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Circuit Court of Appeals Must Accord Conclusive Deference to Another Circuit's Determination of the Law of a State Within the Other Circuit: Facyors Etc. Inc. v. Pro Arts Inc.

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CIRCUIT COURT OF APPEALS MUST ACCORD CONCLUSIVE DEFERENCE TO ANOTHER CIRCUIT'S DETERMINATION OF THE LAW OF A STATE WITHIN THE OTHER CIRCUIT: *Factors Etc., Inc. v. Pro Arts, Inc.*

In *Factors Etc., Inc. v. Pro Arts, Inc.*,[1] the Second Circuit Court of Appeals, exercising diversity jurisdiction,[2] held that it must give conclusive deference to the Sixth Circuit's[3] determination of an unsettled question of Tennessee law.[4] The Second Circuit's decision to forego an independent determination of Tennessee law is significant for several reasons. First, the court failed to ascertain how the New York Court of Appeals—the highest court in the forum state—would have weighed the Sixth Circuit's determination of Tennessee law.[5] Second, the decision may spawn federal/state forum shopping.[6] Finally, the court failed to set forth adequate justifications for its decision.[7]

I

HISTORICAL BACKGROUND

A. *The Directive to Apply State Law*

In *Erie Railroad Co. v. Tompkins*,[8] the Supreme Court held that federal courts exercising diversity jurisdiction must apply the law of the forum state, whether that law "is declared by its Legislature in a statute

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1 652 F.2d 278 (2d Cir. 1981).

2 *See* 28 U.S.C. § 1332 (1976).

3 Memphis Dev. Foundation v. Factors Etc., Inc., 616 F.2d 956 (6th Cir.), *cert. denied*, 449 U.S. 953 (1980).

4 The underlying issue in the case was the descendibility of rights of publicity. In determining whether a right of publicity survives death, courts and commentators generally rely on analogies. They have analogized the right of publicity to privacy, defamation, property, and copyright law. *See generally* Hicks v. Casablanca Records, 464 F. Supp. 426 (S.D.N.Y. 1978); Factors Etc., Inc. v. Creative Card Co., 444 F. Supp. 279 (S.D.N.Y. 1977); Price v. Hal Roach Studios, Inc., 400 F. Supp. 836 (S.D.N.Y. 1975); Felcher & Rubin, *The Descendibility of the Right of Publicity: Is There Commercial Life After Death*, 89 YALE L.J. 1125 (1980); Felcher & Rubin, *Privacy, Publicity, and the Portrayal of Real People by the Media*, 88 YALE L.J. 1577 (1979); Nimmer, *The Right of Publicity*, 19 LAW & CONTEMP. PROBS. 203 (1954); Shipley, *Publicity Never Dies; It Just Fades Away: The Right of Publicity and Federal Preemption*, 66 CORNELL L. REV. 673 (1981); Note, *The Right of Publicity—Protection for Public Figures and Celebrities*, 42 BROOKLYN L. REV. 527 (1976); Note, *Lugosi v. Universal Pictures: Descent of the Right of Publicity*, 29 HASTINGS L.J. 757 (1978); Comment, *Transfer of the Right of Publicity: Dracula's Progeny and Privacy's Stepchild*, 22 U.C.L.A. L. REV. 1103 (1975).

5 *See* Nolan v. Transocean Air Lines, 365 U.S. 293, 295-96 (1961) (per curiam). *See also* notes 26-31 and accompanying text *infra*.

6 *See* notes 62-65 and accompanying text *infra*.

7 *See* notes 70-80 and accompanying text *infra*.

8 304 U.S. 64 (1938).

or by its highest court in a decision."[9] *Erie* sought to prevent forum shopping[10] by promoting intrastate uniformity in the interpretation of state law;[11] under *Erie*, state and federal courts sitting in the same state would apply the same interpretation of state law.[12]

Three years after *Erie*, the Supreme Court held that federal courts adjudicating state-created rights are bound by the forum state's conflict of laws rules.[13] "Otherwise, the accident of diversity of citizenship would constantly disturb equal administration of justice in coordinate state and federal courts sitting side by side."[14] Conflict among the federal circuit courts, however, was inevitable and acceptable.[15]

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9 *Id.* at 78. Prior to *Erie*, the Rules of Decision Act of 1789, Federal Judiciary Act, ch. 20, § 34, 1 Stat. 92 (1789) (current version at 28 U.S.C. § 1652 (1976)), directed federal courts to apply the laws of the several states in trials at common law. In Swift v. Tyson, 41 U.S. (16 Pet.) 1 (1842), the Supreme Court defined "laws," as used in the statute, to mean state statutes and local usages; its definition explicitly excluded the state's general common law. *Id.* at 18. The decision permitted federal courts sitting in diversity to apply general rules of law and thereby encouraged the existence of two interpretations of the law within one state. Because rights varied according to where litigants instituted a lawsuit, and noncitizens could choose whether to go to state or federal court, *Swift* permitted discrimination by noncitizens against citizens of a particular state. Equal protection under the law was impossible. Erie R.R. v. Tompkins, 304 U.S. 64, 74-75 (1938). *Swift* thus enabled plaintiffs in diversity actions to examine state and federal precedents on the relevant substantive law and then select that forum offering the more favorable result. For example, in Black & White Taxicab & Transfer Co. v. Brown & Yellow Taxicab & Transfer Co., 276 U.S. 518 (1928), Brown & Yellow, a Kentucky corporation, sought to enjoin another Kentucky corporation from interfering with an exclusive contract to solicit passengers. Because the contract was void under Kentucky law, but not under federal law, Brown & Yellow reincorporated in Tennessee. In a federal diversity action, Brown & Yellow successfully secured an injunction prohibiting the other Kentucky corporation from interfering with its contract.

10 304 U.S. at 74-75.

11 *Id.* at 75.

12 The Supreme Court apparently based its decision in *Erie* on constitutional grounds. Justice Brandeis wrote: "[W]e should not be prepared to abandon a doctrine so widely applied throughout nearly a century. But the unconstitutionality of the course pursued has now been made clear and compels us to do so." *Id.* at 77-78 (footnote omitted). *See generally* C. WRIGHT, HANDBOOK OF THE LAW OF FEDERAL COURTS 258-62 (3d ed. 1976). Instead of relying on a statutory coustruction argument, Justice Brandeis couched the opinion in constitutional terms. The fault lay not with Congress, but with the courts for invading "rights which in our opinion are reserved by the Constitution to the several States." 304 U.S. at 80. Although the opinion does not specify which constitutional provision the *Swift* doctrine violated, presumably the violation was the federal courts' attempt to declare substantive rules of state common law and to dictate the manner in which courts should declare state law. *See* Friendly, *In Praise of* Erie—*And of the New Federal Common Law*, 39 N.Y.U. L. REV. 383, 384-98 (1964); Hill, *The Erie Doctrine and the Constitution*, 53 NW. U.L. REV. 427, 541 (1958).

13 Klaxon Co. v. Stentor Elec. Mfg. Co., 313 U.S. 487 (1941). The Court stated: "The conflict of laws rules to be applied by the federal court in Delaware must conform to those prevailing in Delaware's state courts." *Id.* at 496. The Supreme Court reaffirmed this holding in Day & Zimmerman, Inc. v. Challoner, 423 U.S. 3 (1975) (per curiam).

14 Klaxon Co. v. Stentor Elec. Mfg. Co., 313 U.S. 487, 496 (1941).

15 Whatever lack of uniformity [compelling federal courts to apply the conflict of laws rule of the forum state] may produce between federal courts in different states is attributable to our federal system, which leaves to a state . . . the right to pursue local policies diverging from those of its neighbors. It is not for the federal courts to thwart such local policies. . . .

Subsequently, the Court formulated the "outcome determinative" test, under which federal courts exercising diversity jurisdiction would apply state law in order to ensure that the outcomes of similar cases instituted in state and federal courts would be "substantially the same."[16] The Supreme Court has since recognized that federal courts cannot apply the outcome determinative test without reference to *Erie*'s twin goals: fostering intrastate uniformity in the administration of law and discouraging forum shopping.[17] When countervailing federal considerations are present, federal courts may safely disregard the outcome determinative test.[18]

B. *Ascertaining State Law*

Although *Erie* and its progeny direct federal courts exercising diversity jurisdiction to apply state law, problems arise when state statutory and decisional law offer no gnidance on the question presented. Federal courts called upon to determine state law must then use "all the available data"[19]—primarily internal indications of state law such as the con-

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Id.

16 Guaranty Trust Co. v. York, 326 U.S. 99, 109 (1945) (state statute of limitations, although often considered a "procedural" bar, must be applied by federal courts because "the outcome of the litigation in the federal court should be substantially the same . . . as it would be if tried in a State court").

Guaranty Trust's directive to apply state law, however, was not absolute. In Byrd v. Blue Ridge Rural Elec. Coop., Inc., 356 U.S. 525, 537 (1958), the Court ruled that federal courts must balance countervailing federal policies against the outcome determinative test. After comparing the federal policy favoring jury resolutions of disputed fact questions with the interest in intrastate uniformity, the Court concluded that "the federal court should not follow the state rule." *Id.* at 538.

17 In Hanna v. Plumer, 380 U.S. 460 (1965), the Court held that federal courts sitting in diversity must apply the Federal Rules of Civil Procedure. If a federal rule is applicable, and the question is a procedural one, federal courts need not consult state law. If no federal rule is applicable, however, federal courts must follow *Erie*. The Court clarified *Erie* and qualified *Guaranty Trust*, stating: "The 'outcome-determination' test therefore cannot be read without reference to the twin aims of the *Erie* rule: discouragement of forum-shopping and avoidance of inequitable administration of the laws." *Id.* at 468 (footnote omitted).

In Walker v. Armco Steel Corp., 446 U.S. 740 (1980), the Court held that in diversity cases state law defines when a lawsuit is commenced for the purpose of tolling statutes of limitations, despite rule three of the Federal Rules of Civil Procedure. *Walker* prevented the federal/state forum shopping that application of rule three would promote in such situations, thus furthering *Erie*'s goals. *See* Note, *Commencement Rules and Tolling Statutes of Limitations in Federal Court:* Walker v. Armco Steel Corp., 66 CORNELL L. REV. 842 (1981).

18 In Byrd v. Blue Ridge Rural Elec. Coop., Inc., 356 U.S. 525 (1958), the Supreme Court stated: "[W]ere 'outcome' the only consideration, a strong case might appear for saying that the federal court should follow the state practice. But there are affirmative countervailing considerations at work here." *Id.* at 537. The Court proceeded to find a "strong federal policy against allowing state rules to disrupt the judge-jury relationship in the federal courts," *id.* at 538, that outweighed application of the outcome determinative test announced in *Guaranty Trust*. *See* C. WRIGHT, *supra* note 12, at 257; Smith, *Blue Ridge and Beyond: A Byrd's Eye View of Federalism in Diversity Litigation*, 36 TUL. L. REV. 443 (1962).

19 West v. American Tel. & Tel. Co., 311 U.S. 223, 237 (1940). In *West*, the Court stated:

sidered judgment of an intermediate state appellate court[20] and "considered dictum" of the state's highest court.[21] When no state precedents exist, federal judges may predict how state judges would decide the question,[22] or they may exercise their independent judgment.[23] These two approaches converge as the amount of state guidance diminishes. Courts of appeals and the Supreme Court give special weight to the decisions of federal court judges familiar with local law.[24] Decisions

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> State law is to be applied in the federal as well as the state courts and it is the duty of the former in every case to ascertain from all the available data what the state law is and apply it rather than to prescribe a different rule, however superior it may appear from the viewpoint of "general law" and however much the state rule may have departed from prior decisions of the federal courts.

Id. Federal courts have relied on common law principles, analogous decisions, restatements of the law, law review articles, decisions of other states, and decisions of other federal courts to assist them in determining state law. *See* 1A J. MOORE, MOORE'S FEDERAL PRACTICE ¶ 0.309[2], at 3122, 3124 (2d ed. 1981). Federal courts have also looked to considered dicta, policies of construction, and legislative behavior. *See* Harnett & Thornton, *Precedent in the Eerie-Tompkins Manner: A Decade in Restrospect*, 24 N.Y.U. L.Q. REV. 770, 782-90 (1949).

20 In West v. American Tel. & Tel. Co., the Sixth Circuit disregarded an intermediate state court decision, and the Supreme Court reversed. 311 U.S. 223 (1940). The Court held that the considered judgment of an intermediate state appellate court is "state law," which federal courts must apply. *See also* Fidelity Union Trust Co. v. Field, 311 U.S. 169 (1940). *But see* Commissioner v. Estate of Bosch, 387 U.S. 456, 465 (1967) ("[U]nder some conditions, federal authority may not be bound even by an intermediate state appellate court ruling.").

21 Nolan v. Transocean Air Lines, 365 U.S. 293, 295 (1961) (per curiam); Harnett & Thornton, *supra* note 19, at 784-86.

22 In Cooper v. American Airlines, Inc., 149 F.2d 355, 359 (2d Cir. 1945), Judge Frank identified the predictive approach: "This case is in that zone in which federal courts must do their best to guess what the highest state court will do." *See* Note, *The Ascertainment of State Law in a Federal Diversity Case*, 40 IND. L.J. 541, 550 (1964) (arguing that Court's holding in Nolan v. Transocean Air Lines, 365 U.S. 293 (1961) (per curiam), endorses the predictive approach).

23 In New Eng. Mut. Life v. Mitchell, 118 F.2d 414, 420 (4th Cir. 1941), Judge Parker articulated the proper approach for federal courts exercising independent judgment in determining state law:

> The respectful attitude towards the local court, where there has been no decision on the precise question before us, is to consider that question in the light of the common law of the state, with a view of reaching the decision which reason dictates, and with the faith that the local court will reach the same decision when the question comes before it.

See generally Harnett & Thornton, *supra* note 19, at 780.

Certification and abstention are two other options available to a federal court presented with an unsettled question of state law. Although endorsed by the Supreme Court in Lehman Bros. v. Schein, 416 U.S. 386 (1974), certification is a statutory remedy that is available in only a limited number of states. Abstention is also of limited utility. In Meredith v. City of Winter Haven, 320 U.S. 228 (1943), the Supreme Court held that a federal court cannot decline to hear a case simply because it is difficult to ascertain how the state courts will subsequently interpret state law. Thus, neither certification nor abstention greatly assists federal courts attempting to adjudicate an unsettled question of state law.

24 Bernhardt v. Polygraphic Co., 350 U.S. 198, 204 (1956); *accord*, Bishop v. Wood, 426 U.S. 341, 345-46 (1976); United States v. Durham Lumber Co., 363 U.S. 522, 526-27 (1960); Huddleston v. Dwyer, 322 U.S. 232, 237 (1944); MacGregor v. State Mut. Life Assurance Co., 315 U.S. 280 (1942).

in other circuits generally persuade but do not bind circuit courts ruling on ambiguous state law or questions of first impression in a state.[25]

C. Nolan v. Transocean Air Lines

The policies behind *Erie* and its progeny and the difficulties inherent in ascertaining state law absent clear state guidance converged in *Nolan v. Transocean Air Lines*.[26] In *Nolan*, the Second Circuit, exercising diversity jurisdiction, properly had applied the conflict of laws rule of the forum state, New York.[27] New York's conflict of laws rule required the application of Califoruia law.[28] Califoruia law, however, was unclear.[29] The Supreme Court directed the Second Circuit to determine what relative weights the New York Court of Appeals, as the authoritative source for ascertaining California law, would accord conflicting California decisions.[30] Thus, *Nolan* requires a federal court sitting in diversity to apply the forum state's interpretation of applicable law, rather than the federal court's own interpretation of that law.[31]

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25 *See, e.g.,* Cottonwood Mall Shopping Center, Inc. v. Utah Power & Light Co., 440 F.2d 36 (10th Cir.), *cert. denied*, 404 U.S. 857 (1971). When deciding federal questions, courts of appeals generally look to the decisions of other circuit courts as persuasive, but not dispositive authority. *See, e.g.,* Pan Am. World Airways v. Civil Aeronautics Bd., 517 F.2d 734, 741 (2d Cir. 1975) (court not bound by decision or rationale of another circuit); Allstate Ins. Co. v. Stevens, 445 F.2d 845, 846 (9th Cir. 1971); United States v. Mitchell, 432 F.2d 354, 356 (1st Cir.), *cert. denied*, 401 U.S. 910 (1970). The Eighth Circuit will follow the decision of another court of appeals "unless satisfied that it is erroneous." Spicknall's Estate v. Commissioner, 285 F.2d 561, 567 (8th Cir. 1961). The Fifth Circuit has determined only that Fifth Circuit decisions and decisions of the United States Supreme Court bind it. United States v. Northside Realty Assocs., Inc., 518 F.2d 884, 886 (5th Cir. 1975). The Fifth Circuit treats a statement of law by a court of appeals that the Supreme Court expressly approves as binding on other courts of appeals. Norton v. McShane, 332 F.2d 855, 858 (5th Cir. 1964), *cert. denied*, 380 U.S. 981 (1965).

26 365 U.S. 293 (1961) (per curiam).

27 *Id.* at 294. *See also* note 13 and accompanying text *supra*.

28 365 U.S. at 294.

29 In two separate wrongful death actions, intermediate California courts had held that where the claim of one beneficiary is time-barred, the claims of all beneficiaries are time-barred. *See* Haro v. Southern Pac. Co., 17 Cal. App. 2d 594, 62 P.2d 441 (Dist. Ct. App. 1936); Sears v. Majors, 104 Cal. App. 60, 285 P. 321 (Dist. Ct. App. 1930). In a considered dictum handed down immediately before argument in the federal court of appeals, however, the California Supreme Court indicated that if one elaimant is not time-barred, other claimants in the samc action are not time-barred. Leeper v. Beltrami, 53 Cal. 2d 195, 208-09, 347 P.2d 12, 22 (1959).

30 365 U.S. at 295-96. The Court stated:

> [I]nasmuch as the Court of Appeals for the Second Circuit is charged with mandatory appellate review in the present case, that court should decide what relative wcights, as authoritative sources for ascertaining California law, the New York Court of Appeals would accord to thc *Sears-Haro* line (direct holdings of District Courts of Appeal between 1930 and 1938) and to *Leeper* (a considered, relevant dictum of general scope by the California Supreme Court in 1959).

Id.

31 *See* C. WRIGHT, *supra* note 12, at 266. For a discussion of which state court the federal court represents, see Note, *supra* note 22, at 551-53.

II

FACTORS ETC., INC. V. PRO ARTS, INC.

Elvis Presley organized and incorporated Boxcar Enterprises under Tennessee law and assigned to it the exclusive right to market commercially his name and likeness.[32] Two days after Presley's death, Boxcar granted an exclusive license to Factors Etc., Inc. to market Presley's name and likeness.[33] To safegnard its acquired interest, Factors sought a preliminary injunction against alleged infringements by Pro Arts, Inc. in the Southern District of New York.[34] The district court, recognizing a descendible "right of publicity,"[35] granted the injunction, and the Second Circuit affirmed (*Factors I*).[36]

Shortly after Factors initiated *Factors I*, the Memphis Development Foundation brought a declaratory judgment action in the Western District of Tennessee, *Memphis Development Foundation v. Factors, Etc., Inc.*, seeking to prevent Factors from interfering with its efforts to advertise and promote replicas of Presley.[37] Factors counterclaimed for a preliminary injunction that would restrain distribution of the replicas.[38] The district court, determining that a performer's right of publicity is descendible,[39] issued a preliminary injunction against the Foundation,[40] and the Sixth Circuit affirmed.[41] Factors later obtained a permanent injunction in the district court.[42] On appeal, however, the Sixth Circuit reversed.[43] The Sixth Circuit noted that neither the Tennessee courts nor the Tennessee legislature had determined the descendibility of the right of publicity.[44] Furthermore, the court acknowledged that it could not assess the predisposition of the Tennessee courts on the issue.[45] Consequently, the court undertook an independent review of the question[46]

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32 Factors Etc., Inc. v. Pro Arts, Inc., 652 F.2d 278, 279 (2d Cir. 1981).

33 *Id.*

34 Factors Etc., Inc. v. Pro Arts, Inc., 444 F. Supp. 288 (S.D.N.Y. 1977), *aff'd*, 579 F.2d 215 (2d Cir. 1978), *cert. denied*, 440 U.S. 908 (1979).

35 *Id.* at 290. A more complete analysis of these issues appears in a companion case, Factors Etc., Inc. v. Creative Card Co., 444 F. Supp. 279 (S.D.N.Y. 1977).

36 Factors Etc., Inc. v. Pro Arts, Inc., 579 F.2d 215 (2d Cir. 1978), *cert. denied*, 440 U.S. 908 (1979).

37 Memphis Dev. Foundation v. Factors, Etc., Inc., 441 F. Supp. 1323 (W.D. Tenn. 1977), *aff'd*, 578 F.2d 1381 (6th Cir. 1978).

38 *Id.* at 1325.

39 *Id.* at 1330.

40 *Id.* at 1331.

41 578 F.2d 1381 (6th Cir. 1978).

42 *See* Memphis Dev. Foundation v. Factors Etc., Inc., 616 F.2d 956, 960 (6th Cir.) (district court determination made in unpublished court order), *cert. denied*, 449 U.S. 953 (1980).

43 616 F.2d 956 (6th Cir.), *cert. denied*, 449 U.S. 953 (1980).

44 *Id.* at 958.

45 *Id.* ("Tennessee courts have not addressed this issue directly or indirectly, and we have no way to assess their predisposition.").

46 The court stated: "[W]e are left to review the question in the light of practical and policy considerations, the treatment of other similar rights in our legal system, the relative

and concluded that the right of publicity is not descendible under Tennessee law.[47]

After the Sixth Circuit's decision in *Memphis Development*, Factors moved for summary judgment in the New York litigation. The district court, reaffirming its earlier determination that under Tennessee law the right of publicity is descendible,[48] permanently enjoined Pro Arts from marketing Presley's name and likeness.[49] On appeal, the Second Circuit reversed (*Factors II*), concluding that it would accord "conclusive deference" to the Sixth Circuit's determination of Tennessee law.[50] In effect, the Second Circuit elevated the Sixth Circuit's prediction of Tennessee law to the status of a rebuttable presumption; absent a clear basis in Tennessee law for concluding that Tennessee courts would determine that the Sixth Circuit's prediction was erroneous, the Sixth Circuit's ruling would be accepted as controlling authority.[51]

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weight of the conflicting interests of the parties, and certain moral presuppositions concerning death, privacy, inheritability and economic opportunity." *Id.*

47 *Id.* The Sixth Circuit cited W. PROSSER, HANDBOOK OF THE LAW OF TORTS (4th ed. 1971) and J. RAWLS, A THEORY OF JUSTICE (1971) in support of its decision. 616 F.2d at 958-59. In addition, the court balanced the interests involved, measured the administrative problems created, and concluded that to hold the right of publicity descendible is "contrary to our legal tradition and somehow . . . contrary to the moral presuppositions of our culture." *Id.* at 959. The court addressed neither the Second Circuit's concerns in *Factors I* nor the district court's reasoning in the decision below. Furthermore, the Sixth Circuit did not follow the approach advocated by most commentators, *see* note 4 *supra*, and neglected to mention an analogous decision, Robinson v. Robinson, 9 Tenn. App. 103 (1929), in which a Tennessee court implicitly recognized a descendible property right in a trade name. To conform with the Supreme Court's directive in ascertaining state law, a federal court must consider "all the available data." West v. American Tel. & Tel. Co., 311 U.S. 223, 237 (1941); *see* note 19 and accompanying text *supra*; Six Cos. of Cal. v. Joint Highway Dist. No. 13, 311 U.S. 180 (1940); Stoner v. New York Life Ins. Co., 311 U.S. 464 (1940). *West*, however, does not require a federal court actually to adopt the position advocated by commentators, analogous decisions, and decisions of other circuits.

48 Factors Etc., Inc. v. Pro Arts, Inc., 496 F. Supp. 1090 (S.D.N.Y. 1980), *rev'd*, 652 F.2d 278 (2d Cir. 1981).

49 *Id.* at 1104.

50 Factors Etc., Inc. v. Pro Arts, Inc., 652 F.2d 278, 279 (2d Cir. 1981). Judge Newman, writing for the majority, formulated the issue as "whether, and under what circumstances, a ruling by a court of appeals, interpreting the common law of a state within its circuit, should be regarded as authoritative by the other federal courts of the nation." *Id.* at 282. Judge Mansfield, dissenting, more accurately formulated the issue as

> whether a federal court of appeals, called upon to anticipate what general common law rule with respect to a legal question might be appropriate for a state having no law whatsoever on the subject, must adhere to the diversity decision of a sister federal court of appeals within whose boundaries the state is located.

Id. at 284.

51 *Id.* at 283. Three independent events could rebut the presumption:

> A federal court in another circuit would be obliged to disregard a state law holding by the pertinent court of appeals if persuaded that the holding had been superseded by a later pronouncement from state legislative or judicial sources . . . or that prior state court decisions had been inadvertently overlooked by the pertinent court of appeals . . . . [or] the pertinent court of

Judge Newman, writing for the majority, offered two justifications for the court's decision to defer to the Sixth Circuit's prediction of Tennessee law: a commitment to the orderly development of state law[52] and the desire to promote uniformity of state laws.[53] In a vigorous dissent, Judge Mansfield argued that the Sixth Circuit heard too few diversity cases to have any "special knowledge or expertise in Tennessee law"[54] and that persuasive sources outside Tennessee law indicated that the Sixth Circuit's prediction of the probable course of Tenncssee law was wrong.[55] Further, the dissent maintained that a decision conflicting with the Sixth Circuit's decision, although promoting uncertainty, would induce legislative action faster than would a consistent decision[56] and would promote the development of "lasting rules of common law."[57] Judge Mansfield concluded therefore that the Second Circuit should have made an independent determination of the probable course of Tennessee law.[58]

> appeals has disregarded clear signals emanating from the state's highest court pointing toward a different rule.

Id. (footnote omitted).

In determining the authoritativeness of the Sixth Circuit's decision in *Memphis Development*, the Second Circuit in *Factors II* was concerned primarily with the geographical circumscription of Tennessee within the Sixth Circuit. The court noted:

> [T]he author of *Memphis Development* is a distinguished member of the Tennessee bar, whose sense of what may be expected of the Tennessee Supreme Court surely surpasses our own. But since Judge Merritt's opinion so emphatically disclaims any basis for predicting how Tennessee will resolve the issue on the merits, we prefer to determine the authoritativeness of *Memphis Development* with regard to the territorial scope of the Sixth Circuit, rather than the heritage of the opinion's author.

Id. at 283 n.7.

52 *Id.* at 282.

53 *Id.* The court recognized that other states and other federal courts seeking to apply the forum's conflict of laws rules could reach different predictions of Tennessee law. Nonetheless, the court thought that state courts would follow the Sixth Circuit's finding to promote uniformity and argued that even if other courts did not share the Second Circuit's interest in uniformity, short-lived uniformity would be preferable to immediate conflict. *Id.* at 282-83 n.6.

54 *Id.* at 285 (Mansfield, J., dissenting). Judge Mansfield noted that only 11.6% of the appeals filed in the Sixth Circuit were diversity suits. Because these diversity suits came from each of the seven states within the Circuit, Judge Mansfield concluded that the Sixth Circuit could enjoy no special familiarity with Tennessee law.

55 *Id.* at 284 nn.1-2.

56 *Id.* at 286.

57 *Id.*

58 > In the unusual situation here, where an initial court of appeals diversity declaration is in no way derived from the law or practice of the state and interprets no existing state law, we should feel free to reach a different result if sound reasons recommend it, regardless of the unpersuasive views of the sister circuit from which the initial declaration emanated.

Id. (Mansfield, J., dissenting).

III

THE SECOND CIRCUIT'S MISAPPLICATION OF *Erie*

The Second Circuit's justifications for its decision in *Factors II* do not withstand analysis.[59] Furthermore, the court overlooked a crucial element of the *Erie* doctrine: how the New York Court of Appeals, the highest court of the forum state, would have ascertained Tennessee law

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59 *See* notes 66-76 and accompanying text *infra*. Interestingly, neither party argued for the application of a conclusive deference rule. The parties asked the court to determine whether Pro Arts could defensively assert the Sixth Circuit's decision to collaterally estop Factors's suit. Brief for Plaintiffs-Appellees at 16, Brief for Defendants-Appellants at 6, Factors Etc., Inc. v. Pro Arts, Inc., 652 F.2d 278 (2d Cir. 1981). The majority, however, did not address the issue preclusion question in its disposition of the case. *Id.* at 280 n.3, 283 n.8. The dissent summarily dismissed the issue. *Id.* at 288-89.

A party no longer need establish mutuality to assert issue preclusion. Blonder-Tongue Laboratories, Inc. v. University of Ill. Foundation, 402 U.S. 313, 326-28 (1971); Schwartz v. Public Adm'r, 24 N.Y.2d 65, 246 N.E.2d 725, 298 N.Y.S.2d 955 (1969); Bernhard v. Bank of America, 19 Cal. 2d 807, 122 P.2d 892 (1942); *see* Currie, *Mutuality of Collateral Estoppel: Limits of the* Bernhard *Doctrine*, 9 STAN. L. REV. 281 (1957). *See also* Parklane Hosiery Co. v. Shore, 439 U.S. 322 (1979) (offensive use of issue preclusion permissible despite lack of mutuality).

In order to apply issue preclusion, the issue in question must be identical to the issue previously litigated. *See* Schwartz v. Public Adm'r, 24 N.Y.2d 65, 246 N.E.2d 725, 298 N.Y.S.2d 955 (1969); RESTATEMENT (SECOND) OF JUDGMENTS § 88, Comment a (Tent. Draft No. 2, 1978). In addition, the issue must have been fully and fairly litigated, actually decided, and necessary to the outcome of the previous decision. F. JAMES & G. HAZARD, CIVIL PROCEDURE 563-73 (2d ed. 1977).

In *Memphis Development*, the Sixth Circuit actually decided the issue of whether the right of publicity is descendible, and that determination was essential to the outcome of the case. Nevertheless, three obstacles to invocation of issue preclusion remained. First, Pro Arts attempted to preclude relitigation of an issue of *law* in *Factors II*. Professors James and Hazard argue that "the modern tendency is to apply issue preclusion to issues of law as well as fact." *Id.* at 572. The *Restatement Second*, however, adopts the position that courts should not apply issue preclusion to issues of law. RESTATEMENT (SECOND)OF JUDGMENTS § 88(3) Appendix (Tent. Draft No. 3, 1976).

Second, the *Restatement Second* states that courts should consider allowing relitigation of an issue when the "determination relied on as preclusive was itself inconsistent with another determination of the same issue." RESTATEMENT (SECOND) OF JUDGMENTS § 88(4) Appendix (Tent. Draft No. 3, 1976). The Sixth Circuit's determination in *Memphis Development* was inconsistent with the preliminary injunction decision rendered previously by another panel of that circuit. *See* Memphis Dev. Foundation v. Factors, Etc., Inc., 441 F. Supp. 1323 (W.D. Tenn. 1977), *aff'd*, 578 F.2d 1381 (6th Cir. 1978). It was also inconsistent with other courts' determinations. *See* cases cited in note 4 *supra*.

Third, Factors was the defendant in *Memphis Development* and therefore did not choose the forum. Choice of forum may be significant if "[t]he forum in the second action affords the party against whom preclusion is asserted procedural opportunities . . . that were not available in the first action and could likely result in the issue being differently determined." RESTATEMENT (SECOND) OF JUDGMENTS § 88(2) Appendix (Tent. Draft No. 3, 1976).

Thus, because application of issue preclusion is discretionary with the court, Parklane Hosiery Co. v. Shore, 439 U.S. 322, 331 (1979), and because the issue in *Factors II* involved a question of law the initial determination of which was argnably inconsistent with prior decisions, the majority probably would not have applied issue preclusion had it reached the question. By sidestepping it and according the Sixth Circuit determination conclusive deference, however, the Second Circuit reached the same result as it would have by invocation of issue preclusion.

on the issue of descendibility of publicity rights and what weight that court would have accorded the Sixth Circuit's determination of Tennessee law. Consequently, the Second Circuit's decision may promote forum shopping and thwart, rather than enhance, uniform interpretation of state law.

In *Nolan v. Transocean Air Lines*,[60] the Supreme Court directed federal courts exercising diversity jurisdiction to ascertain how the highest court of the forum state would weigh contrary decisions interpreting another state's law.[61] Without considering how the New York Court of Appeals would have weighed the Sixth Circuit's prediction of Tennessee law, the Second Circuit independently accorded that prediction dispositive weight. The Second Circuit's failure to consider the position of New York's highest court ignores *Nolan* and *Erie*'s policy objectives.

Erie's two primary concerns were the prevention of forum shopping and the uniform administration of justice in state and federal courts within the same state.[62] Although the Second Circuit's decision purports to comport with *Erie*, in fact it may generate forum shopping. New York state courts asked to determine whether the right of publicity is descendible under Tennessee law could take one of two approaches: defer, as did the Second Circuit, to the Sixth Circuit's ruling, or treat the Sixth Circuit's determination as persuasive authority and independently examine the merits. Because New York courts have never before given conclusive deference to federal court determinations of common law,[63] the latter alternative is more realistic. Therefore, the Second Circuit's failure to examine the descendibility of publicity question denied Factors an independent judicial investigation of the merits—an investigation that a state court would have undertaken.[64] Consequently, the

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60 365 U.S. 293 (1961) (per curiam).

61 *Id.* at 295-96; *see* notes 26-31 and accompanying text *supra*.

62 *See* notes 8-18 and accompanying text *supra*.

63 *See, e.g.*, New York Rapid Transit Corp. v. City of New York, 275 N.Y. 258, 9 N.E.2d 858 (1937), *aff'd*, 303 U.S. 573 (1938) (Fourth Circuit determination that New York City tax is constitutional is entitled to great weight, but does not bind New York Court of Appeals); Howard v. Finnegans Warehouse Corp., 33 A.D.2d 1090, 1090-91, 307 N.Y.S.2d 1022, 1023 (1969) (state court adjudicating a matter of common law is not bound by ruling of federal court in different circuit).

64 The Second Circuit's refusal to examine the merits is signifieant in view of Judge Newman's statement that, had an investigation been conducted, he would "probably uphold a descendible right of publicity." Factors Etc., Inc. v. Pro Arts, Inc., 652 F.2d 278, 282 (2d Cir. 1981). The textual analysis assumes that the majority and dissenting opinions were correct in their determinations that New York state courts using New York conflict of laws rules would apply Tennessee law. *Id.* at 281, 284.

Alternatively, New York courts might compare the consequences of applying Tennessee law with those of applying New York law before deciding which state law to apply. If the New York courts found that Tennessee law produced an unjust result, the New York state court would apply New York law. *See* Babcock v. Jackson, 12 N.Y.2d 473, 191 N.E.2d 279, 240 N.Y.S.2d 743 (1963); Kilberg v. Northeast Airlines, Inc., 9 N.Y.2d 34, 172 N.E. 526, 211 N.Y.S.2d 133 (1961); Lefiar, *Choice-Influencing Considerations in Conflicts of Laws*, 41 N.Y.U. L.

Second Circuit's decision may encourage forum shopping between state and federal courts—precisely what *Erie* sought to prevent.[65]

The Second Circuit wrongly emphasized inter-circuit uniformity at the expense of intra-circuit uniformity. The Supreme Court has recognized explicitly that administering the law uniformly in state and federal courts within the same state may well generate conflicting federal court decisions.[66] Nevertheless, such conflict is an inevitable consequence of the federal court system.[67] Thus, the Second Circuit's primary concern should have been the uniform administration of the forum state's law, rather than the promotion of uniformity among the federal courts.[68]

The Second Circuit's professed commitment to the orderly development of Tennessee law[69] is, as the dissent observed, "speculative at best."[70] The court argued that its decision to defer to the Sixth Circuit's determination of Tennessee law would alert the Tennessee legislature that the Sixth Circuit's determination controlled.[71] If that determination was inaccurate or undesirable, legislators could act to clarify state law.[72] As the dissent recoguized, however, inconsistent federal decisions are more likely to motivate state legislatures than are consistent decisions.[73]

The Second Circuit further reasoned that if it held the right of publicity descendible under Tennessee law, in contrast to the Sixth Circuit's ruling, citizens affected by Tennessee law would be unable to discern its content.[74] Although predictability of law is a laudable decisional goal, it fails as a persuasive justification for the Second Circuit's decision because that court is powerless to effectuate that goal. Regardless of their interpretations of state law, the Second and Sixth Circuits cannot bind

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REV. 267, 296 (1966). New York courts would not apply New York law automatically if they found that result superior, but they probably would not conclusively defer to the Sixth Circuit before considering the merits.

65 After the Second Circuit's decision, a litigant seeking to profit from exploiting Presley's name or image will not institute an action in federal court in New York, but instead will litigate in the New York state courts. If the New York state courts ultimately conclude that the right of publicity is descendible, noncitizens could choose between two coexistent legal systems. The two systems, however, could not coexist for long. Vandenbark v. Owens-Illinois Glass Co., 311 U.S. 538 (1941), requires federal courts to apply the most recent decisions of state courts.

66 *See* note 15 and accompanying text *supra*.

67 *Id.*

68 *See* text accompanying note 11 *supra*. In fact, the court's decision fails even to assure uniformity among the federal courts. *See* notes 24-25 and accompanying text *supra*.

69 *See* note 52 and accompanying text *supra*.

70 Factors Etc., Inc. v. Pro Arts, Inc., 652 F.2d 278, 286 (2d Cir. 1981) (Mansfield, J., dissenting); *see id.* at 282; notes 55-56 and accompanying text *supra*.

71 652 F.2d at 282; *see id.* at 286.

72 *Id.*

73 *Id.*

74 *Id.* at 282-83.

courts in any other jurisdiction.[75] Citizens subject to Tennessee law can now predict how the Second and Sixth Circuits will rule on the right of publicity issue, but they cannot predict either how courts in other jurisdictions will rule, or how the Tennessee courts or legislature will act.[76]

Finally, the Second Circuit's decision might rest on the Sixth Circuit's presumed familiarity[77] with Tennessee law. The Supreme Court has given special weight to authoritative federal interpretations of state law in similar situations.[78] The Court, however, has heretofore required both an initial determination by a federal judge from the state whose law is in question and an affirmation by the court of appeals of that circuit before according a federal court interpretation such weight.[79] In *Memphis Development*, the Sixth Circuit reversed the district court's initial determination and disclaimed any basis for predicting how Tennessee courts would resolve the issue.[80] Thus, neither *Erie*'s policies nor the Second Circuit's justifications properly support the result in *Factors II*.

CONCLUSION

Through its attempt to promote predictability and the orderly development of Tennessee law, the Second Circuit in *Factors II* misapplied *Erie* and ignored the Supreme Court's directive in *Nolan*. *Erie* sought to promote intra-circuit state and federal uniformity and to discourage forum shopping between state and federal forums; *Nolan* directed federal courts to apply the forum state's prediction of another state's law. By giving the Sixth Circuit's decision conclusive deference, the Second Circuit's decision in *Factors II* promotes inter-circuit uniformity at the expense of intra-circuit uniformity. In addition, it denies the plaintiff the opportunity to benefit from an independent consideration of the merits

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75 *See* note 25 and accompanying text *supra*.

76 The Second Circuit maintained that it deferred to the Sixth Circuit as a matter of stare decisis. Factors Etc., Inc. v. Pro Arts, Inc., 652 F.2d 278, 283 n.8 (2d Cir. 1981). Previously, "stare decisis" meant that courts of appeals would be bound only by their earlier decisions and by Supreme Court decisions. Under the "law of the circuit" doctrine, the decision of a court of appeals only binds courts in that circuit. *See* note 25 and accompanying text *supra*; Note, *Securing Uniformity in National Law: A Proposal for National Stare Decisis in the Courts of Appeals*, 87 YALE L.J. 1219 (1978). The Second Circuit's decision to grant conclusive deference to a sister court's decision in the name of stare decisis greatly extends traditional stare decisis doctrine. If adopted by other circuits, the Second Circuit's position could render obsolete the "law of the circuit" doctrine.

77 *See* note 24 and accompanying text *supra*.

78 "[O]rdinarily we accept and therefore do not review, save in exceptional cases, the considered determination of questions of state law by the intermediate federal appellate courts . . . ." Huddleston v. Dwyer, 322 U.S. 232, 237 (1944); *accord*, Bishop v. Wood, 426 U.S. 341, 346 (1976); Commissioner v. Estate of Bosch, 387 U.S. 456 (1967); United States v. Durham Lumber Co., 363 U.S. 522, 527 (1959); *see* MacGregor v. State Mut. Co., 315 U.S. 280 (1942).

79 *Id.*

80 Memphis Dev. Foundation v. Factors Etc., Inc., 616 F.2d 956 (6th Cir.), *cert. denied*, 449 U.S. 953 (1980).

of the Tennessee law question, an opportunity it would have enjoyed in state court.

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