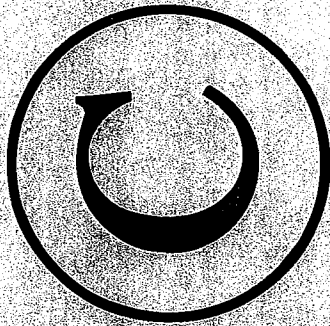

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ORNER SELECTED LAW OF COPYRIGHT ASSIGNMENTS AND LICENSES

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The economic return, if any, from copyrights generally comes by means of assignments and licenses. Accordingly, a selective review of the subject should be of interest with some surprises along the way. Our discussion is confined to U.S. copyright law.

I. CO-OWNERSHIP

A copyright license in writing from one of two or more co-owners of the licensed copyright is a nonexclusive license, notwithstanding that the license purports to be an exclusive license. Where there are two or more co-owners of a copyright, in order for a grantee to obtain an assignment of the copyright or an exclusive license of rights under copyright, all the co-owners of the copyright must join in the grant. The nonexclusive licensee has no obligation to the nonconsenting co-owners, but the licensing co-owner must account to his nonlicensing co-owners for their proportionate share of the license proceeds.¹

On the other hand, where a copyright co-owner assigns all of his interest in the copyright to a third party, the third party steps into the shoes of his assignor and becomes the new co-owner of the copyright. In this instance, the assigning co-owner need not account to his original co-owner; moreover, the subject of the assignment need not be the entire copyright but could be, for example, exclusive motion picture rights.² Where one co-owner of the pre-1964 copyright in the motion picture *Gone With The Wind* (the "Picture") registered a renewal copyright in the Picture in its name alone and the other co-owner did not register the renewal in his name, the renewing party was held to be the legal title holder as construc-

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¹ *Crosney v. Edward Small Prods.*, 52 F. Supp. 559, 561 (S.D.N.Y. 1942).

² *Id.*

tive trustee on behalf of the non-renewing co-owner, and the non-renewing party was held to be a beneficiary under the copyright trust. Accordingly, the court held that the non-renewing party could not transfer or license the renewal copyright, only the legal title holder could do so. However, the court expressly reserved the question whether the beneficial owner may be liable for copyright infringement for his own exploitation of the Picture.³ This year, 2005, is the last year in which pre-1978 copyrights are subject to renewal (1977 + 28 = 2005). However, the *Selznick* decision should not apply to post-1963 renewals because such renewals have the benefit of the 1992 Automatic Copyright Renewal Act, which modified § 304(a) of the Copyright Act, making the filing of the renewal application unnecessary, albeit desirable for its procedural and substantive advantages, § 304(a)(4). In the Southern District of New York the cases have held that the equitable interest of the nonrenewing co-owner is coextensive with the legal interest of the renewing co-owner.⁴

II. STANDING TO SUE

Here is a copyright licensing pitfall to watch out for. Assume a motion picture copyright owner grants an exclusive license for cable exhibition and agrees with the cable network not to license the motion picture for free over-the-air television. And assume further that the motion picture copyright owner runs into hard times financially and so breaks his promise to the cable network by licensing the free over-the-air television rights to an innocent third party standard television network. Can the cable rights licensee sue its licensor or the television network for copyright infringement when the cable rights licensee sees the movie being exhibited on free television? No, the cable network does not have standing to sue for copyright infringement because the cable network licensee does not possess rights under copyright in the free over-the-air television rights. What should the cable network licensee have done to protect itself against such a situation? The cable network licensee should have insisted on acquiring the exclusive cable and free over-the-air television rights; and instead of the motion picture producer agreeing not to exercise the free over-the-air television rights, the cable network licensee could have agreed not to exercise the free over-the-air television rights during the term of the license. That way the free over-the-air television rights could not be validly licensed by the motion picture producer to a third party and be used by the third party to undermine the licensed rights of the cable network. The cable and television rights licensee should also be sure to record its rights in the Copyright Office within one month after execution of the

³ *Selznick v. Turner*, 990 F. Supp. 1180 (C.D. Cal. 1997).

⁴ *Id.* at 1186.

license in the United States; if the cable and television licensee does not, then it certainly should do so before the financially-strapped movie producer sells the rights to a bona fide purchaser who will cut off the cable and television licensee's rights by recording the later illicit transfer pursuant to the recodation of transfer requirements of Section 205 of the Copyright Act. Note that an assignment of the right to receive royalties is not an assignment of rights under copyright. Therefore Section 205 is not applicable to said assignment.

III. LICENSE OF UNSPECIFIED DURATION

Manners v. Morosco, in which the stage rights license at issue did not specify the duration of the license, stands for an unusual proposition. In the court below, the Second Circuit held: "Since the contract is not . . . limited as to its duration by its express terms or by the inherent nature of the contract itself with reference to its subject matter, it is presumably intended to be permanent or perpetual."⁵ This construction was expressly affirmed by the Supreme Court in an opinion by Mr. Justice Oliver Wendell Holmes.⁶

This issue was again dealt with fifty-five years later in *Viacom International, Inc. v. Tandem Productions, Inc.*⁷ Tandem contended that the license it had granted to CBS, Viacom's predecessor-in-interest, to distribute the television sitcom *All In The Family* was terminable at will because the agreement did not expressly state a term of duration. The Court held that Tandem's contention was without merit, citing *Manners v. Morosco*, and also quoting from *Nimmer on Copyright*,⁸ where the late Professor Melville Nimmer stated, "Where an assignment or license does not expressly prescribe the period or term of its duration, it will generally be construed (in the absence of evidence of a contrary intent) to be effective for the duration of the then existing copyright term of the work."

Then, in 1993, in *Rano v. Sipa Press, Inc.*,⁹ the Ninth Circuit Court of Appeals had to deal with an eight-year-old copyright license of unspecified duration. Instead of relying on Professor Nimmer's proposed rule, the Court said there was a direct conflict between California contract law, wherein agreements of nonspecified duration are terminable at will by either party, and federal copyright law. According to the Ninth Circuit, "[U]nder Section 203 of the Copyright Act,¹⁰ licensing agreements are not

⁵ *Manners v. Morosco*, 258 F. 557, 559 (2d Cir. 1919), *rev'd on other grounds*, 252 U.S. 317 (1920).

⁶ *Manners*, 252 U.S. at 329-30.

⁷ 526 F.2d 593 (2d Cir. 1975).

⁸ MELVILLE B. NIMMER, NIMMER ON COPYRIGHT § 1257, at 551 (1973 ed.).

⁹ 987 F.2d 580 (9th Cir. 1993).

¹⁰ 17 U.S.C. § 203(a) (2000).

terminable at will from the moment of creation; instead they are terminable at the will of the author only during a five year period beginning at the end of thirty-five years from the date of execution of the license unless they explicitly specify an earlier termination date. Since California law and federal law are in direct conflict, federal law must control.¹¹ Obviously the Ninth Circuit misconstrued the right of termination of transfer under § 203, as was pointed out in a Seventh Circuit decision.¹² Nimmer, now meaning Professor Nimmer's son David, finds *Rano* a "remarkable result," a "wayward result," "stunning, both for its utter absence of support in law and for the breadth of its error."¹³ Nimmer (again referring to Nimmer the younger, the current author of the venerable copyright treatise) says that the thirty-five-year period in § 203 is a maximum period that a contract can be enforced, not a minimum as *Rano* holds.¹⁴ As the legislative history of the Copyright Act of 1976 clearly establishes, Section 203 was intended to give the author a second bite of the apple, in place of the renewal copyright available under the prior Copyright Act of 1909.¹⁵ However, let's hark back to *Viacom v. Tandem Productions*, where the Second Circuit relied on the late Professor Nimmer's saying that the license should be construed to be effective for the duration of the then existing copyright term of the work. If we applied said rule to *Rano*, the Ninth Circuit could have come out at roughly the same place as it did, without incurring the wrath of the Seventh Circuit and the commentators, including Nimmer, by holding that the grant was for the life of the author plus fifty years (the applicable term in 1993, which now is life plus seventy years) but terminable thirty-five years from the date of the author's grant pursuant to Section 203.

If, however, the copyright license of unspecified duration was not granted by the author of the work but by some other party, then it is not terminable after thirty-five years pursuant to Section 203. Only author-granted licenses are terminable under Section 203. Thus, if the Ninth Circuit applied Nimmer's rule in *Rano* the duration of the grant by a non-author would be the balance of the author's life, plus seventy years.

Similarly, if the work was a work made for hire, how comfortable would we be that the license granted in 1993 would then have been for up to seventy-five years duration, the then term of copyright for a work made

for hire (and *not* subject to the right of termination of transfer under Section 203), which was extended (by twenty years) in 1998 by the Sonny Bono Copyright Term Extension Act to ninety-five years? The possibility of such a lengthy grant of rights should instill in every grantor's lawyer a grim reminder of the necessity of clearly specifying the duration of the grant if the grant is not intended (at least not by the grantor) to be for the remainder of the existing term of copyright.

Also, bear in mind that the rule enunciated by the Second Circuit is not the law of all circuits, for example, *Walthal v. Rusk*,¹⁶ in the Seventh Circuit would apply Illinois state law, holding that the license was an at will agreement, and *not* measured by the balance of the existing term of copyright. Similarly, *Korman v. HBC Florida, Inc.*,¹⁷ remanded the case to the district court to determine the state law of Florida.

In the most recent case, in the Southern District of New York, *TV Globa Ltda. v. Brazil Up-Date Weekly, Inc.*,¹⁸ in addition to citing *Manners v. Morosco* in the Supreme Court and Second Circuit, and *Viacom International, Inc. v. Tandem Productions, Inc.*, in the district court and Second Circuit, District Court Judge Patterson cited *Nimmer on Copyright*, from the 1998 edition, which repeated the exact same language from the 1973 edition, and he also quoted from Professor Paul Goldstein's treatise, the 1999 edition, reading "in the absence of language providing for a shorter or longer term, the duration of a copyright contract should be measured by the remaining term of the copyright in the work."¹⁹ Curiously, *TV Globa* does not cite to any case from any other circuit, except *Manners v. Morosco* in the Supreme Court, which originated in the S.D.N.Y., in support of what I will call the Second Circuit rule. Thus, in light of the Seventh and Eleventh Circuit decisions applying state contract law, I would strongly hesitate to rely on the Second Circuit rule, notwithstanding its advocacy by the Nimmer and Goldstein treatises, where I was interpreting a contract subject to the contract law of a state in another circuit, or even one subject to the law of New York State.

IV. UNSPECIFIED RIGHT OF ASSIGNMENT OR SUBLICENCE

Rano isn't the only Ninth Circuit case in recent years to cause raised eyebrows in the copyright community — take *Gardner v. Nike*.²⁰ *Gardner* interpreted Section 201(d)(2) of the Copyright Act, which provides that any of the exclusive rights comprised in a copyright may be transferred and owned separately, and the owner is entitled to all the protection and

¹⁶ 172 F.3d 481, 483-84 (7th Cir. 1999).

¹⁷ 182 F.3d 1291, 1296 (11th Cir. 1999).

¹⁸ 50 U.S.P.Q.2d 1478 (S.D.N.Y. 1999).

¹⁹ *Id.* at 1479.

²⁰ 279 F.3d 774 (9th Cir. 2002).

¹¹ *Rano*, 987 F.2d at 585.

¹² See *Walthal v. Rusk*, 172 F.3d 481, 483 (7th Cir. 1999) (stating that "[i]f the *Rano* decision were a Broadway show, bad reviews would have forced it to close after opening night.")

¹³ 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 11.01[B], at 11-4, 11-5 (2005).

¹⁴ *Id.* at 11-6.

¹⁵ See H.R. REP. NO. 94-1476, at 124 (1976).

