

## Coogan Law loophole leaves child actors at financial risk

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One year ago, Gary Coleman's death refocused the public's attention on the fortunes made — and sometimes lost — by child actors. Coleman, who starred in the television show *Diff'rent Strokes*, had sued his parents, claiming they had wiped out his earnings.

The laws in California protecting child actors are unique and have changed over the years, according to Bruce Sires, a trusts and estates partner at Valensi Rose, a boutique law firm in Los Angeles. Sires, who advises production companies and studios about the legal complexities of hiring child actors, is scheduled to discuss those laws during an April 20 luncheon sponsored by the Beverly Hills, Calif., Bar Association.

He talked to *The National Law Journal* about the history of the laws — in particular, a financial trust account named for Jackie Coogan, a child actor in silent films who later appeared on TV in *The Addams Family* — and what happens when the parents don't act in the best interests of their child.

His comments have been edited for length and clarity.

NLJ: What kind of legal issues arise when children become paid actors?

B.S.: They want a younger person who can perform a part. You're talking about a 15-year-old who can play an 18- or 20-year-old. The legal problem is that a child under the age of 18 is restricted by the California Labor Code in the time and hours they can put in filming a show or movie. They have rules for infants, including newborns. When you see a newborn on TV or in the movies, there's a law that restricts how much time you can do it. That's why most of the time when you have infants, you have twins. It's not only limited in the hours, but in the types of scenes that they can be present in, in terms of nudity or sexually explicit scenes.

The other one I've seen is releases. This happens often in reality shows. They're releasing the producers and directors and anybody involved in the production of this TV show or motion picture or reality show from liability for anything. I've seen a case where there were some extreme sports, including skateboarding and the like. If I were a parent who was asked to sign that release, no matter how much my child begged, I wouldn't do it.

NLJ: You specialize in something called Coogan trust accounts. What are these?

B.S.: Historically, back in the '30s, the studios wanted to be sure that the minors they hired couldn't quit on them on the spur of the moment. So they instigated the passage of a statute which has become the Coogan Law, which allowed the studios to get the employment contract with a minor approved by the court, and thereby the minor could not disaffirm the contract. Jackie Coogan's history became very famous because his parents, or one of his parents, spent most of the money he acquired as a child actor. And he was left destitute, and there was a whole lot of publicity. In 1939, the law was amended to require that a certain amount of the minor's earnings be set aside into what has become known as a Coogan account. This was to protect the child, so that the child got a percentage of their money put aside for them until they turned 18.

NLJ: That law was revised again in 2000. Why?

B.S.: It got changed for a few reasons. One, the law did not apply to contracts with minors that weren't court approved. A lot more weren't court approved than were court approved — that's just a gut feeling. And the other reason was to make it a fixed percentage, rather than discretionary percentage. And so the fixed percentage has now become 15%.

The issue that really attracted my interest was the change to make the money belong to the minor. The child actor has ownership of all of their earnings and 15% of those earnings are going to be put into a blocked Coogan account. Before the amendment, which was effective on Jan. 1, 2000, the child's money belonged to the mom and dad. All of it belonged to Mom and Dad.

NLJ: Have those changes improved things for child actors?

B.S.: There was a hole left in the law, and the hole is that if parents do nothing, then the other 85% of the money isn't being protected. There's nobody to make sure that the money gets used in the best interest of the child. So, responsible parents aren't the issue. The problems are irresponsible parents. And the problem has been irresponsible parents since Jackie Coogan's parents ripped him off.

NLJ: Can you give me an example?

B.S.: I handled a case for one child. She came to me because the producers and the studio were concerned about how her parents were behaving on the set because it was disturbing the production. And Mom and Dad were handling the child's money and living very well with it. I set up a guardianship with the child with a third party as the guardian. This woman was 16 years old at the time. And we got the money put aside for her. Unfortunately, during the time her parents were handling her money, they had never paid income taxes on the child's behalf. So when she turned 18, and she was now entitled to all this money, it came with a price tag because the IRS and the [California] Franchise Tax Board both came after her for the taxes for all the years she had been a child actress, and we worked out the best deal we could. They also had Coogan accounts, but the Coogan accounts that were there for her benefit were wiped out by the taxes.

NLJ: Do you hear a lot about irresponsible parents of child actors?

B.S.: Anecdotally, I'd say no, I don't hear a whole lot of stories about parents misusing their money.

NLJ: Most people are familiar with Coleman's story. How often do these disputes end up in court?

B.S.: It doesn't go to court because nine times out of 10 children don't sue their parents for abusing them — whether it's physical abuse or any kind of abuse, including financial abuse.

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