's and Instagram's use of algorithms to detect infringement raises yet another concern: algorithms cannot determine fair use.⁸² Accurate enforcement of exclusive rights limitations like fair use is far beyond today's technical capabilities and may remain so permanently.⁸³ Thus, applying *Lenz*, recent policy considerations, and legislative intent, law enforcement officers' use of this tactic also constitutes DMCA takedown abuse.

⁷⁹ Hernandez, *supra* note 7.

⁸⁰ Amanda Reid, Article, *Considering Fair Use: DMCA's Take Down & Repeat Infringers Policies*, 24 COMM'C'N L. & POL'Y 101, 141 (2019).

⁸¹ *Id.*

⁸² Mark A. Lemley, *Rationalizing Internet Safe Harbors*, 6 J. TELECOMM. & HIGH TECH. L. 101, 110-11 (2007) ("Image-parsing software may someday be able to identify pictures or videos that are similar to individual copyrighted works, but they will never be able to determine whether those pictures are fair uses, or whether they are legitimate copies or displays made under one of the many statutory exceptions[.]").

⁸³ Edward W. Felten, *A Skeptical View of DRM and Fair Use*, COMM'C'NS ACM, Apr. 2003, at 57, 59; *see also* JULIE E. COHEN, BETWEEN TRUTH AND POWER: THE LEGAL CONSTRUCTIONS OF INFORMATIONAL CAPITALISM 192 (2019) ("Automated processes have obvious efficiency advantages, but such processes may not align well (or at all) with applicable legal requirements that are couched in shades of gray.").

III. PROPOSED SOLUTIONS: A CALL FOR COPYRIGHT LAW REFORM

Even if these law enforcement officers are not legally liable for using this tactic, Congress could pass legislation (1) banning overly aggressive automated takedowns, and (2) creating a fair use exception for content creators' recordings of on-duty law enforcement officers. This legislation would both effectively protect citizens' First Amendment rights and align with recent police accountability reform efforts.⁸⁴

A. LEGISLATION BANNING OVERLY AGGRESSIVE AUTOMATED TAKEDOWNS

First, Congress could pass new DMCA legislation banning overly aggressive automated takedowns of newsworthy content. This legislation should include a heightened standard for newsworthiness, plus language requiring online platforms to relax their takedown standards related to recordings of on-duty law enforcement officers.

Circuit court case law and First Amendment scholarship lend support to a heightened standard for newsworthiness.⁸⁵ For instance, the *Fields* court heavily endorsed the notion that the public's creation of content complements the news media's role:

⁸⁴ Ms. Frazier's video recording assisted in Derek Chauvin's murder conviction. He was sentenced to twenty-two-and-a-half years in prison for pressing his knee on Mr. Floyd's neck for more than nine minutes. In February 2022, three other officers involved were found guilty of failing to intervene during that incident. See Tim Arango et al., *Ex-Officers Guilty in Federal Trial Over George Floyd's Death*, N.Y. TIMES (Feb. 24, 2022), <https://www.nytimes.com/live/2022/02/24/us/george-floyd-trial-verdict>.

⁸⁵ See generally *Fields v. City of Phila.*, 862 F.3d 353 (3d Cir. 2017); *Glik v. Cunniffe*, 655 F.3d 78 (1st Cir. 2011); see also John S. Clayton, Note, *Policing the Press: Retaliatory Arrests of Newsgatherers After Nieves v. Bartlett*, 120 COLUM. L. REV. 2275, 2285 (2020) ("The empowerment of nontraditional newsgatherers may also help 'fill the gaps' created by the contraction of traditional media organizations—especially local newspapers—over the last twenty years."); FLOYD ABRAMS ET AL., *THE FREE SPEECH CENTURY* 235, 240 (Lee C. Bollinger & Geoffrey R. Stone eds., 2019) (describing how cell phone camera usage and social media platforms have shifted "[b]reaking news, discussion, and opinion ... away from the former gatekeepers of the press and broadcast media and out onto the social web.").

Indeed, citizens' gathering and disseminating "newsworthy information [occur] with an ease that rivals that of the traditional news media." 2012 U.S. D.O.J. Letter to Baltimore Police Department; J.A. 1684. *See also Glik*, 655 F.3d at 78 ("The proliferation of electronic devices with video-recording capability means that many of our images of current events come from bystanders with a ready cell phone or digital camera rather than a traditional film crew, and news stories are now just as likely to be broken by a blogger at her computer as a reporter at a major newspaper."). In addition to complementing the role of the traditional press, private recordings have improved professional reporting, as "video content generated by witnesses and bystanders has become a common component of news programming." The Reporters Committee for Freedom of the Press and 31 Media Organizations Amicus Br. 11; *see also id.* at 2 ("Today, the first source of information from the scene of a newsworthy event is frequently an ordinary citizen with a smart phone."). And the inclusion of "bystander video enriches the stories journalists tell, routinely adding a distinct, first-person perspective to news coverage." *Id.* at 12.⁸⁶

A more difficult question is whether Congress may regulate social media. Citing the First Amendment, the U.S. Supreme Court has struck down many regulations aimed at restricting online content.⁸⁷ However, this Note's proposed regulation seeks to enlarge, rather than restrict citizens' First Amendment rights by ensuring social media platforms cannot automatically remove newsworthy content based solely on detecting copyrighted background music. The First Amendment "should make room for regulations that help all of us understand better what forces are shaping public discourse[.]"⁸⁸ Accordingly, Congress should

⁸⁶ *Fields*, 862 F.3d at 360.

⁸⁷ Nicholas P. Dickerson, Comment, *What Makes the Internet So Special? And Why, Where, How, and by Whom Should Its Contents Be Regulated?*, 46 HOUS. L. REV. 61, 78 (2009).

⁸⁸ Nilay Patel, *Can We Regulate Social Media Without Breaking the First Amendment?*, THE VERGE (Dec. 16, 2021), <https://www.theverge.com/22838473/social-media-first-amendment-regulation-section-230-decoder-podcast> (quoting Jameel Jaffer) ("[T]he

consider regulating social media platforms concerning content documenting law enforcement officers working in their official capacities.

B. LEGISLATION CREATING A NEW FAIR USE EXCEPTION

Second, Congress could create a fair use exception for citizens' recordings of on-duty law enforcement officers so long as the speech is protected. Common categories of unprotected speech include obscenity, defamation, fraud, incitement, fighting words, true threats, and speech integral to criminal conduct.⁸⁹ Alternatively, these citizens' recordings in question—matters of opinion—likely fall into a protected, political speech category which generally receives strict scrutiny review.⁹⁰

Additionally, copyright law has changed dramatically since the DMCA's 1998 enactment, and the statute "has not adapted well to the technological advancements and changing business practices that have occurred since then."⁹¹ A main concern is social media platforms' use of algorithmic filters. "Filters not only do not work, they actively cause harm to legal expression. ... operat[ing] on a black-and-white system of whether part of one thing matches part of another thing, not taking into account its context. So criticism, commentary, education—all of it goes out the window when a filter is in place."⁹² In sum, social media's use of algorithms to

First Amendment was meant in large part to protect the process of self-government. That means that it should accommodate regulations that are intended—and do actually—protect or strengthen the process of self-government, but it shouldn't accommodate regulations that interfere with that process. So when we're talking about regulations that are effectively state efforts to enlist the platforms in certain kinds of censorship, the First Amendment shouldn't make room for those kinds of regulations.").

⁸⁹ Victoria L. Killion, *The First Amendment: Categories of Speech*, CONG. RSCH. SERV., <https://sgp.fas.org/crs/misc/IF11072.pdf> (Jan. 16, 2019).

⁹⁰ See *W. Va. State Bd. of Educ. v. Barnette*, 319 U.S. 624, 642 (1943) (The Supreme Court has long considered political and ideological speech to be at the core of the First Amendment, including speech concerning "politics, nationalism, religion, or other matters of opinion").

⁹¹ Tillis Releases Landmark Discussion Draft to Reform the Digital Millennium Copyright Act, THOM TILLIS U.S. SENATOR FOR N.C. (Dec. 22, 2020), <https://www.tillis.senate.gov/2020/12/tillis-releases-landmark-discussion-draft-to-reform-the-digital-millennium-copyright-act>.

⁹² Katharine Trendacosta, *This Disastrous Copyright Proposal Goes Straight to Our Naughty List*, ELEC. FRONTIER FOUND. (Dec. 22, 2020), <https://www.eff.org/deeplinks/2020/12/disastrous-copyright-proposal-goes-straight-our-naughty-list>.

automatically remove infringing material results in free speech suppression and suggests a need for fair use protection.

Alternatively, online platforms could take matters into their own hands. Should the platforms insist on continuing to use algorithms as a copyright enforcement tool, one workable solution to minimize disputes would be implementing a mechanism which allows content creators to flag their recording as a fair use exception when posting it to social media. But with great power comes great responsibility. So, repeat infringers who abuse this privilege should lose the ability to flag their content for fair use and, in certain circumstances, could have their accounts suspended indefinitely.

CONCLUSION

Law enforcement officers' use of this tactic not only violates the public's First Amendment right to record, but also constitutes DMCA takedown abuse. Today, we have a clear need for new copyright legislation that more effectively protects citizens' First Amendment right to record and furthers recent police accountability reform efforts. Here, Congress's regulation of social media would seek to enlarge, rather than restrict, citizens' First Amendment right to record by shielding newsworthy content from online removal. Congress must recognize the need for copyright reform and take action to ensure access for all who seek information shaping the public discourse.

SPORTS & ENTERTAINMENT LAW JOURNAL
ARIZONA STATE UNIVERSITY

VOLUME 12

FALL 2022

ISSUE 1

**PROFESSIONAL ATHLETES: THE SPARK TO IGNITE
MEDICAL MARIJUANA RECIPROCITY**

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INTRODUCTION

Rooted in political and social debate, the use of marijuana in professional athletics has become a contentious issue.¹ This is evidenced through examples—such as U.S. Sprinter Sha’Carri Richardson’s one-month suspension for a positive marijuana test—which garnered national attention and debate.² Based on anecdotal testimony from former professional athletes, a substantial portion of professional athletes use marijuana.³ Many of these athletes purportedly use it in a self-medicated manner for its physical and mental benefits.⁴

Despite this allegedly high percentage of marijuana use across professional athletics, there has historically been a generalized prohibition of its use across professional leagues and governing bodies. Considered in the broader context of the U.S. medicalization of marijuana, this is a potential source of concern. As many states adopt systems to regulate medical marijuana, this leaves some athletes in a position where their livelihoods might prohibit them from seeking common, alternative medicinal treatment via marijuana. For example, in 2019, professional golfer Matt Every received a three-month suspension from the PGA Tour for a violation of its drugs of abuse policy, which prohibits marijuana consumption.⁵ The PGA issued this suspension despite the fact that he had a “legal prescription for [marijuana] in the state of Florida” after being “prescribed cannabis for a mental health condition by [his] physician whom [had] managed [his] medical care for 30 years.”⁶ Examples like this show the manner with which

¹ David B. Stoll, *Marijuana Use in Athletics*, 98 R.I. MED. J. 13, 13 (2015).

² E.g., Kevin Draper & Juliet Macur, *Sha’Carri Richardson, a Track Sensation, Tests Positive for Marijuana*, N.Y. TIMES (July 6, 2021), <https://www.nytimes.com/2021/07/01/sports/olympics/shacarri-richardson-suspended-marijuana.html>.

³ Gavin Newsham, *Why More Professional Athletes Are Depending on Cannabis*, N.Y. POST (Sept. 18, 2021, 7:35 AM), <https://nypost.com/2021/09/18/why-more-professional-athletes-use-and-rely-on-cannabis/> (discussing a former NBA player estimating 85% of the league uses cannabis, a former NHL player estimating over half of the league uses cannabis, and a former NFL player estimating nearly 90% of the league uses cannabis).

⁴ *Id.*

⁵ The Associated Press, *Every Suspended Three Months for Drug of Abuse*, PGA TOUR (Oct. 18, 2019), <https://www.pgatour.com/news/2019/10/18/matt-every-suspended-three-months-for-drug-of-abuse.html>.

⁶ *Id.*

professional sports leagues' policies are behind the shift in public sentiment and medical discourse towards the use of marijuana. This disconnect raises the question: what will professional sports leagues and organizations do to accommodate these societal changes?

In recent years, many professional sports leagues and governing organizations seem to be moving in the direction of no longer classifying marijuana as a banned substance. In addition, some sports leagues and organizations have become interested in the medicinal use of marijuana; in part, due to its potential to replace opioid usage associated with pain reduction treatment. It appears, then, that professional athletes may soon be given general allowance to use medicinal marijuana to treat their mental and physical conditions and injuries, while remaining in compliance with their substance-related restrictions. This will expand upon the already present potential for some athletes to use medicinal marijuana under their current governing rules.

Under the current statutory landscape surrounding medical marijuana, an issue arises when professional athletes must travel interstate for competitions. The federal government is largely taking a non-interventionist approach to medicinal marijuana, leaving regulation to the individual states. This creates a system wherein there is substantial variety of restrictions and regulations across the 37 states and D.C. which presently permit medical marijuana. The respective states have varying requirements to obtain a medical marijuana card, varying lists of which medical conditions may validly be treated by medical marijuana, and other nuances down to base possession restrictions. Among this piecemeal structure, though, is one highly common element: most states do not recognize or accept out-of-state medical marijuana cards.

For professional athletes whose livelihoods depend on travel for competition, and the ability to remain in positive mental and physical health, they will likely be inhibited from continuing medical marijuana treatment while engaged in interstate competition.

This Note conceptualizes professional athletes—while engaged in interstate competition—as out-of-state economic actors. Dependent on their physical and mental well-being to perform their job duties, a professional athlete's ability to continue medical treatment increases their capacity to perform better and for longer, thus increasing their economic output and value. Conversely, inhibiting their ability to continue their medical treatment would decrease their economic value. As such, out-of-state athletes, as economic actors, would experience disparate treatment unlike in-

state athletes who would be allowed to continue their medical marijuana treatment within their home state, if applicable.

Considering this disparate treatment, this Note argues that the present statutory scheme—which generally prohibits out-of-state medical marijuana card validity—violates the Dormant Commerce Clause in the context of professional athletics. Under U.S. Supreme Court precedent on this principle, recently expanded and elucidated through the Court’s 2019 decision in *Tennessee Wine and Spirits Retailers Association v. Thomas*, the current piecemeal statutory medical marijuana scheme cannot be upheld. These current provisions are a violation of the Dormant Commerce Clause in the context of professional athletics because they are not narrowly tailored to advance a legitimate local purpose. None of the purported grounds for medical marijuana residency requirements—like inhibiting medical tourism—are sufficient grounds for this constitutional violation.

This Note also argues that to rectify this encroachment, there should be a nuanced medical marijuana reciprocity system that satisfies constitutional considerations, while simultaneously allowing individual states to enact statutes in the best interest of citizens’ health and safety. In turn, such a system will allow professional athletes to continue medical marijuana treatment while engaged in interstate commerce, through their involvement in athletic competition.

I. OVERARCHING STATE OF MARIJUANA AND PROFESSIONAL ATHLETICS

Within professional athletics, the athletes’ medical, health, and safety systems are generally determined and enforced by the league or governing organization in charge of their respective sports. Under the common structure of professional athletics, this leaves two primary mechanisms which would allow for athlete medical marijuana usage: (1) individual Therapeutic Use Exceptions (“TUEs”)—allowing athletes with accepted medical conditions to engage in a course of treatment that involves the use of an otherwise banned substance—, and (2) general, league-wide allowance of medical marijuana. In most major professional leagues, TUEs are the only formal mechanism currently in place that would allow for athlete medical marijuana usage. However, there appears to be a growing trend towards general league allowance in many professional sporting divisions. As such, professional athletics are arguably on the precipice of more widespread allowance of medical marijuana for the treatment of accepted and valid medical conditions.

A. PRESENT CBA PRECEDENT FOR MEDICINAL USE EXCEPTIONS TO OTHERWISE BANNED SUBSTANCES

Widely recognized by athletic leagues and governing bodies is the need to allow athletes to use otherwise banned substances, insofar as such use is for a legitimate medical purpose and, generally, is prescribed after the consideration of medicinal alternatives where applicable.⁷ Initially pushed in the 1990s, the general argument in favor of such exceptions is that “they level the playing field for athletes deemed to be suffering from legitimate medical concerns.”⁸ These exemptions are commonly implicated to treat conditions such as ADHD and asthma.⁹ In this sense, then, the substance—generally banned due to its potential for abuse to unfairly improve performance—is instead merely being used to level the playing field for athletes with medical conditions that require treatment.

Presently, medicinal usage exceptions are integrated into the rules and regulations of professional athletic leagues and governing bodies as TUEs. An athlete seeking a TUE generally must follow certain steps: (1) determine whether the condition or ailment is recognized as treatable by an otherwise banned substance; (2) compile all necessary medical documents to bolster the athlete’s application in support of the need for treatment with the use of an otherwise banned substance; and (3) complete the applicable application form(s).¹⁰ Importantly, these medical documents—as well as the associated, allowable treatments—are intended to be “updated as necessary based on the evolution of medical best practice.”¹¹ This ensures accuracy and fairness of all necessary information. After an athlete submits the required documents, the relevant league or governing body will evaluate the TUE request.

Though the specific procedural requirements to evaluate TUEs vary based on the sport in question, an underlying guiding principle

⁷ E.g., *Medical Exceptions Procedures*, NCAA, <https://www.ncaa.org/sport-science-institute/medical-exceptions-procedures> (last visited Dec. 21, 2021).

⁸ Jamie Strashin, *How Olympic Athletes (Legally) Use Banned Drugs*, CBC SPORTS (Oct. 13, 2016 10:22 AM), <https://tinyurl.com/2fnvx6vz>.

⁹ *Id.*

¹⁰ E.g., *Apply for A Therapeutic Use Exemption (TUE)*, USADA, <https://www.usada.org/athletes/testing/tue/apply/> (last visited Dec. 21, 2021).

¹¹ *Therapeutic Use Exemptions (TUEs)*, WORLD ANTI-DOPING AGENCY, <https://www.wada-ama.org/en/what-we-do/science-medical/therapeutic-use-exemptions> (last visited Dec. 21, 2021).

to the determinations can be recognized across all leagues. As noted by the U.S. Anti-Doping Agency (“USADA”), there is an emphasis to ensure that the “application process is thorough and designed to balance the need to provide athletes access to critical medication while protecting the rights of clean athletes to compete on a level playing field.”¹² Upon adequate and thorough review, the league or governing body can either approve or deny the athlete’s request for a TUE.¹³ As discussed below, these decisions are typically guided by a particular league or organization’s Collective Bargaining Agreement (“CBA”).

1. *THE NFL CBA*

The linchpin of the National Football League’s Collective Bargaining Agreement (“NFL CBA”) with regard to medical care is that it recognizes that “the cost of medical services rendered by Club physicians, Club Athletic Trainers, Physical Therapists, and other medical providers . . . will be the responsibility of the respective Clubs. . . .”¹⁴ Thus, though the medical care is directed towards the player, the respective teams retain substantial control over the process of an athlete’s medical treatment. For example, if a player wishes to seek a secondary medical opinion regarding their course of treatment, the player must: (1) consult the club physician before seeking outside opinion, and (2) promptly submit the secondary opinion and all pertinent information to the club physician.¹⁵ Ultimately, though, if an athlete exercises this option, the club still retains a sense of control as any secondary course of

¹² *Therapeutic Use Exemptions (TUEs)*, USADA, <https://www.usada.org/athletes/testing/tue/> (last visited Dec. 21, 2021).

¹³ See Joseph M. Hanna, *It’s Time to Get Real About Marijuana and Professional Sports: Part 2*, A.B.A. (June 13, 2019), <https://tinyurl.com/mpvttxx8> (Describing the NFL’s denial of Mike James’ TUE for medical marijuana in 2018).

¹⁴ NFL, NAT’L FOOTBALL LEAGUE PLAYERS ASS’N COLLECTIVE BARGAINING AGREEMENT, art. 39 § 1(e) (2020), <https://nflpaweb.blob.core.windows.net/website/PDFs/CBA/March-15-2020-NFL-NFLPA-Collective-Bargaining-Agreement-Final-Executed-Copy.pdf> [hereinafter NFL CBA].

¹⁵ *Id.* § 6.

treatment may only be undertaken “after consulting with the club physician and giving due consideration to his recommendations.”¹⁶

One key mechanism through which the league monitors and controls player health and safety is through its Policy and Program on Substances of Abuse (“NFL Substance Policy”), which all players agree to abide by via the NFL CBA.¹⁷ The NFL Substance Policy states, “The NFL and the [National Football League Players Association (“NFLPA”)] prohibit Players from the illegal use, possession, or distribution of drugs, including but not limited to cocaine; marijuana and synthetic cannabinoids.”¹⁸ In addition to illicit substances that are prohibited under federal and state law, this policy includes certain types of prescription medications that are not illegal per se. The NFL Substance Policy is primarily enforced through the drug-testing of the athletes. In the case of marijuana, for example, players will be tested for THC “between the start of Pre-Season Training Camps and the Club’s first Pre-Season Game.”¹⁹

Crucially, though, the NFL Substance Policy recognizes that certain players will need to take substances which are otherwise prohibited. The NFL Substance Policy recognizes some prohibited substances are “appropriate for the treatment of specific medical conditions.”²⁰ Thus, Appendix F of the NFL Substance Policy provides that “for athletes who require the use of a prohibited

¹⁶ Ken Belson, ‘Emboldened’ N.F.L. Players Value Health Over Paychecks, N.Y. TIMES (Nov. 13, 2019), <https://www.nytimes.com/2019/11/13/sports/football/nfl-player-injury-team-grievances.html>. This contrasts with other professional leagues, such as the NHL which retains control over its athletes’ medical course of action, even in cases where an athlete has secured a secondary opinion. This has led to disputes between players and their respective clubs. In some cases—such as with Jack Eichel’s desire to receive an alternative form of neck surgery than that prescribed by his team’s physician—the dispute over treatment can lead to a player being traded. See Jesse Granger, *Jack Eichel’s Neck Surgery Is No Problem for the Golden Knights, but When Might He Return? A Surgeon Helps Explain*, ATHLETIC (Nov. 4, 2021), <https://theathletic.com/2936551/2021/11/04/jack-eichels-neck-surgery-is-no-problem-for-the-golden-knights-but-when-might-he-return-a-surgeon-helps-explain/>.

¹⁷ NFL CBA, *supra* note 14, § 9.

¹⁸ NAT’L FOOTBALL LEAGUE PLAYERS ASS’N & NAT’L FOOTBALL LEAGUE MGMT. COUNCIL, NFL POLICY AND PROGRAM ON SUBSTANCES OF ABUSE, 1 N.1 (2021), <https://nflpaweb.blob.core.windows.net/website/Departments/Legal/2021-Policy-and-Program-on-Substances-of-Abuse.pdf> [hereinafter NFL Substance Policy].

¹⁹ *Id.* § 1.3.1.

²⁰ *Id.* at app. F.

substance to treat an appropriately diagnosed medical problem, a Therapeutic Use Exemption (TUE) may be requested.”²¹ A TUE allows a player to use an otherwise prohibited substance—like marijuana—for the purpose of monitored, medicinal treatment. A TUE request and compliance must follow these guidelines:

The medication must be necessary and indicated for treatment of the specific medical problem for which it has been requested;

Acceptable alternative treatments with medications that are not prohibited were attempted but failed, or reasons for not prescribing these alternative treatments have been presented;

Appropriate evaluation has been completed and all medical records documenting the diagnosis have been submitted for review; and

The applicant may not begin use of the prohibited substance until after the TUE is granted.²²

If the request is granted, the athlete may receive treatment involving an otherwise prohibited substance.

2. *THE NHL CBA*

Like the NFL, the National Hockey League (“NHL”) plays a substantial role in the healthcare of its athletes. The NHL’s Collective Bargaining Agreement (“NHL CBA”) requires each team to “provide its Players with high quality health care appropriate to their needs as elite professional hockey players.”²³ Like the NFL, the NHL CBA recognizes that though respective teams employ the healthcare professionals, the “primary professional duty of all individual health care professionals . . . shall be to the Player-patient.”²⁴

Along with the healthcare duties each club must provide to players, the clubs and the league oversee and monitor the use of controlled substances. That is, the NHL CBA requires each club to identify a designated individual within their organization “who is

²¹ *Id.*

²² *Id.*

²³ COLLECTIVE BARGAINING AGREEMENT BETWEEN NAT’L HOCKEY LEAGUE & NAT’L HOCKEY LEAGUE PLAYERS’ ASSOC., art. 34 § 1(a) (Feb. 15, 2013), <https://www.nhlpa.com/the-pa/cba> [hereinafter NHL CBA].

²⁴ *Id.* art. 34 § 1(b).

responsible for monitoring on an ongoing basis, or auditing on a regular basis, prescription drugs that have been given to each Player . . . with a particular emphasis on monitoring controlled substances and sleeping pills, if any, that have been prescribed.”²⁵

In addition to allowing athletes to receive treatment with league-wide generally-approved substances, athletes may also seek a TUE to receive medical treatment with the use of an otherwise banned substance. A special committee (“Committee”) “comprised of an equal number of League and [National Hockey League Players’ Association (NHLPA)] representatives, and one (1) consulting expert doctor nominated by each party” oversees the TUE program.²⁶ To receive a TUE for an otherwise prohibited substance, players must submit an application that the “Committee shall review, consider and act upon . . . expeditiously and approval of the application shall not be unreasonably withheld.”²⁷ The Committee has discretion to accept or deny any TUE request it receives.

In addition to granting TUEs, the Committee recommends to the NHL and the NHLPA what should be included on the Prohibited Substances List. Specifically, the Committee is tasked with:

review[ing] the then-current [World Anti-Doping Agency (“WADA”)] list of prohibited performance enhancing substances and make recommendations to the NHL and NHLPA as to which performance enhancing substances on the WADA list are relevant to the sport of hockey and should be deemed Prohibited Substances, and added to (or removed from) the Prohibited Substances List, under the Program.²⁸

The NHL and the NHLPA determine whether to accept any recommended changes to the NHL’s Prohibited Substances List.²⁹ Importantly, the Prohibited Substances List may “only be [changed] as negotiated between the NHL and the NHLPA.”³⁰ Neither the Committee nor the NHL has unilateral authority to change the list of prohibited substances.

²⁵ *Id.* art. 34 § 8.

²⁶ *Id.* art. 47 § 2.

²⁷ *Id.* art. 47 § 10.

²⁸ *Id.* art. 47 § 2(d).

²⁹ *Id.* art. 47 § 3.

³⁰ *Id.*

3. *THE MLB CBA*

Though Major League Baseball (“MLB”) and the Major League Baseball Players Association (“MLBPA”) recently agreed to the implementation of a new CBA,³¹ it is useful to analyze MLB’s TUE mechanism via its prior CBA, as the new agreement is not yet public. Moreover, as marijuana usage will unlikely be a primary matter of the new CBA, league operations regarding marijuana usage will not likely be changed under the new agreement.³² This is important because although MLB has technically removed marijuana from its banned substances list, the players remain subject to discipline for its possession or use.³³

Under MLB’s previous CBA, TUEs are linked to the league’s broader health policy.³⁴ Specifically, they fall under Major League Baseball’s Joint Drug Prevention and Treatment Program (“MLB Joint Drug Program”).³⁵ Under the MLB Joint Drug Program:

A Player authorized to administer a Prohibited Substance through a valid, **medically appropriate** prescription provided by a duly licensed physician shall receive a [TUE], provided that the Player otherwise satisfies any and all other applicable requirements and conditions for a TUE set forth in the Program or agreed upon by the Parties. [emphasis added]³⁶

“[M]edically appropriate” is defined as “a documented medical need under the standards accepted in the United States or Canada for the prescription in the prescribed dosage.”³⁷ A player who believes he has a medically appropriate prescription that would

³¹ Mark Feinsand, *MLB, MLBPA Agree to New CBA; Season to Start April 7*, MLB (Mar. 10, 2022), <https://www.mlb.com/news/mlb-mlbpa-agree-to-cba>.

³² See *id.* (discussing the primary changes of the new CBA, all of which are tied to financial considerations).

³³ Jeff Passan, *MLB: Players Still Subject to Penalty for Using Pot*, ESPN (Feb. 28, 2020), https://www.espn.com/mlb/story/_/id/28804440/mlb-players-subject-penalty-using-pot.

³⁴ MAJOR LEAGUE BASEBALL & MAJOR LEAGUE BASEBALL PLAYERS ASSOCIATION, *MLB COLLECTIVE BARGAINING AGREEMENT*, attach. 18 at 206 (2017-2021), <https://tinyurl.com/5n8pr6dj> [hereinafter *MLB CBA*].

³⁵ *Id.*

³⁶ MAJOR LEAGUE BASEBALL, *MAJOR LEAGUE BASEBALL’S JOINT DRUG PREVENTION AND TREATMENT PROGRAM*, § 3(I)(1), <https://tinyurl.com/mrx9h5wj> [hereinafter *MLB Joint Drug Program*].

³⁷ *Id.*

qualify for a TUE must notify the Independent Program Administrator (“IPA”)³⁸—an individual selected by the MLB Commissioner’s Office and the MLBPA.³⁹ For non-stimulants, the IPA adheres to the procedural method outlined in the MLB’s Joint Drug Program, which begins with referring the player’s information to the Medical Advisory Panel.⁴⁰ The member of the Medical Advisory Panel who reviewed the TUE request must recommend to the IPA whether the TUE should be granted or denied.⁴¹ The IPA may accept or reject the Medical Advisory Panel’s recommendation, and grant or deny the TUE request.⁴²

Interestingly, the MLB and MLBPA recently “reached an agreement to remove marijuana from the list of banned substances for Minor Leaguers.”⁴³ This was unprecedented, as the “MLBPA ha[d] never represented minor leaguers” before.⁴⁴ Generally, the MLB had been free to implement rules and regulations to Minor League Baseball (“MiLB”).⁴⁵ This indicates that the issue of medical marijuana is important to the MLB and the MLBPA. It remains unclear, however, whether the league will enforce its policy to discipline for marijuana possession or use⁴⁶ against MiLB players following their authorization to join the MLBPA.

Though this policy might change as MiLB players join the MLBPA, the MLB’s Minor League Drug Prevention and Treatment Program (“MiLB Joint Drug Program”) contained a TUE mechanism for the players. Per the MiLB Joint Drug Program: “A Player authorized to administer or ingest a Prohibited Substance through a valid, medically appropriate prescription provided by a duly licensed physician may apply to receive a TUE for the Prohibited Substance before being tested under the Program.”⁴⁷ The MiLB Joint Drug Program defines “medically appropriate” as “a

³⁸ *Id.* § 3(I)(2).

³⁹ *Id.* § 1(A)(1)(a).

⁴⁰ *Id.* § 3(I)(4)(a).

⁴¹ *Id.* § 3(I)(4)(c).

⁴² *Id.*

⁴³ Jordan Kobritz, *MLB Eliminates Marijuana Testing in MiLB*, SPORTS LITIG. ALERT (Jan. 17, 2020), <https://sportslitigationalert.com/mlb-eliminates-marijuana-testing-in-milb/>.

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ Passan, *supra* note 33.

⁴⁷ MAJOR LEAGUE BASEBALL, MAJOR LEAGUE BASEBALL’S MINOR LEAGUE DRUG PREVENTION AND TREATMENT PROGRAM, § 10(A), <https://tinyurl.com/5ft7by3y> [hereinafter MiLB Joint Drug Program].

documented medical need under the standards of care accepted in the United States or Canada for the prescription in the prescribed dosage”⁴⁸—identical to the MLB Joint Drug Program’s definition.⁴⁹ To apply for (or renew) a TUE for any medication other than ADD/ADHD medicine, a minor league baseball player must submit all required documentation to the Medical Representative⁵⁰—an individual appointed and removed at the Commissioner’s discretion.⁵¹ The Medical Representative can then grant or deny the TUE, generally subject to annual renewal requirements.⁵²

B. TREND TOWARDS LEAGUE-WIDE, GENERAL ALLOWANCE OF MARIJUANA?

In addition to current TUE mechanisms that would allow for athletes to seek an exception to medicinally use marijuana, there is growing sentiment across many leagues and governing bodies to allow for more generalized marijuana use. In addition to the socio-political push for marijuana allowance, the emerging recognition of medicinal marijuana’s potential benefits supports policy changes.

Medicinal marijuana research seeking to assist with pain management is particularly important for professional athletes. In an effort to alleviate opioid addiction concerns, the Centers for Disease Control and Prevention (“CDC”) has issued guidelines urging physicians to offer patients non-opioid alternatives.⁵³ Furthermore, some researchers have also argued for the use of “CBD and THC, two of marijuana’s most well-known cannabinoids,” for treatment of Traumatic Brain Injuries (TBI).⁵⁴

Emerging research and legalization trends across the country have forced “professional sports leagues . . . to re-evaluate their approaches to drug testing, especially given that athletes in many states now can legally buy and use cannabis.”⁵⁵ Additionally, “some leagues also are taking steps towards evaluating whether cannabis

⁴⁸ *Id.*

⁴⁹ MLB Joint Drug Program, *supra* note 36, § 3(I)(1).

⁵⁰ MiLb Joint Drug Program, *supra* note 47, § 10(B)(1)(a).

⁵¹ *Id.* § 1(B).

⁵² *Id.* § 10(C).

⁵³ John Miller & Patti Donahue, *Concussions, Medical Marijuana, and the NFL*, SPORTS LITIG. ALERT (Sep. 30, 2016), <https://sportslitigationalert.com/concussions-medical-marijuana-and-the-nfl/>.

⁵⁴ *Id.*

⁵⁵ Kelly Huff & Elizabeth Catalano, *Professional Sports Leagues Adapt to the Marijuana Legalization Movement*, SPORTS LITIG. ALERT (July 17, 2020), <https://sportslitigationalert.com/professional-sports-leagues-adapt-to-the-marijuana-legalization-movement/>.

could be used as a pain management therapy for their ailing athletes.”⁵⁶ Most notably, the “pain management committee of the NFL and the NFLPA will provide \$1 million in funding for research into pain management and cannabinoids.”⁵⁷ This is partially due to the desire to offer an alternative to opioids, in light of their addictive nature⁵⁸ and harmful risks, including death.⁵⁹ Even though there appears to be a trend towards generalized, medical allowance of marijuana usage, no league has fully approved the medicinal use of marijuana.

However, many professional leagues and organizations today have positioned themselves in a general state of tolerating marijuana use. In 2020, the NFL and NFLPA agreed there will be no suspensions for a positive THC test.⁶⁰ In 2019, the MLB removed marijuana from its banned substances list, and treats it similar to alcohol consumption in cases of believed abuse.⁶¹ The NHL has taken a historically lenient approach treating cannabis as a non-banned substance; however, “if an NHL player is found to have ‘abnormally high levels’ of THC, the team treats it as a health care issue, like it treats alcoholism, rather than mandating punishments.”⁶² In March 2020, the NBA suspended its random testing of players for marijuana and has continued this policy for the

⁵⁶ *Id.*

⁵⁷ Judy Battista, *NFL, NFLPA Will Provide Funding for Research into Pain Treatment, Including Medical Marijuana*, NFL (June 8, 2021, 4:58 PM), <https://www.nfl.com/news/nfl-nflpa-will-provide-funding-for-research-into-pain-treatment-including-medica>.

⁵⁸ Camille Kraft, *Examining the N.F.L. Substances of Abuse Policy and Program*, SPORTS LITIG. ALERT (Dec. 4, 2020), <https://sportslitigationalert.com/examining-the-n-f-l-substances-of-abuse-policy-and-program/> (noting that “between 8 and 12 percent [of patients prescribed opioids] develop an opioid use disorder”); see Miller & Donahue, *supra* note 53.

⁵⁹ E.g., Dayn Perry & Mike Axisa, *Former Angels Employee Eric Kay Found Guilty in Trial Over Drug-Related Death of Tyler Skaggs*, CBS SPORTS (Feb. 17, 2022, 5:38 PM), <https://www.cbssports.com/mlb/news/former-angels-employee-eric-kay-found-guilty-in-trial-over-drug-related-death-of-tyler-skaggs/> (discussing the conviction of the former Los Angeles Angels employee charged in the opioid-related death of pitcher Tyler Skaggs in 2019).

⁶⁰ Huff & Catalano, *supra* note 55.

⁶¹ *Id.*

⁶² *Id.*

2021–22 season.⁶³ Lastly, the Ultimate Fighting Championship (UFC)—through its outsourced anti-doping partner, USADA—will no longer issue punishments for a positive THC test, unless “an athlete intentionally used it for performance-enhancing purposes.”⁶⁴ Thus, while medicinal marijuana usage has not been fully accepted by predominant sports leagues, there appears to be at least a trend towards marijuana’s general allowance.

II. STATUTORY LANDSCAPE OF MARIJUANA IN THE UNITED STATES

The statutory and regulatory scheme surrounding marijuana has, since its inception, been a piecemeal system marked by lack of uniformity. This is partly due to the original framework of its prohibition. The first “comprehensive narcotic law” in the United States—the Harrison Narcotics Tax Act of 1914—notably did not contain provisions regarding marijuana.⁶⁵ A primary ramification of this was that without federal guidance, state and local governments began restricting marijuana as they saw fit given their needs and conceptions regarding the substance.⁶⁶ Based on a mixture of the perception of marijuana as a potentially dangerous drug and racial beliefs about those perceived to use marijuana, states and municipalities across the country began enacting reactionary legislation prohibiting and regulating marijuana use.⁶⁷

A. FEDERAL MARIJUANA HISTORY & CLASSIFICATION

The trend of leaving marijuana regulation to the states changed, however, when widespread public sentiment shifted, and Congress

⁶³ Tim Reynolds, *NBA Will Not Randomly Test Players for Marijuana Again this Season*, NBA (Oct. 6, 2021, 7:48 PM), <https://www.nba.com/news/nba-will-not-randomly-test-players-for-marijuana-again-this-season>.

⁶⁴ Marc Raimondi, *USADA ‘Essentially’ Eliminating Marijuana Use as UFC Violation*, ESPN (Jan. 14, 2021), https://www.espn.com/mma/story/_/id/30712132/usada-essentially-eliminating-marijuana-use-ufc-violation.

⁶⁵ Adam Rathge, *Pondering Pot: Marijuana’s History and the Future of the War on Drugs*, ORG. OF AM. HISTORIANS, <https://www.oah.org/tah/issues/2015/august/pondering-pot/> (last visited Oct. 11, 2021); *Did You Know... Marijuana Was Once a Legal Cross-Border Import?*, U.S. CUSTOMS & BORDER PROT., <https://www.cbp.gov/about/history/did-you-know/marijuana> (Dec. 20, 2019) [hereinafter CBP Import].

⁶⁶ Rathge, *supra* note 65.

⁶⁷ *Id.*

became involved in the restriction and regulation of marijuana. After a propaganda push to label it the “nation’s most dangerous drug,” the first national marijuana law was passed by Congress: the 1937 Marihuana Tax Act (“MTA”).⁶⁸ The MTA regulated the “importation, cultivation, possession and/or distribution of marijuana” by requiring importers to register and pay an annual tax of twenty-four dollars, subjecting shipments to searches and seizures, and imposing monetary and penal punishments for violations of the MTA.⁶⁹ Importantly, this federal regulation effectively saw a cessation of the scientific testing and medical research of marijuana.⁷⁰

Ultimately, Congress’ involvement in the statutory scheme of marijuana law culminated with the classification of marijuana as a Schedule 1 substance in the Controlled Substances Act of 1970 (“CSA”).⁷¹ Under the CSA, marijuana is classified among the various drugs believed to be the most likely to be abused.⁷² Further, as a Schedule I substance, marijuana is considered by the federal government to have “no currently accepted medical use in treatment in the United States,” with “a lack of accepted safety for use of the drug . . . under medical supervision.”⁷³ At present, this puts marijuana on par with other Schedule I drugs, like heroin, lysergic acid diethylamide (LSD), 3,4-methylenedioxymethamphetamine (ecstasy), methaqualone, and peyote.⁷⁴

The criminalization of marijuana on the federal level culminated with the 1980s War on Drugs and the onset of mandatory sentencing guidelines “requir[ing] life sentences for repeat drug offenders.”⁷⁵ Ultimately, these significant and harsh punishments enacted under federal law—and often mirrored under state laws—for marijuana-related crimes were reinforced by federal

⁶⁸ *Id.*

⁶⁹ CBP Import, *supra* note 65.

⁷⁰ *Id.*

⁷¹ *About Cannabis Policy*, ALCOHOL POL’Y INFO. SYS., <https://alcoholpolicy.niaaa.nih.gov/about-cannabis-policy> (last visited Oct. 11, 2021).

⁷² *Id.*

⁷³ 21 U.S.C. § 812(b)(1).

⁷⁴ *Drug Scheduling*, DEA, <https://www.dea.gov/drug-information/drug-scheduling> (last visited Oct. 11, 2021).

⁷⁵ *Survey of Marijuana Law in the United States: History of Marijuana Regulation in the United States*, UNIV. GA. SCH. L.: ALEXANDER CAMPBELL KING L. LIBR., <https://libguides.law.uga.edu/c.php?g=522835&p=3575350> (Sept. 8, 2020 3:52 PM).

courts, as well as the U.S. Supreme Court, which held in a number of cases that such laws were not cruel and unusual punishment.⁷⁶

Presently, though, the federal prohibitions of marijuana are largely unenforced. This began following the Ogden Memo where former Deputy Attorney General, David W. Ogden, stated that “prosecution of individuals with . . . serious illnesses who use marijuana as part of a recommended treatment regimen consistent with applicable state law, or those caregivers in clear and unambiguous compliance with existing state law who provide such individuals with marijuana, is unlikely to be an efficient use of limited federal resources.”⁷⁷ As such, the precedent set was that “when medical marijuana was permitted at the state level, the federal executive policy would be generally noninterventionist.”⁷⁸ This stance is strengthened by a rider that has been attached to the federal spending bill since 2014.⁷⁹ In relevant part, the rider states: “None of the funds made available under this Act to the Department of Justice may be used. . . to prevent any of [the states listed in this section] from implementing their own laws that authorize the use, distribution, possession, or cultivation of medical marijuana.”⁸⁰ Essentially, then, the federal government has a non-interventionist policy towards state laws which permit marijuana usage.

This standard of treatment has largely continued since the Ogden Memo. Notably, present Attorney General Merrick B. Garland stated during his confirmation hearing that the Office of the Attorney General will “not allocate [its] resources to something like marijuana possession,” as low-level marijuana crimes are not a

⁷⁶ Anne Marie Lofaso & Lakyn D. Cecil, *Say “No” to Discrimination, “Yes” to Accommodation: Why States Should Prohibit Discrimination of Workers Who Use Cannabis for Medical Purposes*, 43 SEATTLE U. L. REV. 955, 973 (2020); see *Hutto v. Davis*, 454 U.S. 370, 370-76 (1982) (per curiam); *Renner v. Beto*, 447 F.2d 20, 23 (5th Cir. 1971).

⁷⁷ David W. Ogden, *Memorandum for Selected United States Attorneys on Investigations and Prosecutions in States Authorizing the Medical Use of Marijuana*, U.S. DEPT. OF JUST.: ARCHIVES (Oct. 19, 2009), <https://www.justice.gov/archives/opa/blog/memorandum-selected-union-state-attorneys-investigations-and-prosecutions-states>.

⁷⁸ Miller & Donahue, *supra* note 53.

⁷⁹ Mikosra, *Congress Renews DOJ Spending Rider*, VAND. UNIV.: MARIJUANA L., POL’Y, & AUTH. (Mar. 28, 2018), <https://my.vanderbilt.edu/marijuanalaw/2018/03/congress-renews-doj-spending-rider/>.

⁸⁰ Consolidated Appropriations Act, H.R. 2471, 117th Cong. § 531 (2022).

priority for the Justice Department.⁸¹ This has effectively relegated federal marijuana enforcement to substantial, illegal marijuana operations. This enforcement includes interstate travel, where the Transportation Security Administration requires its officers “to report any suspected violations of law to local, state or federal authorities,”⁸² as well as international travel, where U.S. Customs and Border Protection continues to enforce the federal prohibition on the importation of marijuana.⁸³

B. THE PIECEMEAL STATE-TO-STATE MARIJUANA STRUCTURE

The present state statutory conditions owe their roots to efforts that began after the federal criminalization of marijuana. Following the shift in federal policy, a variety of state efforts began to alter the classification and criminalization of marijuana. Perhaps most notable was New Mexico’s Controlled Substances Therapeutic Research Act (1978), which authorized the research and experimentation of marijuana’s medicinal potential.⁸⁴ The Act effectively gave a subset of qualified patients the ability to medicinally use marijuana, marking this as the nation’s first medical marijuana bill. In essence, this became the turning point of state legislatures recategorizing marijuana as potentially medicinally beneficial, contradicting the CSA and the dictates of federal law.

At present, the following is the status of medical marijuana within each state and the District of Columbia (“D.C.”)⁸⁵:

⁸¹ John Hudak, *Merrick Garland, Cannabis Policy, and Restorative Justice*, BROOKINGS (Feb. 24, 2021), <https://www.brookings.edu/blog/fixgov/2021/02/24/merrick-garland-cannabis-policy-and-restorative-justice/>.

⁸² *Medical Marijuana*, TRANSP. SEC. ADMIN., <https://tinyurl.com/2s4z4smr> (last visited Oct. 19, 2021).

⁸³ *CBP Reminds Public That All Marijuana Imports Are Prohibited*, U.S. CUSTOMS AND BORDER PROT. (Apr. 13, 2021), <https://www.cbp.gov/newsroom/local-media-release/cbp-reminds-public-all-marijuana-imports-are-prohibited>.

⁸⁴ *New Mexico Approves Medical Marijuana Use*, N.Y. TIMES (Feb. 19, 1978), <https://www.nytimes.com/1978/02/19/archives/new-mexico-approves-medical-marijuana-use.html>.

⁸⁵ *State Medical Cannabis Laws*, NAT’L CONF. OF STATE LEGIS., <https://www.ncsl.org/research/health/state-medical-marijuana-laws.aspx> (Sept. 12, 2022).

Status of Medical Marijuana	States & D.C.
Permitted (37 & DC)	AL; AK; AZ; AR; CA; CO; CT; DE; DC; FL; HI; IL; LA; ME; MD; MA; MI; MN; MO; MS; MT; NV; NH; NJ; NM; NY; ND; OH; OK; OR; PA; RI; SD; UT; VT; VA; WA; WV
Prohibited (13)	GA; ID; IN; IA; KS; KY; NE; NC; SC; TN; TX; WI; WY

In sum, 37 states and D.C. permit the use of medical marijuana. Issues arise, though, when an individual with a valid medical marijuana card in their home state travels to another state. Only D.C.⁸⁶ and 13 states⁸⁷ will, in some form, accept an out-of-state medical marijuana card. Albeit, in these jurisdictions there are often substantial limitations and regulations regarding out-of-state recognition. For example: Arizona and Delaware only allow reciprocity for the treatment of conditions each has respectively approved,⁸⁸ and Michigan provides protection for possession, but its reciprocity does not allow for dispensary purchases.⁸⁹

As such, in most interstate travel scenarios the rights of out-of-state medical marijuana card holders will not be recognized. This effectively relegates card holders' treatment to their home-state, unless they are willing to risk traveling with cannabis in violation of federal law, or purchase from recreational marijuana dispensaries, where applicable.⁹⁰

⁸⁶ *Mayor Bowser Announces DC Will Now Accept Medical Marijuana Cards from Any State*, GOV'T OF THE D.C. EXEC. OFF. OF THE MAYOR (Aug. 8, 2019), <https://mayor.dc.gov/release/mayor-bowser-announces-dc-will-now-accept-medical-marijuana-cards-any-state>.

⁸⁷ *State Medical Cannabis Laws*, *supra* note 85.

⁸⁸ *Id.*

⁸⁹ *Id.*

⁹⁰ Further, although not the topic of this paper, leagues such as the MLB and NHL have teams in the U.S. as well as in Canada. Although Canada has legalized marijuana, U.S. Customs and Border Protection (CBP) continues to enforce the federal illegality of marijuana. As such crossing the border with marijuana is prohibited. This underscores the need for changes in the Federal legislative scheme surrounding marijuana. *See U.S. Customs and Border Protection (CBP) Reminds Travelers from Canada that Cannabis Remains Illegal in the United States*, U.S. EMBASSY & CONSULATES IN CAN., <https://ca.usembassy.gov/our-relationship/policy-history/us-canada-policy/cannabis/> (last visited Sept. 17, 2022).

III. DORMANT COMMERCE CLAUSE ROOTS & JURISPRUDENCE

The Commerce Clause of the U.S. Constitution declares that “Congress shall have Power . . . To regulate Commerce . . . among the several States . . .”⁹¹ Stemming from this power, the “Supreme Court has long held that [this] Clause prohibits states from unduly burdening interstate commerce even in the absence of federal regulation.”⁹² Further, states are prohibited from enacting “protectionist state policies that favor state citizens or businesses at the expense of non-citizens conducting business within that state.”⁹³ The Dormant Commerce Clause effectuates the purpose of the Commerce Clause in “preventing a State from retreating into economic isolation or jeopardizing the welfare of the Nation as a whole, as it would do if it were free to place burdens on the flow of commerce across its borders that commerce wholly within those borders would not bear.”⁹⁴ Operatively, the Supreme Court has advanced two primary principles critical to the understanding of the Dormant Commerce Clause: (1) states are prevented from discriminating “against the citizens and products of other States,”⁹⁵ and (2) states are prevented from “passing facially neutral laws that [place] an impermissible burden on interstate commerce.”⁹⁶

That is not to say, however, that states may not enact laws that burden economic actors from other states entirely. The Court has come to acknowledge a primary limitation of the Dormant Commerce Clause, which allows states to weigh the need to advance legitimate government purposes against the general prohibition of burdening economic actors of other states. In effect, then, “[w]here [a] statute regulates even-handedly to effectuate a legitimate local public interest, and its effects on interstate commerce are only incidental, it will be upheld unless the burden imposed on such commerce is clearly excessive in relation to the putative local

⁹¹ U.S. CONST. art. I, § 8, cl. 3.

⁹² ERIKA LUNDER, CONG. RSCH. SERV., RS22803, DORMANT COMMERCE CLAUSE AND STATE TREATMENT OF TAX-EXEMPT BONDS 1 (2008).

⁹³ *Commerce Clause*, CORNELL L. SCH.: LEGAL INFO. INST., https://www.law.cornell.edu/wex/commerce_clause (July 2022).

⁹⁴ *Okla. Tax Comm'n v. Jefferson Lines, Inc.*, 514 U.S. 175, 179-80 (1995).

⁹⁵ *Walling v. Michigan*, 116 U.S. 446, 460 (1886).

⁹⁶ *Granholm v. Heald*, 544 U.S. 460, 477 (2005).

benefits.”⁹⁷ Thus, even if a state law is discriminatory towards out-of-state actors it can be upheld by showing it is narrowly tailored to “advance a legitimate local purpose.”⁹⁸

A. *TENNESSEE WINE AND SPIRITS: A CASE ANALYSIS OF THE DORMANT COMMERCE CLAUSE’S IMPACT ON STATE ALCOHOL STATUTES*

In *Tennessee Wine and Spirits Retailers Association v. Thomas*, the U.S. Supreme Court delivered a relevant opinion that is highly analogous the present state of medical marijuana law. Under Tennessee law, entities seeking to distribute alcohol in the state needed to pass through a three-tiered licensing system that differentiated producers, wholesalers, and retailers.⁹⁹ Under that system, without the appropriate licensing, it was a violation to sell alcohol within the state of Tennessee.¹⁰⁰

This statutory scheme included a “demanding durational-residency requirements on all individuals and businesses seeking to obtain or renew a license to operate a liquor store,” as part of the state’s comprehensive laws regulating alcoholic beverages.¹⁰¹ At issue in this jurisprudence were three notable provisions: (1) “to obtain an initial retail license, an individual must demonstrate that he or she has ‘been a bona fide resident’ of the State for the previous two years,”¹⁰² (2) to renew a license the applicant would have to have “resided in the State for 10 consecutive years,”¹⁰³ and (3) a corporation could effectively not “obtain a license unless all of its stockholders [were] residents” of Tennessee.¹⁰⁴

Prior to the initiation of this case, the Tennessee Attorney General announced in 2012 that he believed these durational-residency requirements violated the Commerce Clause because they “constituted ‘trade restraints and barriers that impermissibly discriminated against interstate commerce.’”¹⁰⁵ In response, the Tennessee General Assembly amended the laws and specifically

⁹⁷ *Pike v. Bruce Church, Inc.*, 397 U.S. 137, 142 (1970); *See Huron Portland Cement Co. v. City of Detroit*, 362 U.S. 440, 443 (1960).

⁹⁸ *Tenn. Wine & Spirits Retailers Ass’n v. Thomas*, 139 S. Ct. 2449, 2461 (2019); *Dep’t of Revenue of Ky. v. Davis*, 553 U. S. 328, 338 (2008).

⁹⁹ *Tenn. Wine*, 139 S. Ct. at 2457; *see* Tenn. Code Ann. § 57-3-201 (2019).

¹⁰⁰ *Tenn. Wine*, 139 S. Ct. at 2457; *see, e.g.*, Tenn. Code Ann. § 57-3-406 (2018).

¹⁰¹ *Tenn. Wine*, 139 S. Ct. at 2456.

¹⁰² *Id.* at 2457; Tenn. Code Ann. § 57-3-204(b)(2)(A) (2021).

¹⁰³ *Tenn. Wine*, 139 S. Ct. at 2456-57.

¹⁰⁴ *Id.* at 2457.

¹⁰⁵ *Id.* at 2457-58 (quoting App. to Brief in Opposition 11a.).

noted the legislative intent that: “the Assembly found that protection of ‘the health, safety and welfare’ of Tennesseans called for ‘a higher degree of oversight, control and accountability for individuals involved in the ownership, management and control’ of such outlets.”¹⁰⁶ Despite this change, the Tennessee Attorney General reiterated the stance that these provisions remained in violation of the Commerce Clause.¹⁰⁷

In 2016, two entities—Tennessee Fine Wines and Spirits, LLC dba Total Wine Spirits Beer & More (“Total Wine”) and Affluere Investments, Inc. dba Kimbrough Fine Wine & Spirits (“Affluere”)—“applied for licenses to own and operate liquor stores in Tennessee.”¹⁰⁸ At the time of application, neither entity satisfied the aforementioned durational-residency requirements.¹⁰⁹ In reaction to their respective application filings, the Tennessee Wine and Spirits Retailers Association threatened to sue the Tennessee Alcoholic Beverage Commission (“TBAC”)—the government entity which oversaw alcohol licensing—if said licenses were granted.¹¹⁰ In response, the TBAC’s executive director filed a declaratory judgment action to settle the constitutionality of the durational-residency requirements.¹¹¹

On this matter, the Court of Appeals for the Sixth Circuit struck down the aforementioned provisions as “blatant violations of the Commerce Clause.”¹¹² The Sixth Circuit concluded those requirements “facially discriminate[d] against out-of-state economic interests”¹¹³ in violation of the Dormant Commerce Clause.¹¹⁴ The Sixth Circuit further opined that the statutory provisions violated Dormant Commerce Clause scrutiny because “the interests they are claimed to further can be adequately served through reasonable, nondiscriminatory alternatives.”¹¹⁵ In other words, the Sixth Circuit held that Tennessee could adequately protect the health, safety and welfare of its citizens without

¹⁰⁶ *Id.* at 2458; Tenn. Code Ann. § 57-3-204(b)(4) (2021).

¹⁰⁷ *Tenn. Wine*, 139 S. Ct. at 2457-58.

¹⁰⁸ *Id.*

¹⁰⁹ *Id.*

¹¹⁰ *Id.*

¹¹¹ *Id.*

¹¹² *Id.* at 2457.

¹¹³ *See* *Byrd v. Tenn. Wine & Spirits Retailers Ass’n*, 883 F.3d 608, 625 (6th Cir. 2018).

¹¹⁴ *Id.* at 614.

¹¹⁵ *Tenn. Wine & Spirits Retailers Ass’n v. Thomas*, 139 S. Ct. 2449, 2459 (2019).

durational-residency requirements for business owners seeking to sell alcohol.

The sole issue on appeal was whether the Sixth Circuit erred in invalidating the two-year residency requirement provision for an initial license application.¹¹⁶ Thus, the issue elevated to the Supreme Court for review was whether this specific provision of Tennessee's statutory scheme surrounding the sale of alcohol was unconstitutional. Ultimately, the Supreme Court held this provision to be unconstitutional because "Tennessee's 2-year residency requirement for retail license applicants blatantly favor[ed] the State's residents and ha[d] little relationship to public health and safety."¹¹⁷

In arriving at this conclusion, the Court first considered Commerce Clause jurisprudence, recognizing that the removal of "state trade barriers was a principal reason for the adoption of the U.S. Constitution."¹¹⁸ Operatively, the Constitution ensured this through measures like the Commerce Clause, which was noted as the "primary safeguard against state protectionism."¹¹⁹ One mechanism by which the Commerce Clause offers said safeguard has been through the developed body of Dormant Commerce Clause jurisprudence, which supports the rule: "if a state law discriminates against out-of-state goods or nonresident economic actors, the law can be sustained only on a showing that it is narrowly tailored to "advanc[e] a legitimate local purpose."¹²⁰

Based on this rule, the Court first noted that "Tennessee's 2-year durational-residency requirement plainly favors Tennesseans over nonresidents."¹²¹ As such, the Court could only uphold the provision if it found it to be narrowly tailored to advance a legitimate local purpose. There, the Court turned to jurisprudence specifically regarding the Dormant Commerce Clause and alcohol, as well as the Twenty-First Amendment. In relevant part, section 2 of the Twenty-First Amendment states: "The transportation or importation into any State, Territory, or possession of the United States for delivery or use therein of intoxicating liquors, in violation of the laws thereof, is hereby prohibited."¹²² Operatively, "[section] 2 was meant to 'constitutionaliz[e]' the basic understanding of the extent of the States' power to regulate alcohol that prevailed before

¹¹⁶ *Id.* at 2457.

¹¹⁷ *Id.*

¹¹⁸ *Id.* at 2460.

¹¹⁹ *Id.* at 2461.

¹²⁰ *Id.* (quoting *Dep't of Revenue of Ky. v. Davis*, 553 U.S. at 338).

¹²¹ *Id.* at 2462.

¹²² U.S. CONST. amend. XXI, § 2.

Prohibition.”¹²³ Crucially, though, it was not intended as a way to give States a “free hand” to restrict alcohol for protectionist purposes “clothed as police-power regulations.”¹²⁴ As such, despite the broad language of section 2, it “does not at all follow that every statute enacted ostensibly for the promotion” of “the public health, the public morals, or the public safety” is “to be accepted as a legitimate exertion of the police powers of the State.”¹²⁵

Applied here—and in light of the Tennessee provision’s facial discrimination—the Court recognized the statutory provision could only be upheld if the “requirement [could] be justified as a public health or safety measure or on some other legitimate nonprotectionist ground,” as conferred to the State by section 2 of the Twenty-First Amendment.¹²⁶ In analyzing this question, the Court found there was no “concrete evidence” indicating the “2-year residency requirement actually promote[d] public health or safety,” and at most it had a “highly attenuated relationship to public health or safety.”¹²⁷ Further, the Court recognized there was no “evidence that nondiscriminatory alternatives would be insufficient to further those interests,” and subsequently devised a nondiscriminatory alternative that would serve the Tennessee legislature’s purported interests in passing this restriction.¹²⁸ Specifically, the Court noted it was within the state’s purview to approve licenses to law-abiding applicants, monitor the stores through measures such as audits and inspections, and, if necessary, revoke licenses of non-compliant stores that were threatening public safety or health.¹²⁹ On this reasoning, the Court ultimately held that the 2-year residency requirement—the least stringent of the three struck-down

¹²³ *Tenn. Wine*, 139 S. Ct. at 2467 (citing *Craig v. Boren*, 429 U.S. 190, 206 (1976)).

¹²⁴ *Id.* at 2468.

¹²⁵ *Id.* at 2473 (quoting *Mugler v. Kansas*, 123 U.S. 623, 661 (1887)).

¹²⁶ *Id.* at 2474.

¹²⁷ *Id.*

¹²⁸ *Id.*

¹²⁹ *Id.* at 2475; *Granholm v. Heald*, 544 U.S. 460, 490 (2005) (stating that stores “face the loss of state and federal licenses if they fail to comply”).

provisions—violated the Commerce Clause, and was “not saved” by the Twenty-First Amendment.¹³⁰

IV. STATE MARIJUANA LAW: A VIOLATION OF THE DORMANT COMMERCE CLAUSE UNDER *TENNESSEE WINE AND SPIRITS*

As in *Tennessee Wine and Spirits*, where the government attempted to justify its restrictive statutes based on public health and safety concerns,¹³¹ marijuana restrictions have historically been proposed in light of perceived health and safety concerns.¹³² This continues today with significant research and funding into the known risks of marijuana, such as marijuana use disorder, its cognitive impact on youth users, and risk of pregnancy complications.¹³³ As evident in *Tennessee Wine and Spirits*, state restrictions that negatively impact out-of-state economic actors in favor of in-state actors will not necessarily be upheld solely on broad public health and safety justifications.

Conceptually analogous to *Tennessee Wine and Spirits*, multiple courts have struck down state laws restricting marijuana business licenses to in-state actors, in violation of the Dormant Commerce Clause.¹³⁴ In *Toigo v. Dep’t of Health & Senior Servs.*, the district court issued a preliminary injunction against a Missouri statute requiring that medical marijuana facilities “prove they are majority-owned by persons who have been Missouri residents for at least one year,” to receive and maintain their required licenses.¹³⁵

¹³⁰ *Tenn. Wine*, 139 S. Ct. at 2476. Interestingly, perhaps this issue in *Tennessee Wine and Spirits* could have been decided under the Privileges and Immunities Clause (U.S. Const. Art IV, §2, cl. 1), which inhibits states from treating citizens of another state in a discriminatory manner as compared to citizens of their own state. Here, the residency requirement would inhibit residents of other states coming to Tennessee to work – as well as new residents hoping to move to Tennessee – from engaging in the alcohol industry. As such, the statute would give citizens of Tennessee greater privileges and immunities as compared to the citizens of other states.

¹³¹ *See id.* at 2457.

¹³² *See Rathge, supra* note 65.

¹³³ *See Data and Statistics*, CTRS. FOR DISEASE CONTROL & PREVENTION, <https://www.cdc.gov/marijuana/data-statistics.htm> (June 8, 2021).

¹³⁴ Mira Baylson et al., *State AGs are Shaping the Cannabis Industry as They Step Up to Defend Their Regulatory Agencies*, WESTLAW TODAY (Nov. 15, 2021), <https://tinyurl.com/d5zxzh6s>.

¹³⁵ *See Order at 14, Toigo v. Dep’t of Health & Senior Servs.*, No. 2:20-cv-04243-NKL (W.D. Mo. Jun. 21, 2021).

The court issued this injunction after concluding that “the durational residency requirement is likely unconstitutional under the dormant commerce clause.”¹³⁶ Further, the *Toigo* court noted that “a law that prevents out-of-state persons from applying for medical marijuana licenses or purchasing them from others is also facially discriminatory against out-of-state economic interests.”¹³⁷ Similarly, courts in Michigan¹³⁸ and Maine¹³⁹ have recently enjoined similar statutory residency requirements that regulate the licensing of marijuana businesses in their respective states.

These conclusions are partly because “the Supreme Court has been clear that invocation of the police power alone is not enough to overcome the Dormant Commerce Clause.”¹⁴⁰ These examples illustrate that courts have already begun responding to medical marijuana statutes discriminating against out-of-state economic actors, holding such provisions are likely in violation of the Dormant Commerce Clause.¹⁴¹

A. PROFESSIONAL ATHLETES AS ECONOMIC ACTORS ENGAGED IN INTERSTATE COMMERCE

This Note argues professional athletes may be considered economic actors engaged in interstate commerce via professional competition. As such, current statutory restrictions on marijuana

¹³⁶ *Id.*

¹³⁷ *Id.* at 6.

¹³⁸ See Order Granting Plaintiff's Motion for a Temporary Restraining Order at 2, *Lowe v. City of Detroit*, No. 2:21-cv-10709 (E.D. Mich. Apr. 12, 2021).

¹³⁹ See Order on Cross-Motions for Summary Judgment at 1, *Ne. Patient's Grp., et al. v. Me. Dep't of Admin. & Fin. Servs.*, No. 1:20-cv-00468 (D. Me. Aug. 11, 2021).

¹⁴⁰ *Tenn. Wine & Spirits Retailers Ass'n v. Thomas*, 139 S. Ct. 2449, 2458 (2019).

¹⁴¹ *Id.* at 2457 (explaining that the lack of medical marijuana reciprocity might additionally create a violation of the Privileges and Immunities Clause. This, however, is unlikely to be as persuasive of an argument due to legitimate police-power concerns. Allowing all visitors of a state to receive medical marijuana upon a showing of another state's medical card would greatly subvert legitimate local government concerns, namely, the desire of states to retain control over which particular individuals qualify for a medical marijuana card and the state's efforts to ensure the system is not abused. These concerns are not material to the Dormant Commerce Clause analysis because, as argued below, athletes are actors engaged in commerce, and granting in-state players and in-state teams the benefits of marijuana use would be favoring in-state economic actors).

usage for out-of-state actors—in this context—violate the Dormant Commerce Clause because current restrictions are not narrowly tailored in light of the purported rationales.

Conceptualizing professional athletes as out-of-state economic actors first requires looking to the economic impact of professional athletics in general. Globally, despite the decline in revenue generation due to COVID, the sports market is estimated to be worth approximately \$400 billion and is expected to grow to approximately \$600 billion by 2025.¹⁴² The North American market alone is estimated to be valued at approximately 35% of this global total.¹⁴³ For professional sports teams, their revenue generation is primarily driven by “media rights, ticket sales, concessions, merchandise, sponsorships, and licensing deals.”¹⁴⁴

Importantly, “depending on the professional sports league, anywhere from 10% to 40% of overall revenue comes from in-person-related items like tickets, concessions, merchandise, parking passes, and more.”¹⁴⁵ Thus, a substantial amount of team revenue is based on local sources, often linked to game attendance. One factor that generally impacts in-person attendance is whether the team is likely to win. For example, when looking at historical data for NBA game attendance, losing teams can see up to an average decline of 20% attendance as compared to winning teams.¹⁴⁶ This decreases ticket revenue, as well as other forms of local revenue, like concessions, that require in-person attendance. When up to 40% of team revenue is derived from said local sources, a losing team is certainly bad for business. Conversely, teams and players in good health and form can capitalize on an increased likelihood of winning to advance revenue generation.

Beyond team performance, individual players can also drive game attendance by virtue of their performance and stardom. A

¹⁴² *Global Sports Market Opportunities and Strategies Report 2021: Sports Market Forecast to Reach \$599.9 Billion by 2025 as COVID-19 Lockdowns Ease*, YAHOO: RSCH. & MKTS. (July 22, 2021), <https://www.yahoo.com/now/global-sports-market-opportunities-strategies-080800261.html>.

¹⁴³ *Id.*

¹⁴⁴ See Joe Pompliano, *How Do Professional Sports Teams Make Money?*, ROUNDHILL INVESTMENTS (APR. 28, 2021), <https://www.roundhillinvestments.com/research/prosports/how-do-professional-sports-teams-make-money>.

¹⁴⁵ *Id.*

¹⁴⁶ Andrew Flowers, *Trying to Measure the ‘LeBron Effect’ on Game Attendance*, FIVETHIRTYEIGHT (Jun. 25, 2014, 2:47 PM), <https://fivethirtyeight.com/features/how-the-lebron-effect-affects-attendance/>.

primary example of this is LeBron James. Undoubtedly one of the largest stars of the NBA for many years, he is believed to have a profound economic impact on the teams he has played for. Additionally, he provides economic benefit to opposing teams: away attendance at games he attends can average upwards of 15% more than when played against other teams, and his historical away capacity average is approximately 99.5%.¹⁴⁷ Thus, an individual athlete performing well can provide a direct economic benefit to his or her own team, as well as for the opposing teams. Thus, successful and individual stars can produce a net economic benefit to away teams while engaged in competition.

In addition to providing economic benefits to their individual teams, an athlete's ability to compete impacts his or her own potential revenue generation. For example, an athlete performing well can work to secure higher-valued future contracts, potentially receive incentive bonuses, and use his or her health and ability to secure sponsorships and other benefits related to better on-field success. Importantly, this potential for greater economic realization is relevant in the context of team sports, as well as individual sports.

Consequently, professional athletes should fit the description of out-of-state economic actors while they are engaged in professional athletic competition outside of their home state. Better-performing athletes spur economic benefit within a multi-billion-dollar industry. Through their health and fitness, athletes can perform and compete, which in turn enhances their economic purpose, allowing their team to perform better—or allowing themselves to perform better—and presumably become more profitable in the future.

B. THE CURRENT STATE MARIJUANA SCHEMES AS A VIOLATION OF THE DORMANT COMMERCE CLAUSE

Considered as economic actors, professional athletes profit from their ability to better perform. Central to overall athletic performance is the ability to stay mentally and physically fit and healthy. With “one of the highest rates of injuries and illnesses of all occupations,” medical supervision and treatment is essential for athletes to remain in positive medical form.¹⁴⁸ Conversely, a lack of expedient, adequate healthcare “might increase morbidity and mortality associated with both chronic and acute health

¹⁴⁷ *Id.*

¹⁴⁸ *Occupational Outlook Handbook: Athletes and Sports Competitors, Work Env't*, U.S. BUREAU OF LAB. STATS., <https://www.bls.gov/ooh/entertainment-and-sports/athletes-and-sports-competitors.htm#tab-3> (Oct. 4, 2022).

conditions.”¹⁴⁹ Part of this comprehensive healthcare is the ability for one to continue with one’s treatment as prescribed by one’s healthcare professional.

Under the current statutory scheme, out-of-state athletes prescribed medical marijuana would generally be inhibited from continuing their treatment while engaged in athletic competition outside of their home state. In turn, this inability to continue their treatment impacts their health and fitness, decreasing their ability to perform and compete due to treatment delay; this decreases their overall economic purpose.

Importantly, this scheme creates disparate regulations allowing in-state athletes to continue receiving medicinal treatment that benefits them in favor of out-of-state athletes. Like in *Tennessee Wine and Spirits*, the current statutory scheme violates the Dormant Commerce Clause because state-specific limitations on medical marijuana usage impact out-of-state economic actors in a manner that is not narrowly tailored to address legitimate local interests. As such, by effectively prohibiting out-of-state athletes from continuing their medicinal usage while engaged in professional athletic competition, states are unfairly benefitting in-state athletes in their capacity as economic actors.

Under *Tennessee Wine and Spirits*, in light of the general facial discrimination of medical marijuana statutes courts must determine whether the residency “requirement [could] be justified as a public health or safety measure or on some other legitimate non-protectionist ground.”¹⁵⁰ For states, common rationales for marijuana residency requirements are that: they ensure only individuals with state-determined, accepted medical conditions receive treatment; they prevent medical tourism¹⁵¹—where an individual travels out of their home state for a particular medical treatment;¹⁵² or they restrict the ability of a state to enact residency

¹⁴⁹ Mark É. Czeisler et al., *Delay or Avoidance of Medical Care Because of COVID-19–Related Concerns — United States, June 2020*, 69 MORBIDITY & MORTALITY WKLY. REP., 1250, 1257 (Sept. 11, 2020), <https://www.cdc.gov/mmwr/volumes/69/wr/pdfs/mm6936a4-H.pdf>.

¹⁵⁰ *Tenn. Wine & Spirits Retailers Ass’n v. Thomas*, 139 S. Ct. 2449, 2474 (2019).

¹⁵¹ See generally Brannon Denning, *One Toke over the (State) Line: Constitutional Limits on “Pot Tourism” Restrictions*, 66 FLA. L. REV. 2279, 2286-87, 2282 (2014).

¹⁵² See *Medical Tourism: Travel to Another Country for Medical Care*, CTRS. FOR DISEASE CONTROL & PREVENTION, <https://wwwnc.cdc.gov/travel/page/medical-tourism> (last visited Jan. 4, 2022).

requirements that would be “a problematic encroachment on federalism principles.”¹⁵³

As in *Tennessee Wine and Spirits*, however, there is no “evidence that nondiscriminatory alternatives would be insufficient to further [these] interests.”¹⁵⁴ There is, in fact, the potential to protect states’ rights, mitigate medical tourism, and promote health and safety in a manner that does not encroach on the ability of out-of-state professional athletes to continue valid medical marijuana treatment.¹⁵⁵ As such, states should not be permitted to restrict the potential for continued medicinal marijuana usage by professional athletes—as economic actors engaged in interstate commerce.

V. RECTIFYING THE DORMANT COMMERCE CLAUSE VIOLATION: DEVISING A RECIPROCITY SYSTEM FOR MEDICAL MARIJUANA

Accepting the premise that “a law that prevents out-of-state persons from applying for medical marijuana licenses or purchasing them from others is also facially discriminatory against out-of-state economic interests,”¹⁵⁶ this common statutory scheme is presumed invalid under the Dormant Commerce Clause.¹⁵⁷ As such, said

¹⁵³ Royce Barondes, *Missouri's Residency Restrictions for Medical Marijuana Use*, MO. BAR (June 2, 2020), <https://news.mobar.org/missouris-residency-restrictions-for-medical-marijuana-use/>; See Denning, *supra* note 151, at 2282; Alex Kreit, *Marijuana Legalization and Nosy Neighbor States*, 58 B.C. L. REV. 1059, 1060–61 (2017).

¹⁵⁴ *Tenn. Wine & Spirits Retailers Ass’n v. Thomas*, 139 S. Ct. 2449, 2474 (2019); see Barondes, *supra* note 153; Denning, *supra* note 151; Kreit, *supra* note 153.

¹⁵⁵ It is worth noting, that at present marijuana is still officially illegal under federal law although the law is largely unenforced. A presumption made by this paper is that the lack of enforcement of the federal laws prohibiting marijuana will continue, or that the federal illegality of marijuana will be repealed. In either case, the technical lack of federal allowance of medical marijuana should not impact the analysis of state medical marijuana laws under the Dormant Commerce Clause. This is because the Dormant Commerce Clause is fundamentally concerned with how state statutory schemes impact the citizens and/or businesses of other states; the focus is not concerned with how the state statute(s) might impact federal laws. This is generally outside the scope of consideration in Dormant Commerce Clause jurisprudence.

¹⁵⁶ *Toigo v. Dep’t of Health & Senior Servs.*, 549 F. Supp. 3d 985, 991 (W.D. Mo. 2021).

¹⁵⁷ *Granholm v. Heald*, 544 U.S. 460, 476 (2005).

prohibitions may only be upheld if “the law advances a legitimate local purpose that cannot be adequately served by reasonable nondiscriminatory alternatives.”¹⁵⁸ Here, as in *Tennessee Wine and Spirits*, it is possible to have substance-related laws that promote state-specific interests of public health or safety without violating the Dormant Commerce Clause through residency requirements.

To reconcile this concern, states—in lieu of residency requirement mechanisms—should adopt a restrictive medical marijuana card reciprocity system. This would allow professional athletes, as economic actors, to continue valid medicinal marijuana treatment. If one possesses a valid medical marijuana card—prescribed by a medical doctor—from one’s home state, one should not be precluded from treating one’s medical condition while competing in another state which allows its own citizens to obtain medical marijuana cards.

A system of reciprocity, however, does not require that a state be precluded from enacting measures to remedy or mitigate public health and safety concerns related to medical marijuana usage. For oversight and control, a state could require out-of-state individuals to sign up in advance through a registration system. This would give the state adequate time to reference the athlete’s information to ensure it is legitimate and that the marijuana will be used to treat a valid and prescribed ailment. Further, it would give the state knowledge and control over who is protected under its medical marijuana laws at a given time.

For public safety concerns, the state could require the athlete to abide by all in-state rules and regulations. This could include typical restrictions which limit the amount of marijuana possessed at a given time. Further, all criminal usage statutes in the state—like those prohibiting DUIs and restrictions on public consumption of marijuana—would be applicable to the out-of-state athletes. In sum, the ability of states to enforce said health and safety-based statutes would allow them to adequately protect their citizens. Overall, such a reciprocity system would strike a balance between promoting a state’s own public health and safety interests, while not discriminating against out-of-state economic actors.

CONCLUSION

Under the current statutory landscape for medical marijuana, by and large, individuals with valid medical marijuana cards may only purchase marijuana in their home state, posing a risk of violating

¹⁵⁸ *Toigo*, 549 F. Supp. 3d at 991; *Dept. of Revenue of Ky. v. Davis*, 553 U.S. 328, 338 (2008).

other states' laws wherein their possession and consumption might be prohibited. This puts medical marijuana users in a position where they must choose between pausing their treatment while out of their home state, or continuing their treatment with the risk of violating a multitude of laws.

For professional athletes using medical marijuana—either potentially through a TUE, or while engaged in a league that does not prohibit medical marijuana—this could result in an inability to continue their treatment. In such a case, they would be inhibited from treatment that may be considered within the scope of their employment. This inability to continue valid medical treatment would subsequently increase their likelihood of morbidity or injury in the course of their employment. This would prevent them from performing and recovering as well as possible, resulting in a negative impact on their economic ability.

This raises Dormant Commerce Clause concerns because athletes—as economic actors engaged in interstate commerce—would be unduly discriminated against compared to in-state athletes. Further, under *Tennessee Wine and Spirits*, this type of discrimination is neither narrowly tailored nor serves a legitimate local purpose.

To remedy this violation of constitutional guarantees, states should implement a medical marijuana reciprocity system. Under that system, states could enact restrictions on medical marijuana usage to satisfy their legitimate interests in the health and safety of their citizens, without unduly discriminating upon out-of-state economic actors.

