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American Needle, Inc. v. National Football League et al.

Issue

The main issue is to determine whether the NFL and its member teams is a single entity with respect to licensing of intellectual property rights.

NFL property, which was a company owned by the National Football League teams, gave Reebok exclusive license which gave them authority to be the only producers and sellers of trademarked headwear and other game necessities. American Needle was the initial holders of the production contract. Their license was not renewed. American Needle therefore took action and sued NFL, the member teams and Reebok on the grounds of alleged conspiracy among NFL and its teams in the formation of the contract. NFL argued that they were not subject to conspiracy insisting that the league and its member teams were a single entity.

Procedural Facts

American Needle brought the action against the NFL teams to the district courts challenging the exclusive license awarded to Reebok under Section One of the Sherman Act. Their argument was that the NFL and its member teams are not a single entity and, therefore, should not have entered that contract on the grounds of being a single entity.

Holding

The District Court held granted the National Football League gave the national football league a summary judgment on the ground that the NFL

and its member teams acted as a single entity. The seventh circuit upheld the decision of the lower court.

Reasoning

The main reasoning behind the decision by the district court to grant the NFL and its member teams a summary judgment was due to the fact that in entering the contract they acted as a single entity. They acted as a single entity because they were having a common interest which they wanted to serve a single group and in the contract they had not acted as single entities.

The Seventh Circuit court also upheld the decision by the district court. The court was of the idea that the product that the NFL offers, which is NFL football cannot be produced by any of the NFL teams individually. It requires them to come together and work as one entity in order to give that product. Each team is an economic power in the production of NFL football. The teams, therefore, are sharing a common interest and, therefore, act as a common source of economic power in promoting NFL football. As such, they are, therefore, considered single entity when giving the license to Reebok.

Supreme Court judgment

The dispute was taken to the Supreme Court. The decision by the lower courts of granting the NFL and its member teams a summary judgment and labeling them a single entity was unanimously overturned by the judges of the Supreme Court. The court reasoned that each team in the league had an independent management that managed its activities and that each was a business unit that was working towards achieving its own interests. Each

team was, therefore, independent and only participated in the NFL only to maximize their gains and profits. The judges there did not agree with the courts that the NFL and its member teams were a single entity and as such could not have legally entered into a contract with Reebok.