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SHOW ME THE MONEY: DETERMINING A CELEBRITY'S FAIR MARKET VALUE IN A RIGHT OF PUBLICITY ACTION

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As the power of celebrity continues to grow in the age of social media, so too does the price of using a celebrity's name and likeness to promote a product. With the newfound ease of using Twitter, Facebook, and even print media to use a celebrity's identity in conjunction with a product or company, right of publicity concerns arise. When a company uses a celebrity's name and likeness without the celebrity's authorization to market or sell a product, companies open themselves up to right of publicity suits. Many of these cases settle out of court. But when these cases do go to trial, a unique set of problems arise when expert testimony is used to determine the fair market value of the unauthorized use of the celebrity's name or likeness. This Note examines two competing methods of fair market value calculation often utilized by expert witnesses, with a focus on one in particular—the hypothetical negotiation test—and examines this test using copyright and property principles. It concludes by arguing for a new way of viewing the hypothetical negotiation test, and proposes that the two competing tests may not be so different after all.

Introduction**

The use of a celebrity's name and likeness can generate substantial revenue. The value of one's name and likeness, and the right to control it, was first recognized as a right of publicity by the Second Circuit Court of Appeals in 1953.[1] Although the right arose out of privacy law,[2] it gradually came to be viewed more as a property right "inherent in the commercial value of a person's identity,"[3] which then allowed one to recover damages for the economic value of the

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** For ethical reasons, the author does not discuss *Jordan v. Dominick's Finer Foods,* 115 F. Supp. 3d 950 (2015) in this Note, because the matter was pending during the author's time as a judicial extern with the presiding judge (Hon. John Robert Blakey of the Northern District of Illinois).

1. 1 J. Thomas McCarthy, Rights of Publicity and Privacy § 6:3 (2013 ed.); Haelan Labs., Inc. v. Topps Chewing Gum, Inc., 202 F.2d 866, 868 (2d Cir. 1953).

2. Kevin L. Vick & Jean-Paul Jassy, *Why a Federal Right of Publicity Statute is Necessary*, 28 Comm. Law. 14, 14 (2011); *see* Samuel D. Warren & Louis D. Brandeis, *The Right to Privacy*, 4 Harv. L. Rev. 193, 195–96 (1890).

3. McCarthy, *supra* note 1, at § 6.3.

unauthorized use.[4] Indeed, many celebrities today have capitalized off of their name and likeness, or parts of their likeness, to the tune of millions of dollars.[5]

Likewise, companies and individuals have used the name and likeness of celebrities without their permission—sometimes because they asked and were told no,[6] and sometimes because they simply did not think the celebrity would actually file suit.[7] Generally, one's right of publicity is violated when another "appropriates the commercial value of a person's identity by using without consent the person's name, likeness, or other indicia of identity for purposes of trade."[8] Numerous celebrities have brought right of publicity suits, including Johnny Carson,[9] Tiger Woods,[10] and Vanna White.[11]

There is no federal right of publicity, although many have advocated for it.[12] However, there is a trend toward states recognizing this right—thirty-one states currently recognize a right of publicity

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4. Vick & Jassy, *supra* note 2, at 14.

5. *See* Brad D. Carlson, *Concerning the Effect of Athlete Endorsement on Brand and Team-Related Intentions*, 17 Sports Mktg. Q. 154, 154 (2008) (noting that Tiger Woods earned $87 million dollars from endorsement deals in 2006, and that his contract with Nike alone is worth $105 million).

6. *See, e.g.*, Darren Rovell, *Jim Brown Receives $600,000 Judgment to Dismiss Lawsuit vs. EA*, ESPN (June 28, 2016), http://www.espn.com/nfl/story/_/id/16589853/jim-brown-gets-600000-dismiss-lawsuit-electronic-arts (explaining that after Brown filed suit alleging that he refused EA's request to use his likeness in the game, EA still created a *Madden* player that was "similar to Brown in height, weight, skin color, experience, position and ability level." The two sides agreed to a $600,000 settlement.); Alanna Petroff, *Pele Sues Samsung for $30 Million Over TV 'Lookalike' Ad*, CNN Money (Mar. 30, 2016, 11:32 AM), http://money.cnn.com/2016/03/30/news/pele-samsung-advertising-lawsuit/index.html?iid=ob_homepage_deskrecommended_pool&iid=obnetwork (Pele alleged that, after the two sides failed to reach an agreement regarding the use of Pele's name and likeness in an advertising campaign, Samsung published an ad in the New York Times showing the face of "a smiling man who very closely resembles Pele" next to a television showing a soccer player performing a "scissors-kick, perfected and famously used" by Pele.).

7. For an example of an individual provoking litigation in this regard, *see* Keith Harris, *Can Taylor Swift Sue Kanye West Over 'Famous' Video?*, Rolling Stone (June 29, 2016), http://www.rollingstone.com/music/news/can-taylor-swift-sue-kanye-west-over-famous-video-20160629 (discussing that after he used the name and likeness of Taylor Swift, Rihanna, and other famous figures in his music video "Famous," Kanye West tweeted: "Can somebody sue me already #I'llwait.").

8. Restatement (Third) of Unfair Competition § 46 (Am. Law Inst. 1995); *see* Matthew Savare, *The Price of Celebrity: Valuing the Right of Publicity in Calculating Compensatory Damages*, 11 UCLA Ent. L. Rev. 129, 131 (2004).

9. *See* Carson v. Here's Johnny Portable Toilets, Inc., 698 F.2d 831 (6th Cir. 1983), *aff'd*, 810 F.2d 104 (6th Cir. 1987).

10. *See* ETW Corp. v. Jireh Publ'g, 99 F. Supp. 2d 829 (N.D. Ohio 2000), *aff'd*, 332 F.3d 915 (6th Cir. 2003).

11. *See* White v. Samsung Elecs. Am., Inc., 971 F.2d 1395 (9th Cir. 2002).

12. *See generally* Vick & Jassy, *supra* note 2.

by statute or common law.[13] And those who have not recognized the right would likely do so if called upon, influenced largely by the Supreme Court's acknowledgement of a right of publicity in *Zacchini v. Scripps-Howard Broadcasting Co.*[14] In *Zacchini*, the Court discussed the right of publicity at length. In doing so it recognized "what may be the strongest case for a 'right of publicity' involving, not the appropriation of an entertainer's reputation to enhance the attractiveness of a commercial product, but the appropriation of the very activity by which the entertainer acquired his reputation in the first place."[15] The closest federal analogue is the Lanham Act, although they are "far from identical."[16]

The issue discussed in this Note arises from the damages provided for under right of publicity state statutes. While the varying state statutes create a patchwork of remedies, commonly, a violation allows the injured party to collect either (1) actual damages; or (2) statutory damages.[17] But statutory damages are limited,[18] and in the event of a trial, it is often up to the jury to analyze how to calculate actual damages.[19] This Note narrows its focus on the methods used to calculate actual damages.

For example, Ohio's state statute defines actual damages as "including any profits derived from and attributable to the unauthorized use of an individual's persona for a commercial purpose,"[20] and Indiana's state statute allows the aggrieved to recover "actual damages, including profits derived from the unauthorized use."[21] The problem is that "legislatures have neither defined the term 'damages' nor provided guidance in ascertaining what damages are recoverable in right of publicity cases."[22] This is further exacerbated by the scant instructions often given by courts to guide

13. *Id.* at 15.
14. *Id.*
15. Zacchini v. Scripps-Howard Broad. Co., 433 U.S. 562, 576 (1977).
16. 15 U.S.C. § 1125(a); Vick & Jassy, *supra* note 2, at 15 (noting, for example, that the Lanham Act requires some element of falsity, deception, or confusion as to whether the plaintiff is actually endorsing the defendant's product, but there is no such requirement for the right of publicity); *but see* Hogan v. A. S. Barnes & Co., Inc., No. 8645, 1957 WL 7316, at *11 (Pa. C.P., Phila. Cty. 1957) (holding that defendant had misappropriated plaintiff's right of publicity, and that "this simply is an application of the doctrine of unfair competition to a property right entitled 'right of publicity.' This, therefore, is not a separate cause of action, but rather is unfair competition under another label.").
17. *See, e.g.*, CAL. CIV. CODE § 3344(a) (West 2015); 765 ILL. COMP. STAT. ANN. 1075/40 (West 2015); OHIO REV. CODE ANN. § 2741.07 (West 2015); OKLA. STAT. ANN. tit. 12, § 1449(A) (West 2015).
18. OHIO REV. CODE ANN. § 2741.07(A)(1)(b); 765 ILL. COMP. STAT. ANN. 1075/40.
19. *See generally* Savare, *supra* note 8.
20. OHIO REV. CODE ANN. § 2741.07.
21. IND. CODE ANN. § 32-36-1-10 (West 2015).
22. *See* Savare, *supra* note 8, at 151.

juries, and the reality is that, more often than not, these cases are not litigated; instead they are settled for undisclosed amounts, providing no guidance for future courts.[23]

The most obvious measure for assessing actual damages is the fair market value of the use of the plaintiff's identity.[24] The calculation of fair market value often involves a number of factors, including unjust enrichment, the infringer's profits, and diminution of the future earning potential for plaintiff in licensing his or her identity.[25] Thus, once a jury has decided that actual damages are appropriate, it is faced with another question: how do you calculate the fair market value of the use of the plaintiff's name and likeness?

This Note focuses on answering this precise question. Part I provides an overview of the comparable uses method and the hypothetical negotiation test, using case law to flesh out the contours of each method. Part II examines why courts allow actual damages in the right of publicity context and uses copyright and property principles to assess the viability of the hypothetical negotiation test. In particular, this Note analyzes the competing methods through the lens of the property and liability rule distinction elicited by Calabresi and Melamed, a helpful framework that is very similar to the dichotomy between the comparable uses method and the hypothetical negotiation test. Part III argues for a new way of viewing the hypothetical negotiation test, and proposes that the two competing tests may not be so different after all. The Note concludes by advocating for the use of both methods in determining fair market value in the right of publicity context, and argues that so long as a party closely weds the hypothetical negotiation test to concrete evidence and past transactions, these data points—principally, the buyer's side of the negotiating table—should be presented to the jury to consider in its analysis.

I. The Comparable Uses Method, and the Hypothetical Negotiation ("Willing Buyer/Willing Seller") Test

There are two competing methods used in determining a celebrity's fair market value under a Right of Publicity Act: (1) the comparable uses method; and (2) the hypothetical negotiation

23. *See id.*

24. *See id.* at 151; *see also* J. Thomas McCarthy, *The Spring 1995 Horace S. Manges Lecture – The Human Persona as Commercial Property: The Right of Publicity*, 19 Colum.-VLA J.L. & Arts 129, 134 (1995).

25. *See* McCarthy, *supra* note 24, at 134.

("willing buyer/willing seller") test. This Note will discuss each in turn.

A. The Comparable Uses Method

The comparable uses method is a valuation tool used by experts who subscribe to the market approach, which is itself a well-established method of fair market value calculation.[26] Proponents of the comparable uses method hold that market value "can be ascertained relatively easily by expert testimony as to 'comparables': amounts received by comparable persons for comparable uses."[27] This value cannot be based upon speculation, but must instead be based on comparables and reasonable assumptions.[28] Using this method, a plaintiff attempts to establish a "going rate" for his or her services.[29] For example, in *Town & Country Properties, Inc. v. Riggins*,[30] an expert in the field of sports marketing testified that plaintiff, former professional football star, John Riggins, was "a proven commodity" who used the commercial value of his name for endorsements.[31] The expert testified as to the fee Riggins would customarily charge for that kind of use—here, his name for the purposes of an endorsement.[32]

As shown in *Riggins*, "[i]f the plaintiff has consented to advertising uses of his personality in the past, then he can establish the going rate for his endorsement by reference to the fee he received from similar advertisers in the past."[33] This type of comparable evaluation was also seen in *Hogan v. A. S. Barnes & Co., Inc.*. There, the court had to determine the damages suffered by plaintiff, golf legend, Ben Hogan, after defendant published a book entitled "Golf With the Masters," which featured, without Hogan's permission, his name and photograph "prominently displayed on the jacket and in the text."[34] In determining damages, the court looked to, *inter alia*, sums of money plaintiff had received from articles he had written.[35]

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26. *See* Gregory J. BATTERSBY & CHARLES W. GRIMES, LICENSING ROYALTY RATES § 1.02[A][1] (2005 ed.).

27. 2 J. THOMAS MCCARTHY, RIGHTS OF PUBLICITY AND PRIVACY § 11:32 (2013 ed.).

28. *See id.*

29. James M. Treece, *Commercial Exploitation of Names, Likenesses, and Personal Histories*, 51 TEX. L. REV. 637, 651 (1973).

30. Town & Country Props., Inc. v. Riggins, 457 S.E. 2d 356 (Va. 1995).

31. *Id.* at 364.

32. *Id.*

33. Treece, *supra* note 29, at 651.

34. Hogan v. A. S. Barnes & Co., Inc., No. 8645, 1957 WL 7316, at *1 (Pa. C.P., Phila. Cty. 1957).

35. *Id.* at *14.

Taking into account a number of comparable uses,[36] the court found that the fair market value of the use by defendant was $5,000 dollars.[37]

In contrast, if the plaintiff has never consented to advertising uses of his or her personality, then he can establish the going rate by reference to endorsements by celebrities of his stature.[38] This was the approach taken by the court in *Hoffman v. Capital Cities/ABC, Inc.*[39] Because plaintiff, Dustin Hoffman, a movie star, had "scrupulously guided and guarded" the use of his name and likeness, ABC's unauthorized use was the first time Hoffman's name had been used outside of the movie context.[40] Hoffman filed suit against ABC, Inc., the owner of Los Angeles Magazine, Inc., after the March 1997 issue of *Los Angeles Magazine* featured a photograph of Hoffman without his permission.[41] The doctored photograph showed plaintiff in articles of clothing created by designers who were major advertisers in *Los Angeles Magazine*, and the accompanying article referenced a "shopping guide" that provided price and store information for the clothing.[42] Plaintiff did not grant permission for the use of his name and likeness, and also did not consent to commercially endorse any fashion designer.[43]

The court found that plaintiff's statutory right of publicity had been violated.[44] The California Right of Publicity statute stated:

> Any person who knowingly uses another's name, voice, [or] signature . . . for purposes of advertising or selling [merchandise] . . . shall be liable for any damages sustained by the person or persons injured as a result thereof. In addition . . . the person . . . shall be liable . . . in an amount equal to the greater of seven hundred fifty dollars ($750) or the actual damages suffered by him or her as a result of the unauthorized

36. *Id.* (considering the sums the author earned from other magazine publications, including from Reader's Digest, London Sunday Express, Cowles Magazine, Saturday Evening Post, This Week, and Look, when determining the plaintiff's damages).

37. *Id.* at *15.

38. Treece, *supra* note 29, at 651.

39. Hoffman v. Capital Cities/ABC, Inc., 33 F. Supp. 2d 867, (C.D. Cal. 1999), *rev'd on other grounds*, 255 F.3d 1180 (9th Cir. 2001) (reversed on First Amendment grounds).

40. *Id.* at 870, 872.

41. *Id.* at 869–71 (explaining that defendants used computer imaging software to manipulate a photograph of plaintiff to make it appear as though he was wearing "a contemporary silk gown designed by Richard Tyler and high–heel shoes designed by Ralph Lauren").

42. *Id.* at 870.

43. *Id.* at 871.

44. *Id.* at 873.

> use, and any profits from the unauthorized use that are attributable to the use and are not taken into account in computing the actual damages.[45]

In determining actual damages, the court considered the fair market value of the use of plaintiff's identity.[46] The court found that the fair market value was "the value that a celebrity of Mr. Hoffman's reputation, appeal, talent and fame would bring in the open market for this type of one-time use in a publication in a regional magazine, in the Los Angeles market area."[47] In making this determination, the court considered five factors: (1) stature of the celebrity; (2) the first-time use of plaintiff's name in a non-movie promotion context; (3) plaintiff's perception of the impact the use would have on his future earning potential; (4) uniqueness of the role and character that plaintiff was portraying in the picture that was used (the movie, *Tootsie*); and (5) the area to which the magazine was distributed.[48]

As demonstrated by the cases above, when available, the comparable uses method, or the "going rate," offers an objective way to measure the fair market value of the use of the plaintiff's identity. However, another method that allows for more subjectivity, the hypothetical negotiation test, is emerging in the courts.

B. The Hypothetical Negotiation ("Willing Buyer/Willing Seller") Test

The hypothetical negotiation ("willing-buyer/willing-seller") test is best explained through a discussion of cases that help flesh out its contours. However, the definition used in the federal tax context sets the table for the discussion to follow. For federal tax purposes, the fair market value of an asset is "the price at which the [asset] would change hands between a willing buyer and willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts."[49]

When first formulated, the voluntary nature of the negotiation was not clearly established by the case law. In *Dowagiac Mfg. Co. v. Minnesota Moline Plow Co.*, a case where a patentee could not prove

45. CAL. CIV. CODE § 3344(a) (West 2015); *see Hoffman*, 33 F. Supp. 2d at 873.
46. *See Hoffman*, 33 F. Supp. 2d at 872.
47. *Id.*
48. *See id.* at 872, 875 (finding the fair market value of the right to utilize plaintiff's name and likeness in the manner it was used to be $1,500,000).
49. 26 C.F.R. § 1.170-1(c)(2) (2015).

lost profits, the Court stated that the patentee could show the value of the use by "proving what would have been a reasonable royalty, considering the nature of the invention, its utility and advantages, and the extent of the use involved."[50] In the absence of an established royalty, the Court found that the proper measure of damages was "such sum as . . . would have been a reasonable royalty for the defendant to have paid."[51] This was an amount that the jury had the authority to decide.[52]

Relying on the framework set forth by *Dowagiac*, the courts soon refined the standard by importing the idea that a reasonable price is one that neither party is obligated to accept. This new approach was initially pronounced in *Horvath v. McCord Radiator & Mfg. Co.*, 100 F.2d 326 (6th Cir. 1938).[53] The Sixth Circuit Court of Appeals held as follows:

> In fixing damages on a royalty basis against an infringer, the sum allowed should be reasonable and that which would be accepted by a prudent licensee who wished to obtain a license but was not so compelled and a prudent patentee, who wished to grant a license but was not so compelled. In other words, the sum allowed should be *that amount which a person desiring to use a patented machine and sell its product at a reasonable profit would be willing to pay*.[54]

A more simplistic phrasing was later pronounced by the Ninth Circuit: "The primary inquiry, often complicated by secondary ones, is what the parties would have agreed upon, if both were reasonably trying to reach an agreement."[55]

This test was further clarified by the court in *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970), finding that this test "requires consideration not only of the amount that a willing licensee would have paid for the patent license but also of the amount that a willing licensor would have accepted."[56] In a recent copyright case, the Federal Circuit Court applied this test and reversed the trial court, stating it is "incorrect in a hypothetical negotiation inquiry for a court to limit its analysis to only one side of

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50. Dowagiac Mfg. Co. v. Minn. Moline Plow Co., 235 U.S. 641, 648 (1915).
51. *See id.* at 648–49.
52. *See id.* at 649.
53. *See* Horvath v. McCord Radiator & Mfg. Co., 100 F.2d 326, 335 (6th Cir. 1938).
54. *Id.* at 335–36 (emphasis added).
55. Faulkner v. Gibbs, 199 F.2d 635, 639 (9th Cir. 1952).
56. Georgia-Pacific Corp v. U.S. Plywood Corp., 318 F. Supp. 1116, 1121 (S.D.N.Y. 1970).

the negotiating table."[57] On remand, the trial court was instructed to "consider *all* evidence relevant to a hypothetical negotiation."[58] In short, the court's task is to determine the "reasonable . . . fee on which a willing buyer and a willing seller would have agreed for the use taken by the infringer."[59] This is the foundation of the hypothetical negotiation test used in right of publicity cases.

Because the cases discussed above occur in the copyright and patent context, it may appear that there is no need to consider their concerns in the right of publicity context. However, at least one court has already allowed for the hypothetical negotiation test to be used in a right of publicity case.[60] The use of the hypothetical negotiation test in right of publicity actions is further supported by the concerns expressed by the Second Circuit in a copyright case, *On Davis*:

> Furthermore, the fair market value to be determined is not the highest use for which plaintiff might license but the use the infringer made. Thus, assuming the defendant made infringing use of a Mickey Mouse image for a single performance of a school play before schoolchildren, teachers and parents with tickets at $3, the fair market value would not be the same as the fee customarily charged by the owner to license the use of this image in a commercial production.[61]

Many of the court's concerns here are analogous to those underlying an award of actual damages, which involves a fair market value calculation, in right of publicity actions. The in-depth discussion of *Bogart*, *infra* Part III.A, helps to clarify this test's application in right of publicity cases.

Based on these two methods, a problem in need of a resolution emerges: What data points should be used when determining a celebrity's fair market value? By allowing for the use of the hypothetical negotiation test, the fair market value of the property right reflects the subjective value placed on that right by a particular buyer. Such an analysis is based on hypothetical, arms-length negotiations, instead of focusing solely on established, completed

57. Gaylord v. U.S., 678 F.3d 1339, 1343 (Fed. Cir. 2012).

58. *Id.* at 1344.

59. On Davis v. Gap, Inc., 246 F.3d 152, 167 (2d Cir. 2001).

60. *See* Bogart, LLC v. Ashley Furniture Indus., Inc., No. 3:10-cv-39, 2012 WL 3745833, at *16 (M.D. Ga. 2012).

61. *On Davis*, 246 F.3d at 166 n.5.

arms-length transactions,[62] whether between that celebrity or another who is similarly situated. Furthermore, the hypothetical negotiation test fails to take into account situations where the "seller," the celebrity, would never have authorized use by the "buyer" for *any* amount of money.[63]

The prospect of the shift from an objective measure to a more subjective measure gives cause for great concern. Taking into account the growing commercialization of athletes and celebrities through television, print, and social media, the courts will be increasingly called upon to help determine actual damages—in other words, a celebrity's fair market value—in the right of publicity context.

II. The Foundation for Reform

In determining which data points to use in calculating fair market value in the right of publicity context, it is first important to establish the reason for awarding actual damages. In other words, what are we trying to accomplish by recognizing a right of publicity and awarding actual damages? In arriving at the answer, a look at the calculation of fair market value in the copyright context is pragmatic and insightful. We will also view the problem through the lens of the property and liability rule distinction elicited by Calabresi and Melamed, which parallels the differences between the comparable uses method and hypothetical negotiation test.[64]

A. *The "Why" Behind Actual Damages*

In *Zacchini v. Scripps-Howard Broadcasting Co.*, the Supreme Court noted the difference between privacy rights and publicity rights. Although both are torts, the interest being protected by the state differs.[65] In the privacy context, the interest protected is the placement of the plaintiff in a false light that damages his or her

62. *Gaylord*, 678 F.3d at 1343.

63. For example, one can envision a hypothetical where a professional athlete with a wholesome image or a pop star with mostly teen fans would never allow use of his or her name or likeness for the promotion of an alcoholic beverage. In such a case, the hypothetical negotiation test simply does not take into consideration that the plaintiff would have never entered into negotiations for such a use.

64. *See generally* Guido Calabresi & Douglas Melamad, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, 85 Harv. L. Rev. 1089 (1972).

65. Zacchini v. Scripps-Howard Broadcasting Co., 433 U.S. 562, 573 (1977).

reputation.[66] By contrast, in the right of publicity context, the State is protecting "the proprietary interest of the individual in his act in part to encourage entertainment."[67] Thus, the state's interest is closely related to the goals of patent and copyright law—it focuses on the right of an individual to receive the reward, monetary or otherwise, of his endeavors; it does not address the protection of feelings or reputation.[68] Aptly put, "The rationale for [the right of publicity] . . . is the straightforward one of preventing unjust enrichment by the theft of good will. No social purpose is served by having the defendant get for free some aspect of the plaintiff that would have market value and for which he would normally pay."[69]

Having set forth the reasons behind recognizing a right of publicity, this Note turns now to the "why" behind a finding of actual damages. The answer to this question is more difficult because, as stated, *supra* Part I, legislatures have not defined actual damages.[70] Although it did so outside of the right of publicity context, the Illinois Court of Appeals relied on Black's Law Dictionary to define actual damages where Illinois' right of publicity statute was silent.[71] The current edition of Black's Law Dictionary defines the term as, "[a]n amount awarded to a complainant to compensate for a proven injury or loss; damages that repay actual losses—also termed compensatory damages; tangible damages; real damages."[72] However, this definition falls short. While it does describe what actual damages are generally, further analysis is needed to understand the meaning of the term in right of publicity cases. The lack of guidance from legislatures begs for one to search closely related areas of law for an answer. Based on the Supreme Court's recognition of the close relationship between the goals of copyright law and the right of publicity in *Zacchini*,[73] this Note looks to copyright law for insight into the policy goals behind actual damages.

66. *Id.*; *see* William L. Prosser, *Privacy*, 48 CALIF. L. REV. 383, 398–401 (1960).

67. *Zacchini*, 433 U.S. at 573; *see* MCCARTHY, *supra* note 27, at § 11:32.

68. *Zacchini*, 433 U.S. at 573; *but see* Toney v. L'Oreal USA, Inc., 406 F.3d 905, 910 (7th Cir. 2005) (reversing the district court and holding that the plaintiff's right of publicity claim was not preempted by the Copyright Act).

69. Harry Kalven, Jr., *Privacy in Tort Law—Were Warren and Brandeis Wrong?*, 31 Law and Contemp. Prob. 326, 331 (1966); *see Toney*, 406 F.3d at 910 ("[T]he purpose of the IRPA [Illinois Right of Publicity Act] is to allow a person to control the commercial value of his or her identity . . . . The basis of a right of publicity claim concerns the message—whether the plaintiff endorses, or appears to endorse the product in question.").

70. Savare, *supra* note 8, at 151.

71. Smith, Allen, Mendenhall, Emons & Selby v. Thomson Corp., 862 N.E.2d 1006, 1009 (Ill. App. Ct. 2006).

72. *Damages*, BLACK'S LAW DICTIONARY (10th ed. 2014).

73. *See Zacchini*, 433 U.S. at 573.

B. A View from the Copyright Context

Although copyright cases do not uniformly support the hypothetical negotiation test, the court in *On Davis* provides the strongest, most straightforward support for this method of calculating actual damages. In *On Davis v. The Gap, Inc.*, *supra* Part I, the Second Circuit Court of Appeals examined damages provided for under the Copyright Act.[74] The Act states that "an infringer of copyright is liable for either: (1) the copyright owner's *actual damages* and any additional profits of the infringer . . . ; or (2) statutory damages."[75] The court noted that an award of actual damages should view the facts from the point of view of the copyright owner.[76] The lower court held that the evidence supporting the claim of actual damages was too speculative to support such recovery, but the Second Circuit reversed.[77] In doing so, the Second Circuit stated that, on the basis of the evidence presented, the jury could have reasonably found that the plaintiff had established a fair market value for the use of an image of his copyrighted design.[78]

The court recognized that awarding a copyright owner actual damages could risk abuse because he or she may claim an unreasonable amount as a license fee for the copyrighted design.[79] The court attempted to protect against this risk by requiring that the amount of damages "not be based on 'undue speculation.'"[80] But despite this protection, the court still recognized that the calculation of fair market value may involve some uncertainty, and that the accepted methods of determining fair market value may require the court to engage in some degree of speculation.[81] In *Rogers v. Koons*, the Second Circuit remanded to the district court to assess actual damages, observing that "a reasonable license fee . . . best approximates the market injury sustained as a result of [defendant's] misappropriation."[82]

The court in *On Davis* gave support for the hypothetical negotiation test, stating, "[A]ctual damages may include in appropriate

74. On Davis v. Gap, Inc., 246 F.3d 152, 159 (2d Cir. 2001).

75. 17 U.S.C. § 504(a) (2012) (emphasis added).

76. *On Davis*, 246 F.3d at 159 ("[An award for actual damages] undertakes to compensate the owner for any harm he suffered by reason of the infringer's illegal act.").

77. *Id.* at 161.

78. *Id.*

79. *Id.* at 166.

80. *Id.* (quoting Abeshouse v. Ultragraphics, Inc., 754 F.2d 467, 470 (2d Cir. 1985)); *see also* Childress v. Taylor, 798 F. Supp. 981, 991 (S.D.N.Y. 1992).

81. *On Davis*, 246 F.3d at 16–67.

82. Rogers v. Koons, 960 F.2d 301, 313 (2d Cir. 1992).

cases the reasonable license fee on which a willing buyer and a willing seller would have agreed for the use taken by the infringer."[83] The court pointed to a panoply of cases supporting the test,[84] including a case in which the Ninth Circuit approved a jury instruction that allowed the jury to award actual damages estimating "what a willing buyer would have been reasonably required to pay for a willing seller for plaintiff's work."[85]

However, another copyright case, *Beastie Boys v. Monster Energy Comp.*, cuts against the support of the hypothetical negotiation test from *On Gap.*[86] In *Beastie Boys*, the hip-hop group, Beastie Boys, pursued a claim against Monster Energy arising from Monster Energy's creation and dissemination of a promotional video that, without permission from the hip-hop group, used portions of "five songs composed and recorded by the Beastie Boys as its soundtrack."[87] Monster's advertising goal was to create "an aggressive and fun 'brand personality,'" which would lead its consumers to associate the company's energy beverage with "music, action sports . . . , and attractive girls."[88]

At one point, the company's director of music marketing had considered approaching Beastie Boys, as he felt that the group's core audience was similar to Monster's consumers; however, he determined that Monster's budget would not permit it to hire such a popular group.[89] Instead, without ever obtaining, or attempting to obtain, permission from Beastie Boys, Monster used a total of five portions of Beastie Boys songs in a promotional video; the songs were from a remix that was created by a DJ.[90] The DJ had the right to offer the remix "for free as a promotional item, [but] did not have the right to sell or license the remix" to third parties for their use.[91] The promotional video was just over four minutes long, and Beastie Boys music played for approximately three minutes and thirty seconds.[92] Monster posted the video on its website, YouTube

83. *On Davis*, 246 F.3d at 167.

84. *See id.* at 168 (citing Encyclopedia Brown Prods., Ltd. v. Home Box Office, Inc., 25 F. Supp. 2d 395 (S.D.N.Y. 1998); Aitken, Hazen, Hoffman, Miller, P.C. v. Empire Constr. Co., 542 F. Supp. 252 (D. Neb. 1982); Curtis v. General Dynamics Corp., No. C89-566S, 1990 WL 302725, at *11 (W.D. Wash. 1990)).

85. *On Davis*, 246 F.3d at 168 (quoting Sid & Marty Krofft Television Prods., Inc. v. McDonald's Corp., 562 F.2d 1157, 1174 (9th Cir. 1977)).

86. *See* Beastie Boys v. Monster Energy Co., 66 F. Supp. 3d. 424 (S.D.N.Y. 2014).

87. *Id.* at 427.

88. *Id.* at 428.

89. *Id.*

90. *Id.* at 427–28.

91. *Id.* at 428.

92. *Id.* at 429.

channel, and Facebook page.[93] The jury ultimately awarded the Beastie Boys $1 million in actual damages on its copyright claim.[94]

The court instructed the jury that "actual damages means the amount of money adequate to compensate the copyright owner for the fair market value of a defendant's infringing use."[95] The Beastie Boys' damages expert "opined that the market value of the licenses was $100,000 per song, per side [Monster and the DJ] for each of the five songs, a total of $1 million."[96] In reaching this number, the expert considered a number of factors, including: (1) the amounts paid to the Beastie Boys for other licenses; (2) the manner in which the promotional video by Monster compared to past uses the Beastie Boys had licensed; and (3) a five-week term of use agreed to by the parties (this is how long the video was available on YouTube).[97]

Despite Monster's motion challenging the expert testimony, the court found the assessment of actual damages was within the realm of reason because it was "anchored in prices *actually paid* for past licenses to play Beastie Boys' music."[98] Other evidence also supported the award, most notably the acceptance by Beastie Boys of $125,000 as the fair market value for the use of one of its songs in a thirty-second trailer for the film, *The Hangover Part II*.[99] The jury could have easily multiplied this amount by eight—accounting for the approximate length of Monster's video—arriving at the $1 million dollar figure for the comparable use of Monster's use of the songs as the "central part of a beverage company promotion."[100] Thus, not only does the court's reasoning cast doubt on the validity of the hypothetical negotiation test, but it actually promotes the comparable uses test through its reference to prices *actually paid* by past purchasers.

Extrapolating from the copyright context to the right of publicity context, proving actual damages should require a plaintiff to use a method of proof that satisfies two criteria: (1) the method must be based on the fair market value of the unauthorized use at the time of such use; and (2) the method must not be based on undue speculation. From the support for the hypothetical negotiation test,[101]

93. *Id.*
94. *Id.* at 427.
95. *Id.* at 463 (citing On Davis, 240 F.3d 152, 166 (2d Cir. 2001)).
96. *Id.*
97. *Id.* (emphasis added).
98. *Id.* (emphasis added).
99. *Id.*
100. *Id.* at 464.
101. *See* On Davis, 246 F.3d 152, 169 (2d. Cir. 2001) (citing Encyclopedia Brown Prods., Ltd. v. Home Box Office, Inc., 25 F. Supp. 2d 395 (S.D.N.Y. 1998); Aitken, Hazen, Hoffman,

as well as the comparable uses method,[102] we see that in the copyright context, at least two methods are appropriate for determining fair market value for the purposes of calculating actual damages. But should both methods be accepted in the right of publicity context? This is the question that this Note will tackle, *infra* Part III.

C. Calabresi and Melamed: A View from Their Cathedral

In their seminal article, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, Guido Calabresi and Douglas Melamed set out to provide a conceptual framework within which the separate legal subjects of property and torts could be approached from a unified perspective.[103] While the framework is applied in the nuisance and pollution context, this framework is helpful in analyzing the right of publicity.[104]

First, one must view the right of publicity as an entitlement. While the article proffers three different reasons for deciding to entitle a person—economic efficiency, distributional preferences, and other justice considerations[105]—an in-depth defense of this reasoning is unnecessary for the current task at hand. Suffice it to say, the right of publicity is a property right that is "inherent in the commercial value of a person's identity" and allows recovery for the economic value of the unauthorized use.[106] Thus, in a society that entitles Stephen Curry to market his identity and receive money from a buyer in return, he is wealthier and the buyer is poorer than each would be with the converse entitlement.[107]

The question therefore becomes: How should we protect the right of publicity? Should we use property rules, liability rules, or perhaps a mixture of both? The dichotomy between property rule and liability rules calls to mind the contrast between determining fair market value for purposes of actual damages through the objective means of the comparable uses method and the subjective means of the hypothetical negotiation test. An entitlement is protected by property rules "to the extent that someone who wishes to remove the entitlement from its holder must buy it from him in a

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Miller, P.C. v. Empire Constr. Co., 542 F. Supp. 252 (D. Neb. 1982); Curtis v. General Dynamics Corp., No. C89-566S, 1990 WL 302725, at *11 (W.D. Wash. 1990)).

102. Beastie Boys v. Monster Energy Co., 66 F. Supp. 3d. 424, 463 (S.D.N.Y. 2014).

103. Calabresi & Melamed, *supra* note 64, at 1089.

104. *Id.* at 1115–19.

105. *Id.* at 1093.

106. MCCARTHY, *supra* note 1, at § 6:3 (2d ed); Vick & Jassy, *supra* note 2, at 14.

107. Calabresi & Melamed, *supra* note 64, at 1095.

voluntary transaction in which the value of the entitlement is agreed upon by the seller."[108] This protection allows each of the parties to decide how much the entitlement is worth to them—its subjective value—and gives the seller a veto if the buyer does not offer what the buyer believes the entitlement to be worth.

But there is an immediate problem with protecting the right of publicity through property rules, even though it is a property right. Through the unauthorized use, the would-be buyer has stripped the seller of his or her veto ability. Illustratively, the unauthorized use of a celebrity's picture in a print ad to promote the sale of a soft drink removes the seller's ability to bargain and veto the deal. The print source has already been circulated, whether in a magazine or through social media, and the damage is done. Therefore, property rules—at least without the aid of liability rules—are not adequate protection, as they involve "a collective decision as to who is to be given an initial entitlement but not as to the value of the entitlement."[109]

Because property rules alone are inadequate, this Note turns to liability rules.[110] "Whenever someone may destroy the initial entitlement if he is willing to pay an objectively determined value for it, an entitlement is protected by a liability rule."[111] Therefore, while property rules protect the subjective value that the buyer places on the good, a liability rule protects the objectively determined value of the good.[112] But the "objectively determined" value of the good once again begs the question this Note seeks to address—how should the objective value be determined? Calabresi and Melamed recognized that "[t]his value may be what it is thought the original holder of the entitlement would have sold it for," and that a

108. *Id.* at 1092.

109. *Id.* at 1092. The quintessential property rule remedy is to give the owner of the entitlement the right to an injunction to have the entitlement returned to him. The defendant must either return the property or else pay the plaintiff for what was taken on terms acceptable *to the plaintiff*. This is not a real option in the realm of publicity rights, since there is arguably no way to "return" someone's likeness once it has been misappropriated and used in the marketplace. *Id.*

110. *Id.* at 1093 ("Most entitlements to most goods are mixed [protected by property and liability rules].").

111. *Id.* at 1092.

112. In the right of publicity context, however, it is important to note a caveat: under liability rule protection, the infringer is essentially given the right to pry the interest away from the holder of the entitlement, even though the owner's reservation price might be much higher than what the market is willing to pay for it *ex ante*. This might reflect more than a simple holdout problem—it might reflect the fact that the owner of the entitlement subjectively values the entitlement more highly than anyone else in the marketplace. Thus, he or she could choose not to sell at all.

holder's complaint that he would have sold it for more will be unavailing once an objectively determined value is set.[113] Yet this cuts the other way as well. In the right of publicity context, the unauthorized user's plea that the seller would have sold for a certain amount is futile in the face of a set value that is objectively determined.

The comparable uses method allows us to reach an objectively determined value by using evidence of the subjective value at which the owner values his right of publicity—namely, the price value at which he has sold the use of his name or likeness in the past. The use of this method protects both the would-be buyer and would-be seller, as it prevents the seller from claiming an amount far greater than he has received in the past, and it prevents the buyer from drumming up favorable terms from a supposed arms-length transaction. A hypothetical perhaps best illustrates this point.

Stephen Curry has sold the use of his name and likeness to Under Armour, Degree, Brita, and Muscle Milk.[114] Suppose that each deal, per year, is worth $10 million, $8 million, $4 million, and $6 million, respectively. If a soft drink company then attempts to contract with Curry to use his name and likeness to promote the sale of its sports drink, it now has several values for which Curry has already sold his name and likeness. These values reflect the subjective value that Curry places on each use.

Complications arise when parsing the exact use that each contract specifically permits, but these differences should be reflected in the prices to which Curry ultimately agreed in the arms-length transactions. For example, Under Armour's contract may be for use in all media—print, social media, and television ads, etc. The contract could further require signings and appearances by Curry. The breadth of the use, in part, reflects why Under Armour had to pay more than Muscle Milk, whose contract may have only allowed for use of Curry's name and likeness on social media and in print. Without parsing the exact use, the comparable uses method would be simple—add the value of each of Curry's contracts (for a total of $28 million), and divide it by the number of contracts (4). Thus, a future bidder, or unauthorized user of Curry's name and likeness, could expect to pay $7 million for the wrongful use. But, as noted in *On Davis*—albeit in the copyright context—the fair market value is not the highest or average value for which the plaintiff would

113. Calabresi & Melamed, *supra* note 64, at 1092.

114. Darren Rovell, *Warriors' Stephen Curry Signs Endorsement Deal with Brita*, ESPN (Dec. 16, 2015), http://espn.go.com/nba/story/_/id/14382337/stephen-curry-golden-state-warriors-signs-endorsement-deal-brita.

have sold his name and likeness, but for the fair market value of the use made by the infringer.[115] Thus, one must look to the context in which the unauthorized use occurred. In doing so, a jury can use the data points of "amounts received . . . for comparable uses" to reach a fair and just verdict regarding the fair market value of the unauthorized use for determining actual damages.[116]

In the copyright context in *Beastie Boys*, the court found that, based on the evidence before it, the jury was within its province to draw the conclusion that $1 million was the fair market value of the use by Monster. Is that the answer then? Should the court viewing a similar question in the right of publicity context (*e.g.*, the Curry hypothetical) allow both the comparable uses method *and* the hypothetical negotiation test, leaving the jury to reach a conclusion as to the fair market value of the unauthorized use? In answering this question, we return to the two criteria set forth, *supra* Part II.B—that the method of proof used must satisfy two criteria: (1) it must be based on the fair market value of the unauthorized use at the time of such use; and (2) it must not be based on undue speculation.[117]

This Note moves now to a final discussion of whether the hypothetical negotiation test should be used to help determine fair market value for an award of actual damages in the right of publicity context, and returns to *Bogart, LLC v. Ashley Furniture Industries, Inc.* to illustrate the positives and negatives of allowing the test to be used.[118]

III. Analysis and Recommendations: Should We Allow the Hypothetical Negotiation Test in the Right of Publicity Context?

In order to evaluate the hypothetical negotiation test, it is helpful to use *Bogart LLC v. Ashley Furniture Industries, Inc.* to elicit the positives and negatives of the test. This Part will examine the court's role in light of Federal Rule of Evidence 702 and *Daubert* considerations, as well as whether the two methods of evaluation are really so different from one another. Lastly, this Part will lay a framework for how courts should view the viability of the hypothetical negotiation test moving forward.

115. *See* On Davis v. Gap, Inc., 246 F.3d 152, 166 n.5 (2d Cir. 2001).
116. McCarthy, *supra* note 27, at § 11:32.
117. *See id.*
118. *See* Bogart, LLC v. Ashley Furniture Indus., Inc., No. 3:10-cv-39, 2012 WL 3745833, at *1 (M.D. Ga. 2012).

A. Bogart LLC: The Hypothetical Negotiation Test in Action

Bogart, LLC owned the intellectual property rights, including the publicity rights, of the late actor, Humphrey Bogart.[119] The plaintiff alleged the defendants had used the "Bogart" mark in connection with a line of furniture—including residential chairs and sofas—branded the "Bogart Ocean" collection, and brought, among others, a right of publicity claim.[120] In the past, the plaintiff had allowed the use of Humphrey Bogart's publicity right on more than one hundred occasions and in a wide variety of settings and businesses.[121] The plaintiff relied on an expert opinion regarding the fair market value of the use, and the defendant challenged the admissibility of the expert testimony under Federal Rule of Evidence 702 and *Daubert*.[122] The court then had to determine whether the opinions of the expert were sufficiently reliable to be considered in the plaintiff's motion for summary judgment.[123]

Federal Rule of Evidence 702 governs the admission of expert testimony in federal court.[124] The Rule provides that a witness who is qualified as an expert by knowledge, skill, experience, training, or education may testify in the form of an opinion or otherwise if:

> a) the expert's scientific, technical, or other specialized knowledge will help the trier of fact to understand the evidence or to determine a fact in issue;
> b) the testimony is based on sufficient facts or data;
> c) the testimony is the product of reliable principles and methods; and
> d) the expert has reliably applied the principles and methods to the facts of the case.[125]

In determining whether proposed expert testimony is proper under Rule 702, courts generally consider several factors articulated in *Daubert*.[126] In essence, these factors are meant to address the concerns articulated in the second prong of our two-part test above, *supra* Part II.C, which required that the method of proof not be based on undue speculation.

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119. *Id.*
120. *Id.*
121. *Id.*
122. *Id.* at *13–14; Daubert v. Merrell Dow Pharm., Inc., 509 U.S. 579 (1993).
123. *Bogart*, 2012 WL 3745833, at *15–17.
124. FED. R. EVID. 702.
125. *Id.*
126. *See Daubert*, 509 U.S. at 593–94.

In order for expert testimony to help the jury perform its duty, *Daubert* requires that "the evidence must have a valid scientific connection to the disputed facts in the case."[127] Additionally, a court may exclude expert testimony that is "imprecise and unspecific, or whose factual basis is not adequately explained."[128] In *Bogart*, the expert had worked in the celebrity talent business for over thirty years, and had negotiated many agreements involving advertising through commercials and other endorsement deals.[129] The expert conducted a hypothetical licensing negotiation, basing his opinion "on his experience and heavily on precedent as to what is paid to a particular talent."[130] In conducting this hypothetical negotiation, the expert relied on "thousands of licensing agreements," the general history of plaintiff's agreement, and a particular prior deal with another furniture company.[131] The expert further considered what the furniture store would have paid to use the "Bogart" name, the amount of usage, and the type of use (*e.g.*, print, internet, and sales materials).[132]

The defendant pointed out many of the problems that flow from the use of the hypothetical negotiation test. The defendant argued that such a test "does not entail any scientific calculus, factors to be reviewed, or a method that can be repeated and tested."[133] However, the court rejected the defendant's "inflexible approach [that] would never permit expert testimony on the issue of damages in [right of publicity cases]."[134] The court noted the expert's testimony did pass the *Daubert* test because it was based on his more than thirty years of experience and pointed to "concrete evidence supporting his opinion, including evidence of how others in the marketplace have placed a value on these intellectual property rights."[135] In essence, the court found the expert "[did] not simply pull a figure out of the air."[136]

This, of course, is the worry that mars the hypothetical negotiation test—that experts will opine regarding a hypothetical

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127. *Id.* at 595.

128. Cook *ex rel.* Tessier v. Sheriff of Monroe Cty., 402 F.3d 1092, 1111 (11th Cir. 2005) (quoting United States v. Frazier, 387 F.3d 1244, 1266 (11th Cir. 2004)).

129. Bogart, LLC v. Ashley Furniture Indus., Inc., No. 3:10-cv-39, 2012 WL 3745833, at *15 (M.D. Ga. 2012).

130. *Id.* at *16.

131. *Id.*

132. *Id.*

133. *Id.*

134. *Id.* at *17.

135. *Id.*

136. *Id.* Unsurprisingly, a settlement was reached in the case. The decision of the court to allow plaintiff's expert testimony, at least in part, helped to sound the death knell. *See* Stipulation of Dismissal of Entire Action with Prejudice, 2012 WL 7760791 (M.D. Ga. 2012).

negotiation that is not firmly rooted in facts. If this is the case, the court should rightly impose its "gatekeeping" function to exclude the testimony of the expert.[137] But if a sufficient factual basis exists for the testimony, then the courtroom back-and-forth between the opposing sides' experts could be especially helpful—indeed, in a way, it simulates a negotiation. While it's true that both parties have an incentive to assert an unrealistic reservation price in the abstract, in reality, if either side presents a figure that is too far off in the eyes of the jury, they run the risk of losing credibility with the individuals that will decide the fair market value of the use. Thus, there is an incentive to come up with a figure that the jury will find believable and credible. The *Bogart* case naturally leads one to ask the following: When utilized correctly, is the hypothetical negotiation test really that different from the comparable uses test? This Note turns now to that question.

B. The Dueling Tests: Are They Really So Different?

The comparable uses test is heralded for its relatively easy application.[138] All one must do is look at the amounts received by comparable persons for comparable uses,[139] or the "going rate" at which the celebrity had sold his name and likeness for in the past.[140] Such an analysis limits its view to only the seller's prior transactions. In contrast, the hypothetical negotiation test views both sides of the table—the prior transactions of both parties. Some may argue that when this method is employed, the court allows a jury to hear the amount that the particular thief would have been willing to pay.[141] But to not consider both sides of the negotiation table could, at least in some cases, produce absurd results.[142]

Not all unauthorized uses are the same. As recognized by the court in *On Davis*, it would indeed be perverse for a defendant who used the image of Mickey Mouse in a school play to pay the same amount that was paid for a past use by a national company in a

137. *See* Daubert v. Merrell Dow Pharm., Inc., 509 U.S. 579, 597 (1993) ("We recognize that, in practice, a gatekeeping role for the judge, no matter how flexible, inevitably on occasion will prevent the jury from learning of authentic insights and innovations. That, nevertheless, is the balance that is struck by Rules of Evidence designed not for the exhaustive search for cosmic understanding but for the particularized resolution of legal disputes.").

138. *See* MCCARTHY, *supra* note 27, at § 11:32.

139. *Id.*

140. Hogan v. A. S. Barnes & Co., Inc., No. 8645, 1957 WL 7316, at *11 (Pa. C.P., Phila. Cty. 1957).

141. *See* Midler v. Ford Motor Co., 849 F.2d 460, 462 (9th Cir. 1988).

142. *See* On Davis v. The Gap, Inc., 246 F.3d 152, 166 n.5 (2d Cir. 2001).

television commercial shown nationwide. Further, on the facts presented in *Bogart*, was the hypothetical negotiation—based in part on past sales of each party—really so different from the comparable uses test? Surely the answer is no. There, the hypothetical negotiation test was rooted in thousands of past licensing agreements and Mr. Bogart's general history of licensing the "Bogart" mark.[143]

But why should courts allow the hypothetical negotiation test at all? Courts could simply allow for the comparable uses method to be used to establish a baseline "going rate" for the use of the plaintiff's right of publicity, and then allow both parties to argue why a jury should deviate from this baseline amount. Yet, in essence, this is precisely what the court permits by allowing an expert to testify using the hypothetical negotiation test. Broken down into its component parts, the hypothetical negotiation test allows the jury to hear (1) the price at which the plaintiff had sold his right of publicity in the past; and (2) the price at which the defendant has purchased other rights of publicity in the past. Adhering to the comparable uses method allows the jury to only hear the former.

Indeed, there would surely be cases where the comparable uses method is all the jury needs to reach its conclusion. For instance, returning to the Stephen Curry hypothetical,[144] if a soft drink company used Curry's name and likeness in a national television commercial, and Under Armour had engaged in a prior transaction with Curry for the same use, then the calculus requires little heavy lifting. However, the inflexible nature of the comparable uses method presents problems when, in the same scenario, the authorized use is for a one-page ad for a local jewelry store in a local paper that is distributed to a mere 20,000 people. In such a case, the uses are incomparable. Strict application of the comparable uses method would not result in a determination of the fair market value of the use, but rather the "highest use" of Curry's publicity rights.[145]

At the same time, the hypothetical negotiation test—by itself—would create a perverse result in the Stephen Curry example as well. An example from right of publicity expert, Jonathan Faber,[146] helps explain why:

143. Bogart, LLC v. Ashley Furniture Indus., Inc., No. 3:10-cv-39, 2012 WL 3745833, at *16 (M.D. Ga. 2012).

144. *See supra* Part II.C.

145. *On Davis*, 246 F.3d at 166 n.5.

146. Faber is the Founder and Chief Executive Officer of Luminary Group LLC, and is a professor at Indiana University's Robert H. McKinney School of Law. He has served as an expert witness in right of publicity litigation throughout the United States, including cases

> One does not break into Disneyland, jump on a ride, then argue that he or she will only pay *a la carte* for a single ride that lasted forty-five seconds. A person could argue that, using the hypothetical negotiation test, the fair market value of the ride, given its duration and how much he or she enjoyed it, is $2.75, for example. But, obviously, a customer pays the full amount of entry to Disney or he or she does not go. Disney has the right to set its fee and not allow *a la carte* payments for single rides. While the ride may really only cost $2.75 taking into account operation costs and various other factors, a valuation on this basis disregards the fact that Disney has the right to determine how it operates—you pay the full fee for entry or you do not enter the park. To decide otherwise would overlook critical dynamics that differentiate the policy underlying right of publicity law from trademark and copyright law.[147]

Thus, in the Stephen Curry example, the jewelry store may urge the court to apply the hypothetical negotiation test based on the fact that the one-page ad was geographically limited and only featured Curry's name in a small font size.[148] But this is the kind of *a la carte* attempt that thwarts the policy underlying right of publicity law—generally, Curry does not operate the licensing of his valuable persona in this way, so "a valuation that focuses only on these specifics is likely to miss the very essence" of Curry's value.[149]

As established, *supra* Part I.C, there is sufficient legal support for the hypothetical negotiation test. However, as referenced above, one may still challenge the reliability to the facts of a particular case. In addition to the Disneyland example above, one could envision an expert who selectively chooses data points on which to base his or her calculation of fair market value. Yet, generally, an objection as to the factors used by an expert at the exclusion of others goes to the weight of the expert's opinion, not its admissibility.[150] Opposing counsel would then have the opportunity to attack the expert's testimony through cross-examination and the presentation of contrary evidence.[151]

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involving Uma Thurman, the Frank Lloyd Wright Foundation, Fruit of the Loom, Target, and Nikki Sixx.

147. E-mail from Jonathan Faber, Professor, Indiana University McKinney School of Law, to Cody Reaves, (Sept. 22, 2016) (on file with author).

148. *Id.*

149. *Id.*

150. *See* Daubert v. Merrell Dow Pharm., Inc., 509 U.S. 579, 596. (1993).

151. *Cf.* Smith v. Ford Motor Co., 215 F.3d 713, 718 (7th Cir. 2000) ("The soundness of the factual underpinnings of the expert's analysis and the correctness of the expert's conclusions based on that analysis are factual matters to be determined by the trier of fact . . . .").

C. Moving Forward: The Future of Determining Fair Market Value in the Right of Publicity Context

The determination of fair market value in the right of publicity context indeed presents thorny issues. The court must balance a number of factors in deciding how to best reach the goal of compensating a plaintiff for the unjust enrichment of his or her right of publicity. Both the comparable uses method and the hypothetical negotiation test allow a juror to obtain information to aid in their evaluation of fair market value. Moving forward, this Note advocates that, as long as a party closely weds the hypothetical negotiation test to concrete evidence of past transactions—such that it is not based on undue speculation—it should be presented to the jury to consider in its analysis.

By allowing an expert to opine on the hypothetical negotiation, the jury is presented with more data points—such as those from the buyer's side of the negotiating table. Such information cannot be a detriment. Jurors who are skeptical of the arguments presented by the defendant on the basis of the hypothetical negotiation could simply choose to disregard the information presented by the expert. So long as hypothetical negotiation is not unduly speculative, to not allow the jury to simply hear of the data points would be misguided.

As stated by the plaintiff's expert in *Bogart*, "[S]cientific or formulaic 'methods' do not work in the entertainment industry, but valuations of the use of a celebrity name and/or persona are based on what a person is worth based on their talent, perception in the entertainment industry, and precedential agreements."[152] Indeed, the valuation of a celebrity's fair market value can often be much more complicated than the evaluation of fair market value in other contexts. The hypothetical negotiation test allows an expert with years of experience in a particular industry to opine regarding what each side would have paid for a particular use.

Returning to our two-factor test,[153] the method of proof used in right of publicity cases must satisfy two criteria: (1) the method must be based on the fair market value of the unauthorized use at the time of such use; and (2) the method must not be based on undue speculation.[154] Issues arise on the second prong of this test, and require that a judge use his or her expertise to determine

152. Bogart, LLC v. Ashley Furniture Indus., Inc., No. 3:10-cv-39, 2012 WL 3745833, at *16 (M.D. Ga. 2012).

153. *See supra* Part II.C.

154. *See generally* McCarthy, *supra* note 27, at § 11:32.

whether the defendant's expert is simply asking the court, and subsequently the jury, to take him at his word. There are many instances in which the question of undue speculation will be difficult for the court to answer, but its difficulty alone should not prohibit the jury from hearing about data points that may aid in their decision-making process.

Of course, in determining how much the defendant should pay in such a case, the court must not just take the expert's word for it.[155] An infringer could not simply state the amount they would have paid *ex ante*. While the calculation of fair market value will involve some uncertainty, such a declaration cannot be wholly unwedded from any past sales by either party. If both parties' experts anchor their opinions in the actual transactions that have taken place, the court should have little worry that testimony will not satisfy the *Daubert* test.

Perhaps the most pressing problem with the hypothetical negotiation test is a situation where a plaintiff would never have sold his likeness to this particular defendant at *any* price, or where the two would have never settled on a price because the defendant would never have been willing to pay what the plaintiff was asking. The right to veto certain uses of one's likeness[156]—even when offered payment—certainly does have economic value, and being stripped of that veto right should be compensated. But this problem has a remedy in the form of a kind of penalty for misappropriating not just the likeness itself, but also the right to decide how it is used. In deciding the fair market value of such a use, courts have explicitly acknowledged that the misappropriation of one's identity can decrease the plaintiff's future publicity value.[157] In short, there is nothing that would stop a jury from considering the abolishment of a plaintiff's veto right when determining the fair market value of an unauthorized use.

Ultimately, we must rely on our trial court judges to properly assume their "gatekeeper" function. In doing so, the hypothetical negotiation test should be viewed on a continuum with varying levels of speculation. Indeed, "the test of reliability is 'flexible,' and *Daubert*'s list of specific factors neither necessarily nor exclusively applies to all experts or in every case."[158] Of course, judges must be mindful that a decision to allow an expert to provide an opinion based on the hypothetical negotiation test can often foreclose the

155. *See Daubert*, 509 U.S. 579 (1993).
156. *See supra* Part II.C.
157. Savare, *supra* note 8, at 164.
158. Kumho Tire Co., Ltd. v. Carmichael, 526 U.S. 137, 141 (1999).

case entirely, as parties, such as in *Bogart*, quickly settle. In essence, a judge must guard against an "expert who supplies nothing but a bottom line," as he or she "supplies nothing of value to the judicial process."[159] When an expert opinion based on the hypothetical negotiation test is based on undue speculation, the court must "conclude that there is simply too great an analytical gap between the data and the opinion proffered."[160]

Looking forward, as the commercialization of athletes and celebrities through television, print, and social media continues to grow, the courts will be increasingly called upon to help determine actual damages—the fair market value of the use of a celebrity's name and likeness—in the right of publicity context. In reaching such an answer, courts should follow the examples of *On Davis* in the copyright context, and *Bogart* in the right of publicity context, in deciding that the hypothetical negotiation test is a proper method of evaluating a celebrity's fair market value. There is no algebraic formula or manual to consult when determining fair market value; rather, "[t]he expertise and perspective of the valuation expert provides the critical translation to the judge and jury of the true impact of an infringement and the correct measure of damages."[161] This flexible approach, provided that it is sufficiently grounded in concrete past transactions such that it is not based on undue speculation, allows for a holistic view of the transaction and ensures that juries have all relevant information at hand when calculating fair market value.

Conclusion

While it may be a natural inclination to fear moving from an objective measure to a more subjective measure when calculating fair market value in right of publicity cases, such worries are unfounded. An exploration of the comparable uses method and hypothetical negotiation test show that the two are not so different after all, and may, in fact, complement one another in helping the jury to amass a fuller understanding of the fair market value of a celebrity's name and likeness. This Note has proposed a new way of viewing the hypothetical negotiation test, and advocated for the use

159. Mid-State Fertilizer Co. v. Exch. Nat'l Bank of Chicago, 877 F.2d 1333, 1339 (7th Cir. 1989).

160. General Elec. Co. v. Joiner, 522 U.S. 136, 146 (1997).

161. E-mail from Jonathan Faber, Professor, Indiana University McKinney School of Law, to Cody Reaves, (September 22, 2016) (on file with author).

of both methods to determine fair market value. It argues that allowing the hypothetical negotiation test, so long as it is wedded closely to concrete evidence and past transactions, presents the jury with more data points to consider in its fair market value analysis. This approach would ensure that one method of calculation is not thrown to the wayside due to its subjective nature. Most importantly, it ensures the jury has all relevant information at its disposal, including a competing view from the buyer's side of the negotiating table.