

## JUNE AT THE MULTIPLEX<sup>©</sup>

The days had been extremely hot. It had been hotter than normal. In addition, the moisture coming up from the gulf had increased the humidity to almost unbearable levels. It was under these circumstances that Tammy decided to go see a movie. The theater would at least be air conditioned and would provide some welcome relief from the weather.

Tammy looked in the movie section of the newspaper to see what movies were being screened in her area. She saw that the highly anticipated movie “The Governator” was being shown at the nearby Royal 18 Theater complex in the Eastfield Mall. The newspaper advertisement indicated that the movie was scheduled to begin in 30 minutes, at 1:00 pm.

Tammy got her wallet and car keys, jumped into her car, and sped off to the mall. Since she always had difficulty finding a seat in the dark, one thing Tammy did not want was to be late for the beginning of the movie. Once the lights were out, she could barely see where she was going.

Tammy made it to the Royal Theater in 15 minutes. While at the ticket window to purchase her ticket, Tammy asked the cashier when the movie was scheduled to begin. The cashier told her that the movie would begin in 15 minutes, at 1:00 pm, the time posted on the marquee.

Tammy asked what was the cost of an admission ticket to see “The Governator.” The clerk replied, “nine dollars.” Tammy exclaimed, “Nine dollars, why so expensive? Don’t you give any discount for an early movie?” The cashier replied that because this was a long awaited “blockbuster movie” the theater owner was not reducing the price for early afternoon showings. Tammy reluctantly paid the nine dollars and was given a ticket of admission that stated the movie would begin at 1 pm. The ticket contained no other relevant statements.

Tammy was not a regular moviegoer. She had not been to the movies for several years because she was too busy. She was a business major at the local university and worked about 20 hours a week. Attending classes, studying, and working left her very little time for entertainment.

Having already parted with nine hard earned dollars, Tammy reluctantly decided to stop at the refreshment counter. The line was long, but Tammy got in line anyway. After spending another nine dollars for a large tub of buttered popcorn, a large iced soda, and a super-sized candy bar, Tammy hurried off in the direction of the sixteen movie viewing rooms in search of the one showing “The Governator.”

Tammy found the right theatre room at 12:58 p.m. She walked down the aisle, found a suitable row, and headed for a selected seat. Tammy softly exclaimed, "Pardon me, excuse me, pardon me," as she squeezed and climbed past other moviegoers to finally get to her seat. Tammy settled into her seat as best she could (with a little less popcorn and soda, but still clutching her candy bar). She let out a big sigh of relief. She was seated with 10 seconds to spare. The lights began to dim, and then Tammy uttered ". . . what the (expletive deleted) was this? A commercial!" Tammy was outraged. She had paid eighteen dollars to watch commercials? All that hurrying, all that worrying, all that anxiety to find her seat before the movie would begin. All that, just to see commercials!

As a matter of fact, twenty minutes of commercials were shown before the movie began. Tammy endured the commercials. After all, the theater was air conditioned and comfortable. Finally the movie started. However, very early into the showing, it was clear to Tammy that this was the worst movie ever made. She decided to give the movie a chance to improve. Tammy watched the movie for another 30 minutes, but the movie did not get any better. Tammy stumbled and fumbled her way out of the viewing room and headed off to find the manager of the theater. Tammy was disgusted. Not only had she been forced to watch 20 minutes of commercials, the movie was, in her opinion, a bust. It was a waste of nine, hard-earned dollars to see the movie. Tammy asked for her money back. The manager explained that it was the policy of the theater owner not to refund the admission fee.

Tammy left the theater, vowing not to let this episode pass without some resolution. She was sure that the theatre had violated her legal rights as well as the rights of other moviegoers, particularly by showing all of those commercials. She returned home, found her Business Law textbook, and began to consider various legal actions she could pursue. There had to be some recourse.

Tammy, remembering a few things from a Business Law course she had taken, wrote a letter to Ms. Sandra Plex, the owner of the Royal Theatre. In the letter Tammy expressed her dissatisfaction with the showing of the commercials and indicated to Ms. Plex that she was going to pursue legal recourse including the possibility of filing a class action lawsuit.

### **Class Action Case: Statistical Analysis**

After reading Tammy's letter and the possibility of a class action lawsuit being filed, Ms. Plex was livid. Not knowing how to proceed, she decided to contact other theatre owners in the area to see if they had also been notified as being potential defendants in Tammy's threatened class action lawsuit. After learning that all of her competitors had been contacted, Ms. Plex's initial reaction was "Good! With my untarnished reputation, I'll prevail in the lawsuit, but my competitors will go under. Then I'll be the only show in town." However, after realizing that she too could go belly up, Ms. Plex decided that it would be better if she and her competitors stuck together and prepared to defend any lawsuit by forming a consortium. Pleased with her *esprit de corps* strategy, Ms. Plex presented her idea to her competitors. The response was overwhelmingly positive and the consortium was formed.

After much debate, the consortium agreed that it would be useful to know the percentage of all theater goers who are unhappy with the practice of showing advertisements before the featured film begins. They reason that if the percentage is small, then Tammy is a “voice in the wilderness” and there is no basis for a class action lawsuit. On the other hand, if the percentage is substantial, then perhaps Tammy’s response is not an aberration, in which case the more prudent course of action would be to proceed cautiously in the hope of avoiding the cost of defending a lawsuit. The consortium, while suspecting that the percentage is relatively low decides to apply the following decision rule: if the percentage is actually 15% or more, the consortium will seriously consider negotiating a settlement of any lawsuit filed by Tammy. However, if the percentage is less than 15%, they will vigorously defend any lawsuit filed by Tammy.

The consortium is not sure how to go about surveying its patrons. In addition, the consortium is not sure what to do with the results of the survey if in fact it is conducted. Further, the consortium is concerned about the causes of action that Tammy may include in her lawsuit.

Your law firm handles business law matters, with a specialty in statistical analysis, and has been hired by Ms. Plex. Ms. Plex has indicated to you that she has several concerns and would like your firm to provide her some answers.

***Required***

Write a report to Ms. Plex using the requirements for writing a report found on the instructor’s web site.

LDC topics: business law topics 1, 5, and 6; statistics concepts 2, 9, and 10.