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NO MORE DRAMA? THE PAST, PRESENT, AND POTENTIAL FUTURE OF RETROACTIVE TRANSFERS OF COPYRIGHT OWNERSHIP

I. INTRODUCTION

Prior to October 5, 2007, retroactive license transfers were, theoretically, a valid way to rectify past infringement: once in possession of a retroactive license, a licensee became insulated against any other possible co-authors' infringement suits.¹ Like other facets of the law, this practice of allowing retroactive licenses had the potential to work against those the law is supposed to protect - the original author or authors of the work. But did it really result in rewarding infringers and punishing less greedy co-authors? And what of the impact for future court decisions on this matter?

This article examines the recent holding of the Second Circuit in *Davis v. Blige* in light of prior district court decisions, most of which stand contrary to this holding.² Part II gives the reader a proper background on the basics of copyright law, including an in-depth look into exclusive and non-exclusive licenses, as well as the rights that correspond to each type of license. It then traces the evolution of the retroactive license, examining those cases that found the mechanism to fit in perfectly with the Copyright Act of 1976. The article then shifts gears to look at the few cases that found retroactive licenses invalid, which leads to the discussion in Part III of the *Davis v. Blige* decision and the Second Circuit's rationale behind its holding. Notably, a description of the policy reasons offered by the court, in contrast to the lower court's holding, is included, as this reason is one of the driving forces behind the court's holding.

1. *Davis v. Blige*, 505 F.3d 90, 101 (2d Cir. 2007).

2. *Id.*

The article then closes with a discussion of the potential impact of the Second Circuit's holding nationwide, including the pros and cons of the new rule. The article concludes by offering examples of when this rule should and should not be applied and suggests a different holding that would eliminate the need for such line drawing with regard to retroactive licenses.

II. BACKGROUND

A. The Basics: Retroactive License Transfers and the Copyright Act of 1976

The Copyright Act of 1976 ("the Act") is silent on retroactive transfers. In fact, the Act defines "transfer of copyright ownership" as "an assignment, mortgage, exclusive license, or any other conveyance, alienation, or hypothecation of a copyright or of any of the exclusive rights comprised in a copyright, whether or not it is limited in time or place of effect, but not including a nonexclusive license."³ Thus, it became the courts' duty to interpret the validity of a retroactive transfer.

A creative work is entitled to copyright protection when it is fixed in a "tangible medium of expression."⁴ Registration of the work is not necessary, but is a prerequisite to sue another for infringement.⁵ Under the Act, if more than one person aids in the creation of the work then they are co-authors and thereby co-owners in the work, each having the same set of rights to the work.⁶ Co-owners to a copyright may not sue each other for infringement as long as each party is properly using, and not exceeding, his right.⁷ A co-owner may subsequently transfer only

3. 17 U.S.C. § 101 (2006).

4. *Id.* § 102.

5. *Id.* § 411.

6. Henry L. Self, *Settlement of Infringement Claims by Copyright Co-owners*, 13 TEX. INTELL. PROP. L.J. 65, 66-67 (2004).

7. *Davis*, 505 F.3d at 98. "An owner may not, however, convey the interests of his fellow co-owners without their express written consent, even if the transferee has no notice of the non-consenting owners' interest." *Id.* (citing *Crosney v. Edward Small Prods.*, 52 F. Supp. 559, 561 (S.D.N.Y. 1942)). "An owner may give a license to someone to exploit the work in some way, provided

his interest in the joint work to a third party, absent any agreement to the contrary, and subject to the general requirements of a valid copyright transfer.⁸

Two general types of licenses are available for transfer from a co-owner to a third party: exclusive licenses and non-exclusive licenses.⁹ Exclusive licenses act just as they sound, by transferring any or all of the exclusive rights¹⁰ of a work to a third party for that party's exclusive use.¹¹ Granting an exclusive license requires the consent of all co-owners of the copyright since the co-owners no longer will be entitled to use whatever exclusive right they license away, and one owner may not transfer more than his share of the "bundle."¹² Non-exclusive rights, on the other hand, may be granted to more than one third party, and do not require the agreement of all co-owners since the co-owner making the transfer is only signing over his portion of the "bundle" of rights.¹³ This

he owns that particular copyright interest." *Id.* (citing 17 U.S.C. § 106).

8. 1 MELVILLE B. NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT* § 6.11 (2007) [hereinafter *NIMMER*].

9. *Davis*, 505 F.3d at 99.

10. *Id.* The exclusive rights are the rights to do the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
- (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

17 U.S.C. § 106.

11. *Davis*, 505 F.3d at 99.

12. *Id.*

13. 1 *NIMMER*, *supra* note 7, § 6.11.

non-exclusive license then allows the other co-owners to retain their original interest in the work because it “does not diminish the value of the copyright to the co-owners.”¹⁴ A further difference between exclusive and non-exclusive licenses is the way in which they may be transferred to third parties: exclusive licenses must be in writing, while non-exclusive licenses may be granted orally or may even be implied from conduct.¹⁵

There is some debate on the ability of a licensee to sublicense his rights. It is generally understood that non-exclusive licenses do not permit the licensee to grant any sublicenses;¹⁶ however, whether this is the same with an exclusive license has been a point of contention among the circuits. Probably the most notable decision was *Gardner v. Nike, Inc.*,¹⁷ where the court held that an exclusive license did not allow a licensee to transfer its rights to another party without the original licensor’s consent.¹⁸

In *Gardner*, Sony entered into a licensing agreement with defendant Nike for a cartoon character created by Nike.¹⁹ The agreement granted Sony the “exclusive, perpetual, worldwide right . . . to use [the character] on and in the packaging of . . . records . . . , in publicity, advertising and . . . exploitation of the [r]ecords, in television programs or motion pictures embodying the [music] . . . on the records, on educational material and on clothing . . . ,” but made no mention about Sony’s right to sublicense its rights, which is precisely what Sony ended up doing.²⁰ Sony assigned all of its rights under the exclusive license to the plaintiff, Gardner, on a quitclaim basis.²¹ In affirming the district court, the Ninth Circuit

14. *Davis*, 505 F.3d at 101.

15. *Landsted Homes, Inc. v. Sherman*, 305 F. Supp. 2d 976, 983 (W.D. Wis. 2002) (citing *I.A.E. Inc. v. Shaver*, 74 F.3d 768 (7th Cir. 1996)).

16. *Leicester v. Warner Bros.*, No. CV95-4058-HLH, 1998 WL 34016724, at *5 (C.D. Cal. May 29, 1998). Since the owner of a non-exclusive license possesses only certain rights to the work, it appears that the licensor must specifically grant the licensee the right to further sublicense the work to a third party. *Superbrace, Inc. v. Tidwell*, 21 Cal. Rptr. 3d 404, 407 (Ct. App. 2004).

17. *Gardner v. Nike, Inc.*, 279 F.3d 774 (9th Cir. 2002).

18. *Id.* at 779.

19. *Id.* at 776.

20. *Id.*

21. *Id.* Sony thus relinquished its claim to the cartoon character and, under the agreement with Gardner, was to receive a share of the proceeds resulting

found that § 201(d)(2) of the Copyright Act of 1976 does not allow for a licensee or owner of an exclusive right to further sublicense that right.²² Rather, the court found that the language explicitly limits the rights of an owner of exclusive rights.²³ The Ninth Circuit elaborated further that its decision was partially influenced by policy considerations.²⁴ Specifically, it recognized the need to balance the interests of free alienability and divisibility with the owners' and creators' rights and ability to control the work.²⁵

Several courts have disagreed with the Ninth Circuit's interpretation of the Copyright Act of 1976. In *Traicoff v. Digital Media, Inc.*, the Southern District of Indiana found the *Gardner* court's rationale "unpersuasive," stating that "[a] natural reading of the Act's language leads to the conclusion that exclusive licensees, as copyright owners of their exclusive rights, are free under the Act to transfer those rights to third parties."²⁶ This case involved a former employee, the plaintiff Traicoff, suing his former employer for copyright infringement, breach of contract, and fraud resulting from the employer granting its rights in a

from Gardner's use of the character. *Id.* The district court decided that Gardner lacked standing to bring suit because the Copyright Act of 1976 "did not allow Sony to transfer its rights under the exclusive license without Nike's consent" and thus dismissed the action. *Id.* at 777.

22. *Id.* at 780.

23. *Gardner*, 279 F.3d at 780. Section 201(d)(2) of the Act states, in part, "The owner of any particular exclusive right is entitled, to the extent of that right, to all of the protection and remedies accorded to the copyright owner by this title." 17 U.S.C. § 201(d)(2) (2006). The *Gardner* court found the "protection and remedies" part of the statute limiting, but does not describe how or why it is limiting except for a brief analysis of Section 201(d)(2) as it limits § 201(d)(1). *Gardner*, 279 F.3d at 780. A more convincing argument comes when the court concludes that had Congress intended to allow an exclusive copyright licensee to transfer its rights, it would have addressed it in the 1976 Act and "the limiting 'protection and remedies' language of Section 210(d)(2) indicates that the state of the law remains unchanged [from the original 1909 Copyright Act]. *Id.*; see also *supra* text accompanying note 8.

24. *Gardner*, 279 F.3d at 780.

25. *Id.* at 781. "In order to reach the balance between these interests, we hold that, under the 1976 Act, an exclusive licensee has the burden of obtaining the licensor's consent before it may assign its rights, absent explicit contractual language to the contrary." *Id.*

26. *Traicoff v. Digital Media, Inc.*, 439 F. Supp. 2d 872, 877 (S.D. Ind. 2006).

software training program to a third party.²⁷ The plaintiff had made audio recordings that were used in the software training programs, but had granted his employer the right to use those recordings in exchange for 50,000 shares of stock.²⁸ There was an explicit anti-assignment clause in the agreement which led to the breach of contract claim by the plaintiff when the defendant transferred to a third party the right to sell the software program.²⁹ In its two-pronged holding, the district court (1) disagreed with the Ninth Circuit in holding that the Copyright Act does not prevent an exclusive licensee from transferring the exclusive right, in whole or in part, to another party, and (2) found that because the anti-assignment provision did not explicitly prohibit the assignment of rights, duties, or both, the contract did not prevent the employer-defendant from assigning its rights to a third party.³⁰ *Gardner* was also distinguished by *Faulkner v. National Geographic Society*, where the court found the Ninth Circuit case distinguishable because it did not involve a copyright in a collective work owned by the publisher, but rather “concerned the classic situation of a company sublicensing its rights to a cartoon character under an exclusive licensing agreement.”³¹ *Gardner*, however, has yet to be overruled and thus remains controlling authority in the Ninth Circuit and persuasive authority throughout the other United States circuits.

27. *Id.* at 874-75.

28. *Id.* at 874.

29. *Id.* at 874, 879.

30. *Id.* at 879-81. The court cites other courts that have criticized the Ninth Circuit’s holding in *Gardner*. *Id.* at 877 (citing *In re Golden Books Family Entm’t, Inc.*, 269 B.R. 311 (Bankr. D. Del. 2001) (criticizing the district court decision affirmed in *Gardner*, and holding that exclusive licensees are free to transfer their licenses without the consent of the original copyright owner); *In re Valley Media, Inc.*, 279 B.R. 105, 135 (Bankr. D. Del. 2002) (“Exclusive licenses grant the licensee a property right in the copyright that is freely transferable”); *In re Patient Educ. Media, Inc.*, 210 B.R. 237, 240 (Bankr. S.D.N.Y. 1997) (“The holder of the exclusive license is entitled to all of the rights and protections of the copyright owner to the extent of the license. Accordingly, the licensee under an exclusive license may freely transfer his rights”)).

31. *Faulkner v. Nat’l Geographic Soc’y*, 294 F. Supp. 2d 523, 546 n.112 (S.D.N.Y. 2003).

B. The Way Things Were: How the Past Was Sold

Now, enter the retroactive license. This sneaky creation preys on the lawsuit insulation between co-owners that was previously mentioned by allowing, in the present day, a license transfer agreement to be drawn up, transferring rights to a creation starting from some point in the past.³² Thus, for example, if an infringer was stuck with a copyright infringement lawsuit, he could, theoretically, approach a co-owner of the original, copyrighted work and purchase a non-exclusive retroactive license, thus ensuring that the plaintiff/co-owner would be barred from continuing with the lawsuit.³³ Other industries plainly recognize the existence of retroactive licenses. Graphic artists, for example, abide by a schedule of fees that in turn grant an unauthorized user a retroactive license.³⁴ Provided that the unauthorized use was a mistake and not willful infringement, the artist “can resolve the problem by paying a reasonable license fee of two to three times the normal fee, . . . thus avoiding the costly and protracted business of a federal copyright case.”³⁵ The photography industry also acknowledges retroactive licenses in the same way as the graphic art community, by using a sliding scale for determining a payout in a case of infringement and further acknowledging that “[f]ees for retroactive licenses are greater than those charged for prospective licenses.”³⁶

The use of retroactive licenses was upheld by the court in *Silberstein v. Fox Entertainment Group, Inc.*, a case in which the plaintiff, in 1999, was struck by an idea to create an animated squirrel/rat combination animal – a “Sqrat” – after allegedly seeing such a creature in a New York City park.³⁷ The term “Sqrat” was later registered by the plaintiff as a word mark, and the plaintiff commissioned an artist to come up with an animated version of the

32. Self, *supra* note 5, at 72.

33. *Id.*

34. *Stehrenberger v. R.J. Reynolds Tobacco Holdings, Inc.*, 335 F. Supp. 2d 466, 467 (S.D.N.Y. 2004).

35. *Id.*

36. *Straus v. DVC Worldwide, Inc.*, 484 F. Supp. 2d 620, 632 (S.D. Tex. 2007).

37. *Silberstein v. Fox Entm't Group, Inc.*, 424 F. Supp. 2d 616, 619 (S.D.N.Y. 2004).

creature.³⁸ Unbeknownst to the plaintiff, the artist actually relied heavily on a clip-art drawing of a beaver, which was originally created by Smart Designs, Inc.³⁹ About the same time the plaintiff was promoting her creation, Twentieth Century Fox Film Corporation (“Fox”) was producing the animated film *Ice Age*, which had an animal character named “Scrat,” who was, in the court’s words, “a rodent-like being with bulging eyes, a long snout, saber teeth, a raccoon-like striped tail, and an anxious mien.”⁴⁰ The plaintiff alleged that Fox’s “Scrat” was a knockoff of her own “Sqrart” creation – at least until both sides realized the existence of Smart Designs’ beaver cartoon.⁴¹ Upon this realization, there was a “flurry of activity on both sides:” Fox purchased a retroactive license from Smart Designs’ successor, Digital Art Solutions, and the plaintiff obtained a retroactive license from the artist who created the beaver cartoon as an independent contractor.⁴²

In ruling that both the plaintiff and defendant had the right to use the beaver cartoon (and their respective “Scrat”/“Sqrart” derivative animations), the court found the retroactive transfers valid and that Fox was therefore protected from the plaintiff’s infringement lawsuit since “[t]here can be no copyright infringement action by a holder of a copyright against a licensee of another holder of the

38. *Id.* The court notes that the plaintiff “was not the first person to develop the concept of a squirrel-rat hybrid, or to use the word ‘sqrart,’ a composite of the words ‘squirrel’ and ‘rat,’ to signify such a creature.” *Id.* at 620. However, the plaintiff appeared to be the first to secure legal protection for the name. *Id.*

39. *Id.* at 622.

40. *Id.* at 621. The plaintiff, in an attempt to generate interest in her creation, registered a website (<http://www.sqrart.com>), attended a trade show for buyers and sellers of animated creatures, distributed a “media alert,” and created promotional items such as t-shirts and stickers with the Sqrart logo. *Id.*

41. *Id.* at 621-22. Defendants’ counsel came across the existence of Smart Designs’ CD-ROM of clip art images which contained an image dubbed “Beaver Cartoon # 2.” *Id.* at 622. The court called “Beaver Cartoon # 2” a virtual “dead ringer” for plaintiff’s “Sqrart,” finding that the plaintiff’s artist modified the Beaver cartoon in a few respects. *Id.* “[T]he beaver’s tail was replaced with a tail that the artist intended to be a squirrel’s tail; the ears were made rounder; whiskers were added; the artist allegedly ‘played with the teeth a little’ . . . and Sqrart holds a sign reading ‘SQRAT.’” *Id.*

42. *Id.* at 622. Digital Art Solutions and the independent contractor each owned one-half ownership of the Beaver copyright as a result of an arbitration agreement between the two parties. *Id.* at 622-23.

same copyright.”⁴³ The court noted that while the original physical elements of the plaintiff’s “Sqrat” would be the only protectable elements of the creation, these elements were not infringed upon by the defendant, as “there is virtually nothing similar about the two characters apart from their both being hybrid rodents.”⁴⁴

Lone Wolf McQuade Associates v. CBS, Inc. also upheld the use of retroactive licenses to cure past infringement.⁴⁵ In *Lone Wolf*, the plaintiff alleged that CBS’s television show, “Walker, Texas Ranger,” violated its rights in the movie, “Lone Wolf McQuade.”⁴⁶ After initially joining the plaintiff in the action, Orion Pictures Corporation (“Orion”), which owned certain rights to the film “Lone Wolf McQuade,” granted CBS a retroactive license in a settlement agreement, permitting the network to use “Lone Wolf McQuade” in connection with its television show, “Walker, Texas Ranger.”⁴⁷ Orion obtained its rights in the movie from 1818 Productions, Inc., and subsequently conveyed to the plaintiff in this case “all right, title and interest in and to all copyrights in the Film,” but reserved for itself “any interest whatsoever in and to . . . [a]ny television series rights, so-called television ‘special’ rights, remake or sequel rights, or any other ancillary rights and/or

43. *Silberstein*, 424 F. Supp. 2d at 629. The court stated,

The retroactivity of the licensing agreement between [Digital Art Solutions, the successor to Smart Designs] and Fox has no necessary effect on its power to immunize Fox against claims of infringement of the Beaver copyright . . . [additionally], the retroactive conveyance of [the artist’s] Beaver copyright to Silberstein is no impediment to her creation of Sqrat as a derivative work based on the Beaver.

Id. The court reasoned, “the owner of a copyright may create a derivative work based on the underlying copyrighted work.” *Id.* at 629 (citing 17 U.S.C. § 106(2)). Furthermore, the court plainly cites “[a] retroactive license can cure past infringements.” *Id.* (quoting *Lone Wolf McQuade Assocs. v. CBS Inc.*, 961 F. Supp. 587, 597 (S.D.N.Y. 1997)).

44. *Id.* at 630-31. The plaintiff failed to show that a “substantial similarity” between the two animated characters existed to establish a genuine issue of material fact. *Id.*

45. *Lone Wolf McQuade Assocs. v. CBS Inc.*, 961 F. Supp. 587, 598 (S.D.N.Y. 1997).

46. *Id.* at 590.

47. *Id.*

allied rights”⁴⁸

In 1993, CBS broadcast a made-for-TV movie, “Walker: Texas Ranger, One Riot, One Ranger,” which spawned the weekly series “Walker, Texas Ranger,” both of which starred Chuck Norris.⁴⁹ The court found that while a reasonable jury could find that a substantial similarity existed between the motion picture and the television movie and series, Orion’s retroactive copyright transfer to CBS defeated the claim of infringement.⁵⁰ The plaintiff contended that a condition precedent existed which must have been satisfied before Orion could transfer any of the rights it reserved for itself: Orion had to have received approval from the producer, 1818 Productions, which granted Orion its bundle of rights in the first place.⁵¹ Because Orion did not do so, the plaintiff asserted that its transfer of rights to CBS for the television movie and series violated basic copyright law.⁵² Additionally, the plaintiff argued that the retroactive license in and of itself was invalid as a matter of law.⁵³ The court, however, disagreed, finding that the requirement for approval from 1818 Productions was merely a covenant of the parties’ agreement and not a condition precedent.⁵⁴ With regard to the retroactive copyright transfer, the court held that CBS’s programs did not infringe the plaintiff’s copyright because “a retroactive license can cure past infringements.”⁵⁵ Thus, since Orion retained its rights in television, it could validly enact a retroactive transfer to CBS, thereby defeating Lone Wolf McQuade’s action for copyright infringement.⁵⁶

48. *Id.* at 591. The purchase agreement between Orion and the plaintiff was made in 1983. *Id.*

49. *Id.* at 591-92. Norris was also the star of plaintiff’s motion picture “Lone Wolf McQuade.” *Id.*

50. *Id.* at 595, 597.

51. *Lone Wolf*, 961 F. Supp. at 595.

52. *Id.* It is well understood within copyright law that one cannot transfer more rights than he initially holds. *See* NIMMER, *supra* note § 6.11.

53. *Lone Wolf*, 961 F. Supp. at 597.

54. *Id.* at 596. Because of this finding, 1818 Productions could sue for damages, but the current action by the plaintiff on this point was misplaced. *Id.* at 596-97.

55. *Id.* at 597.

56. *Id.* at 598.

In *Country Road Music, Inc. v. MP3.com, Inc.*, one of the many suits⁵⁷ filed against one-time online giant MP3.com, the court held that the unambiguous language of the settlement agreement created a retroactive reproduction license that cured past infringement by MP3.com.⁵⁸ The plaintiff in this case was a copyright holder in songs that the defendant had purchased and then copied onto its servers, allowing online visitors to its website to store, customize, and listen to these recordings at any time.⁵⁹ When the Harry Fox Agency (“HFA”), which co-owned some of the songs in question, negotiated the aforementioned settlement agreement with the defendant MP3.com, the retroactive verbiage of the agreement effectively nullified the plaintiff’s claim as to those specific songs.⁶⁰ The court found that it did not matter that the word “license” was absent from the agreement; the plain meaning of the agreement was clearly understood to grant to MP3.com a valid, retroactive license.⁶¹

57. See, e.g., *UMG Recordings, Inc. v. MP3.com, Inc.*, 92 F. Supp. 2d 349 (S.D.N.Y. 2000); *Teevee Toons, Inc. v. MP3.com, Inc.*, 134 F. Supp. 2d 546 (S.D.N.Y. 2001); *Zomba Enters., Inc. v. MP3.com, Inc.*, No. 00 Civ. 6831, 2001 WL 770926 (S.D.N.Y. July 10, 2001).

58. *Country Rd. Music, Inc. v. MP3.com, Inc.*, 279 F. Supp. 2d 325 (S.D.N.Y. 2003). The language of the agreement was as follows:

Effective upon the Effective Date, HFA, for and on behalf of the Settling HFA-Releasers, further agrees that any Copyrighted Works owned or controlled by the HFA-Releasers which were previously copied by MP3.com in connection with its My.MP3.com service shall be deemed to have been copied with each of the HFA-Releasor’s respective consent.

Id. at 329.

59. Self, *supra* note 5, at 70 (discussing MP3.com litigation).

60. *Country Rd. Music*, 279 F. Supp. 2d at 329 (citing *Copyright.Net Music Publ’g LLC v. MP3.com, Inc.*, No. 01 Civ. 7321, 2003 WL 740757 (S.D.N.Y. Mar. 4, 2003) (“The language on its face constitutes a release of all “previously copied” works “owned or controlled by the HFA-Releasers.” It is thus, in effect, a retroactive license.”)).

61. *Id.* at 329. The court stated as follows:

Neither the absence of the word “license,” nor extrinsic evidence, nor the custom and practice of the industry alters the unambiguous meaning of the above-quoted provision. Nor is it significant that the settlement agreement does not explicitly refer to non-signatory co-publishers, for “a license from a co-

In *SBK Catalogue Partnership v. Orion Pictures Corp.*, the court found that the defendants' use of a settlement agreement involving a retroactive license, which was subject to a favorable outcome in the case, was an acceptable agreement, and thus eliminated the plaintiffs' copyright infringement claim.⁶² The original composers of the composition, "Pepino, The Italian Mouse," transferred all of their present and future rights in the composition to another agency in exchange for royalties; the rights were made assignable without restriction.⁶³ After several subsequent transfers, all of which were recorded with the Copyright Office or otherwise publicly recorded, SBK Catalogue Partnership ended up with a 50% ownership in the composition.⁶⁴ A song on the soundtrack to Orion Picture Corporation's movie, "Broadway Danny Rose," later infringed upon the copyright in "Pepino."⁶⁵ After months of negotiations, SBK and Orion reached a settlement agreement, the execution of which was contingent upon a favorable outcome in the case; as such, no written agreement was prepared.⁶⁶ Even though it was not in writing, the court recognized the retroactive agreement, stating that "[a]ny use of [the infringing song] is subject to the retroactive license, and thus [it] can no longer be characterized as an infringing work."⁶⁷

holder of a copyright immunizes the licensee from liability to the other co-holder for copyright infringement."

Id. at 329-330 (quoting *McKay v. Columbia Broad. Sys., Inc.*, 324 F.2d 762, 763 (2d Cir. 1963)).

62. *SBK Catalogue P'ship v. Orion Pictures Corp.*, 723 F. Supp. 1053, 1072 (D.N.J. 1989).

63. *Id.* at 1057. After receiving the assignment, the agency (Romance Music, Inc.) assigned fifty percent of this interest to a third party. *Id.* Both Romance Music and this third party then applied for, and received, a joint registration of the composition copyright. *Id.*

64. *Id.*

65. *Id.* at 1057-58.

66. *Id.* at 1059. Essentially, as long as the plaintiffs' claims were defeated, SBK would transfer to Orion a retroactive license for Orion's use of the "Pepino" composition in its movie but, until a decision was handed down in the case, no written license would be drawn up. *Id.* The court found that SBK was within its rights as joint owner of a copyright to grant a retroactive license to Orion. *Id.*

67. *Id.* at 1072. Additionally, "a publisher with exclusive rights over the distribution of an author's work does not commit a breach of trust by engaging

In *Kramer v. Thomas*, an unreported case in California, the district court distinguished *Leicester* (discussed *infra*) and found that the retroactive nature of a license transfer from valid copyright holders did not serve to invalidate the transfer.⁶⁸ The families of deceased band members, who had contributed to the compositions and whose ownership passed to their families upon their death, granted the defendants in *Kramer* retroactive copyright licenses in the compositions of fourteen songs.⁶⁹ The court held that, since the families were valid co-owners, they could transfer non-exclusive retroactive licenses to whomever they wished and the retroactive nature of such a transfer did not invalidate it.⁷⁰

A district court in Tennessee, in *Great Southern Homes, Inc. v. Johnson & Thompson Realtors*, held that a signed writing, memorializing an earlier oral transfer agreement, related back to this oral agreement and defeated defendant's claim that the plaintiffs were not copyright holders and thus had no standing to sue.⁷¹ The plaintiffs in *Great Southern Homes* were designers and licensors of house plans, and one of the defendants was to be the exclusive sales agent for the homes.⁷² After the plaintiffs terminated their agreement, they alleged that the defendants copied the plans and constructed the homes without the plaintiffs' consent.⁷³ The defendants claimed that because the license granted

in acts which may indirectly tend to diminish the value of the copyrighted property, including the promotion of a competing work." *Id.* Thus, even though SBK's retroactive license would effectively serve to promote Orion's infringing song, the license was still valid, "absent deliberate tortuous conduct." *Id.*

68. *Kramer v. Thomas*, No. CV 05-8381, 2006 WL 4729242, at *8 (C.D. Cal. Sept. 28, 2006). *Leicester* was distinguished on the grounds that the retroactive license there was found invalid because the defendant possessed a non-exclusive license and had transferred its rights to another party, which is not permitted. *Id.* The court stated that the *Leicester* court's refusal to accept retroactive licenses as valid "is contrary to the great weight of authority cited by Defendant," and declined to follow its holding. *Id.*

69. *Id.* at *7. The joint ownership of the copyrights transferred to the deceased members' families automatically. *Id.*

70. *Id.* at *8.

71. *Great Southern Homes, Inc. v. Johnson & Thompson Realtors*, 797 F. Supp. 609, 612 (M.D. Tenn. 1992).

72. *Id.* at 609-610.

73. *Id.* at 610. Plaintiffs allege copyright infringement of the original home designs. *Id.*

by the plaintiff-designer to the plaintiff-licensor/marketer (“Great Southern”) was an oral agreement to begin with and was written down much later, Great Southern was not a valid owner.⁷⁴ The court declined to agree with the defendants, finding instead that, first, § 204(a) of the Copyright Act was intended to operate like the Statute of Frauds and was not intended to “operate for the benefit of a third-party infringer when there is no dispute between the owner and transferee,” and, second, that the later signed writing of the transfer relates back to the time of the oral agreement, thus rendering the transfer valid.⁷⁵

Thus, districts across the country have consistently ruled on the appropriateness of retroactive licensing agreements as an integral aspect of copyright law. The granting of a license, by a co-owner who was lawfully entitled to grant such a license, could involve granting a past, present, or future interest, no matter the rationale behind such a transfer.⁷⁶

C. Listening to the Wind of Change: ⁷⁷ A New Direction for Retroactive Licenses

On October 5, 2007, the Second Circuit handed down its decision in *Davis v. Blige*, essentially wiping retroactive licenses off the map, at least in the Second Circuit.⁷⁸ The decision is not

74. *Id.* at 610-11.

75. *Id.* at 611-12. The court relied on *Nimmer* with regard to its decision:

The provision [in 17 U.S.C. § 204(a)] that as an alternative to an “instrument of conveyance” there may be “a note or memorandum of the transfer” apparently codifies the judge made rule under the 1909 Act that if a prior oral grant is subsequently confirmed in writing, this will validate the grant *ab initio* as of the time of the oral grant.

Id. at 612 (quoting *NIMMER supra* note 7, § 10.03[A]) (citations omitted).

76. For example, in *Kramer v. Thomas*, it did not matter if there were seemingly innocent intentions behind the retroactive transfer. *See supra* notes 67-69 and accompanying text. In *Silberstein v. Fox Entm’t Group, Inc.*, the court’s decision was not affected although the rationale behind the transfer was essentially to prevent another alleged owner from bringing suit. *See supra* notes 36-43 and accompanying text.

77. Reference to *SCORPION, WIND OF CHANGE* (Mercury 1990).

78. *Davis v. Blige (Davis II)*, 505 F.3d 90, 104 (2d Cir. 2007) (“[A] license or assignment in copyright can only act prospectively.”).

without some degree of controversy,⁷⁹ but before examining that controversy, this article first addresses how the court reached its conclusion.

Leicester v. Warner Bros. appears to be as good of a place to start as any.⁸⁰ In that case, the plaintiff, Leicester, designed a sculpture for the outside of a building owned by R&T in Los Angeles.⁸¹ John Hayes, the main architect for the firm hired by R&T, commissioned Leicester as the sole artist and held co-ownership with Leicester in the finished product.⁸² Warner Brothers subsequently approached R&T for its permission to use the building (sans most of Leicester’s sculpture) in its movie “Batman Forever,” and R&T granted it permission without asking Leicester or the architect.⁸³ Hayes, the architect, attempted to grant R&T a retroactive license permitting it to sublicense the right to reproduce Leicester’s work.⁸⁴ The court first rejected this attempted retroactive transfer on the grounds that only an exclusive license vests the right to sublicense with the licensee, and any transfer of rights by one co-owner, following established copyright principles, may only result in a non-exclusive license; as

79. See, e.g. William Patry: The Patry Copyright Blog, <http://williampatry.blogspot.com/search?q=Blige> (last visited Oct. 19, 2007).

80. *Leicester v. Warner Bros.*, No. CV 95-4058, 1998 WL 34016724 (C.D. Cal. May 29, 1998).

81. *Id.* at *1.

82. *Id.* The agreement between Leicester and R&T stated the following:

The Artist retains all rights under the Copyright Act of 1976 . . . and all other rights in and to the Phase B portion of the Work . . . [t]he Artist shall not make any duplicate, three-dimensional reproductions of the final Work, nor shall the Artist grant permission to others to do so. The Artist grants to the Owner, and to the Owner’s related corporate entities, and to the Owner’s assigns a perpetual irrevocable license to make reproductions of the work including but not limited to reproductions used in advertising, brochures, media publicity, and catalogs or other similar publications

Id. at *3.

83. *Id.* at *2. The agreement between R&T and Warner Bros. granted Warner Bros. “permission to make replicas or pictorial representations of the R&T property in connection with the making of the Batman Forever movie.” *Id.* Warner Bros. ended up creating a three-dimensional model of the building, as well as items to promote the movie. *Id.*

84. *Id.* at *5.

such, R&T had no authority to sublicense any rights to Warner Bros.⁸⁵ Additionally, the court rejected “the idea that the earlier infringement [could] be retroactively validated by the later grant of the license.”⁸⁶

In an unreported case, *Encore Entertainment, LLC v. KIDdesigns, Inc.*, the District Court for the Middle District of Tennessee opted to follow *Leicester* in finding retroactive licenses invalid to cure past infringement.⁸⁷ The court stated that “[t]o find otherwis[e] would promote a scenario whereby individuals would be permitted, if not encouraged, to willingly infringe upon a copyright interest until caught and then, once caught, simply apply for a retroactive license to avoid liability for earlier infringement.”⁸⁸ In this case, the defendant manufactured and sold audio and video products for children such as karaoke machines, karaoke boom boxes, and personal tape players.⁸⁹ These products were sold with compilations of various musical compositions, some of which the plaintiffs had a copyright interest in.⁹⁰ Defendant KIDdesigns alleged that its co-defendant, Priddis, which was responsible for obtaining the necessary permission for the songs used for the compilations, was supposed to indemnify KIDdesigns against any infringement claims; additionally, Priddis claimed that it received a retroactive license to cover all past infringement from the HFA, co-owner in the copyrights to the

85. *Id.* Even with an explicit statement providing for sub-licensing rights in the transfer agreement, the defendant still could not do so as it was only transferred a non-exclusive right which does not carry with it the right to sublicense; thus, the purported conveyance from Hayes was attempting to convey more rights than he owned, which goes against established copyright law. *Id.*

86. *Leicester*, 1998 WL 34016724, at *6. The court fails to explain why it rejects the notion of retroactive copyright licenses. It merely stated that if certain conduct was an infringement at the time of the conduct, it could not be later validated by the grant of the license.” *See id.* The fact that Warner Bros. had no valid license to use the building in its movie at the time it was filming could not be cured by a later attempt to retroactively transfer such a license. *Id.*

87. *Encore Entm’t, LLC v. KIDdesigns, Inc.*, No. 3:03 1129, 2005 WL 2249897, at *1 (M.D. Tenn. Sept. 14, 2005).

88. *Id.* at *10. “Such a scheme would plainly contradict the purposes underlying federal copyright law.” *Id.*

89. *Id.* at *1.

90. *Id.*

compositions.⁹¹ Though the court here agreed with the *Leicester* court in holding that retroactive licenses do not cure past infringement, this case is distinguishable from *Leicester* because the electronic retroactive licenses obtained by the defendant Priddis were revoked by the HFA, and thus, no retroactive licenses existed at the time of the decision.⁹²

The court also cited *David v. Showtime/The Movie Channel, Inc.* in its decision, where the District Court for the Southern District of New York found that a retroactive application for licensing by the defendants in 1984, when they could have applied for re-licensing at least four years prior, was not a defense to the plaintiff's copyright infringement claim.⁹³ Again, however, this case is distinguishable from *Leicester* in that at issue here was an *application* for a retroactive license and not an actual grant of a retroactive license.⁹⁴

Thus, while most courts found that retroactive licenses were a sufficient way to fix past infringement, a few viewed such licenses as improper. However, it is important to note that all of these decisions were in U.S. District Courts and that prior to October 5, 2007, there was no Circuit Court authority to guide the lower courts in their decisions. This, of course, has since changed.

III. ANALYSIS

A. *It's a Family Affair: The Second Circuit Decision*

Davis v. Blige (“*Davis II*”) is the first opinion from a federal

91. *Id.* at *2-3.

92. *Id.* at *10. The argument “has dissolved into a legal nullity . . . [but] even if such retroactive licenses remained in existence and were curative in nature,” defendant Priddis’s conduct may have still fallen “outside the territorial scope of even these retroactive licenses” because of the international nature of the case (master recordings were sent from Priddis to Hong Kong, where they were reproduced, packaged, marketed, and distributed domestically and internationally). *Id.* at *2, 10.

93. *Encore Entm't*, 2005 WL 2249897, at *10 (citing *David v. Showtime/The Movie Channel, Inc.*, 697 F. Supp. 752, 764 (S.D.N.Y. 1988)).

94. *David*, 697 F. Supp. at 764 (emphasis added).

court of appeals addressing the validity of retroactive transfers.⁹⁵ On appeal from the Southern District of New York, which granted summary judgment to the defendants, the Second Circuit plainly held that “a license or assignment in copyright can only act prospectively.”⁹⁶

In *Davis II*, the plaintiff, Davis, alleged that she was a co-author of two songs, “L.O.V.E.” and “Don’t Trade in My Love,” and claimed that these songs were substantially similar to two songs that appeared on Mary J. Blige’s 2001 multi-platinum album “No More Drama” (as “LOVE” and “Keep It Moving,” respectively).⁹⁷ Davis alleged that she co-wrote these two compositions with Bruce Chambliss in 1998,⁹⁸ and that Bruce Miller, Chambliss’s son and Blige’s brother, later approached her, wanting to buy several songs from her for Blige’s use, including L.O.V.E.⁹⁹ Davis declined and subsequently registered the works with the United States Copyright Office in 2002 and filed suit over a year later.¹⁰⁰ Miller, one of the defendants, alleged that Chambliss was the sole author of the songs and orally transferred his rights to Miller, who registered the songs “LOVE” and “Keep it Moving” with the Copyright Office in 2001.¹⁰¹ Miller and Chambliss converted this oral agreement into a written document one day before Chambliss was to give his deposition in this case; the written agreement stated that Chambliss transferred “an undivided one hundred percent . . . share in and to all the undersigned’s right, title and interest [in the songs] . . . [and] any and all causes of action for infringement for the same past, present, and future”¹⁰²

The district court found that although it was possible that an oral agreement between Miller and Chambliss never actually existed,

95. *Davis v. Blige*, 505 F.3d 90 (2d Cir. 2007) [hereinafter *Davis II*].

96. *Id.* at 104.

97. *Id.* at 94.

98. *Id.* Chambliss denies that he ever collaborated with Davis on any works. *Id.*

99. *Id.*

100. *Id.* at 94-95.

101. *Davis II*, 505 F.3d at 95. The court notes, however, “the existence and nature of the alleged oral agreement is in dispute.” *Id.* The deposition testimony from the two men “contain[ed] inconsistent descriptions of the nature and timing of the alleged oral agreement.” *Id.* at 95 n.5.

102. *Id.* at 96.

the fact that there was a retroactive written agreement made that finding moot, quoting *Silberstein* in saying “[a] retroactive license *can cure past infringements*.”¹⁰³ The Second Circuit, however, disagreed, relying on a bevy of legal theories in holding retroactive licenses invalid as a matter of law. After explaining basic copyright law, the court stated that the cases relied upon by the district court in coming to its conclusion were distinguishable from the instant case because they involved retroactive licenses granted pursuant to settlement negotiations.¹⁰⁴ Settlement agreements, it said, recognize the infringement, whereas a retroactive license “erase[s] the unauthorized use from history [extinguishing] the nonparty co-owner’s right to sue”¹⁰⁵ The court then examined retroactive licenses under tort and contract law to determine whether they were consistent with the co-owner’s right to sue for infringement.¹⁰⁶

Under tort law, upon an injury the injured party may sue for all damages – past, present, and future – so a retroactive assignment or license, according to the court, “destroys the co-owner’s valuable *and vested* right to enforce her claim.”¹⁰⁷ Under contract law, the court stated that a retroactive license violates the fundamental contract law principle that prohibits contractual parties from binding non-parties to the contract; further, if a co-owner can effectively eliminate his co-owner’s right to sue with a retroactive license, this is conveying more than that co-owner

103. *Davis v. Blige*, 419 F. Supp. 2d 493, 500 (S.D.N.Y. 2005) [hereinafter *Davis I*] (quoting *Silberstein v. Fox Entm’t Group, Inc.*, 424 F. Supp. 2d 616, 629 (S.D.N.Y. 2004)).

104. *Davis II*, 505 F.3d at 101 (citing *Country Rd. Music, Inc. v. MP3.com, Inc.*, 279 F. Supp. 2d 325, 328 (agreeing with defendant that a “settlement agreement between [defendant and co-owner] granted defendant retroactive reproduction rights that bar any infringement claim by plaintiffs [co-owners]”); *SBK Catalogue P’ship v. Orion Pictures Corp.*, 723 F. Supp. 1053, 1059 (D.N.J. 1989) (“The [settlement] agreement contemplated a retroactive written license for the use of the musical composition”); *Lone Wolf McQuade Assocs. v. CBS Inc.*, 961 F. Supp. 587, 590 (S.D.N.Y. 1997) (“In a settlement agreement dated December 9, 1996, [co-owner] granted [defendant] a retroactive license from January 1, 1990.”)).

105. *Id.* at 103.

106. *See id.* at 103-04.

107. *Id.* at 103 (quoting *Leonhard v. United States*, 633 F.2d 599, 613 (2d Cir. 1980)).

possesses.¹⁰⁸ The court also relied on patent law to add support to its holding because of the tendency of courts to look from one to the other when in need of precedent.¹⁰⁹

Finally, the court offered a policy rationale: retroactive licenses would go against the intent of the Copyright Act by making transactions uncertain and unpredictable, and would encourage infringement instead of the creation of original works.¹¹⁰ Relying on the totality of the rationale, from tort law to contract law to patent law, the court concluded that the written agreement between Miller and Chambliss could not bar an infringement action from Davis, thus reversing the decision of the district court.¹¹¹

108. *Id.* at 103. Because a co-owner cannot convey more than what he owns, the court interprets this basic tenet of copyright law to include the inability of a co-owner to convey his other co-owners right to sue for infringement – in other words, because when a co-owner assigns his rights to a third party he also effectively insulates the third party against a lawsuit from another co-owner, the court determines that this insulation is a right that goes beyond the bundle of rights the co-owner initially held. *See id.* at 103-04.

109. *Id.* at 104 (citing *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 (1984) (referring to the “historic kinship between patent law and copyright law”)). The court determined that its holding here in *Davis II* was consistent with established patent law:

[T]he grant of a license by one co-owner cannot deprive the other co-owner of the right to sue for accrued damages for past infringement. That would require a release, not a license, and the rights of a patent co-owner, absent agreement to the contrary, do not extend to granting a release that would defeat an action by other co-owners to recover damages for past infringement.

Id. (quoting *Schering Corp. v. Roussel-UCLAF SA*, 104 F.3d 341, 345 (Fed. Cir. 1997)).

110. *Davis II*, 505 F.3d at 104-05 (citing *Cnty. for Creative Non-Violence v. Reid*, 490 U.S. 730, 749 (1989); *Diamond v. Am-Law Publ’g Corp.*, 745 F.2d 142, 147 (2d Cir. 1984)).

111. *Id.* at 107. The court held the following:

Miller had no right to use or license the disputed compositions at the time they were used on the Album or at the time he licensed them to the third-party defendants. The third-party defendants are, in turn, potentially liable for infringement to Davis because they never obtained a legitimate right to use the disputed compositions. . . Chambliss’s alleged retroactive assignment to Miller of the disputed compositions, for consideration of one dollar each, would have the effect of

Furthermore, the court held that even if an oral agreement did exist, the written agreement between Miller and Chambliss still could not serve to defeat Davis’s claim of infringement: the oral agreement was not a legal agreement since under the Copyright Act of 1976, a transfer of copyright ownership must be signed; the retroactive written agreement was thus inconsequential since the infringement had already occurred.¹¹²

*B. A Decision That Was Against All Odds?*¹¹³

In its decision, the Second Circuit expressly went against the bulk of existing case law in which courts consistently held that retroactive transfers were acceptable. One critic of the case said, “[t]he [*Davis II*] decision opens up to challenge untold numbers of settlement agreements, and even more broadly eliminates one of the central tenets of the 1976 Act: the alienability of one co-owner’s rights without the permission of the other co-author(s).”¹¹⁴ Furthermore, the case calls into question the legality of oral agreements for non-exclusive license transfers. Proponents of the decision appear to be unfazed by the weight given by the court to the policy considerations.¹¹⁵ So what was the tipping point for this decision?

It appears that the court awarded the most weight to the heavy policy concerns surrounding retroactive transfers, but disguised this by discussing tort, contract, and patent law propositions that support its decision. Granted, the policy concerns are important, as the purpose of copyright law is not to promote infringement or

unraveling valuable accrued infringement claims against not only the retroactive assignee (Miller) but also his licensees.

Id. at 105-06.

112. *Id.* at 107-08. “If there was no written agreement . . . defendants had no legal right to use the disputed compositions, and Davis’s right to sue for infringement accrued.” *Id.* at 107; *see also* 17 U.S.C. § 204(a) (2006).

113. Reference to PHIL COLLINS, *AGAINST ALL ODDS* (Atlantic/WEA 1984).

114. The Patry Copyright Blog, *The Second Circuit Goes to the Dark Side*, <http://williampatry.blogspot.com/2007/10/second-circuit-goes-to-dark-side.html> (last visited Mar. 23, 2008).

115. *See* *On The Cover Songs*, Mary J., *Pay to Play*, <http://onthecoversongs.blogspot.com/2007/10/mary-j-pay-to-play.html> (last visited Mar. 23, 2008).

to make it easier for infringers to actually infringe, but rather to promote creation and originality.¹¹⁶ However, a conclusion of judicial activism may be inferred from the combination of the court's reliance on policy considerations and a rather weak substantive argument in which it refused to apply the albeit non-precedential but nonetheless rather overwhelming prior case law.¹¹⁷

The case law, the court stated, was distinguishable because, in the cases cited, the retroactive license was part of a settlement agreement, which "recognizes the unauthorized use while providing a remedy . . . that is acceptable to all parties to the agreement."¹¹⁸ Settlement agreements are "generally retrospective," says the court, but are not to be used to prejudice a co-owner not party to the agreement.¹¹⁹ Licenses and assignments, though, are "prospective A retroactive license or assignment purports to authorize a past use that was originally unauthorized [and would] erase the unauthorized use from history" ¹²⁰ Because the unauthorized use would have resulted in an infringement suit by a co-owner, the co-owner would lose out on its right to sue, and because of this loss of a right, the court delved into a brief undertaking of basic tort and contract law,¹²¹ all the while seeming to forget the basics of copyright law: that a co-owner may transfer any of his rights, in whole or in part, by any means of conveyance.¹²²

The district court recognized this right in its *Davis I* decision,¹²³

116. *Davis II*, 505 F.3d at 105 (quoting *Diamond v. Am-Law Publ'g Corp.*, 745 F.2d 142, 147 (2d Cir. 1984)).

117. See *Florida v. Wells*, 495 U.S. 1, 13 (1990) ("It is a proper part of the judicial function to make law as a necessary by-product of the process of deciding actual cases and controversies. But to reach out so blatantly and unnecessarily to make new law in a case of this kind is unabashed judicial activism.").

118. *Davis II*, 505 F.3d at 103.

119. *Id.*

120. *Id.*

121. *Id.*

122. 17 U.S.C. § 201(d)(1) (2006). Thus, there is no statutory prohibition on retroactive transfers of copyright; as long as the co-owner possesses a certain right, he may transfer it to a third party without recourse, according to the statute.

123. *Davis I*, 419 F. Supp. 2d 493, 500 (S.D.N.Y. 2005) ("[A] co-owner has

Nimmer explains it in his treatise,¹²⁴ and countless other courts have followed the statutory provision and subsequent case law explanations. While the Second Circuit here does not negate this right, it unnecessarily qualifies it to be only a certain type of right – one that appears to be utilized only when fairness and equity preside.¹²⁵ It is out of this unqualified right to transfer that the retroactive license came to exist, and it is in this qualified right to transfer that the Second Circuit has put the kibosh on the retroactive license. In qualifying the right, the court relied heavily on policy: sure, co-owners may transfer what they own, but in doing so, they may not prejudice their other co-owners.¹²⁶ This appears to be an extension of the accepted limitation that a co-owner may not transfer more than what he owns – which leads into the concept of exclusive and non-exclusive licenses.

The court accepted that the retroactive license attempt from Chambliss to Miller was a non-exclusive license, if only by process of elimination: to be an exclusive license, all co-owners must agree on the transfer of right(s); thus, since Davis did not consent to the transfer, Miller obtained a non-exclusive license from Chambliss.¹²⁷ The commonly accepted tenet of copyright law, though, that non-exclusive licenses are not required to be in writing, is conspicuously absent from the opinion.¹²⁸ In fact, the

a legal right to grant a license in a work without another co-owner's permission or to transfer his rights in the copyright freely.”).

124. NIMMER, *supra* note 7, § 6.11 (“In the absence of an agreement to the contrary, one joint owner may always transfer his interest in the joint work to a third party, subject only to the general requirements of a valid transfer of copyright.”).

125. *See Davis II*, 505 F.3d at 105-06. “The core purpose of copyright law is to secure a fair return for an author’s creative labor’ and thereby ‘to stimulate artistic creativity for the general public good.” *Id.* at 105 (quoting *Veeck v. S. Bldg. Code Congress Int’l Inc.*, 241 F.3d 398, 402 (5th Cir.2001)). “[T]he grant of a license by one co-owner cannot deprive the other co-owner of the right to sue for accrued damages for past infringement.” *Id.* (quoting *Schering Corp. v. Roussel-UCLAF SA*, 104 F.3d 341, 345 (Fed. Cir. 1997)).

126. *Id.* at 102 (“One tenant in common can settle for or release his interest in . . . personal property, but he cannot settle for or release the interest of his cotenants. If one tenant in common should settle for his portion of the damages before action, the other may sue without joining him.”).

127. *Id.* at 99-100.

128. *See, e.g., Foad Consulting Group, Inc. v. Azzalino*, 270 F.3d 821, 825-

court limited its discussion of the alleged oral agreement to a mere paragraph and, instead, focused on the written agreement and the interplay with established copyright law.¹²⁹ Citing *ABKCO Music, Inc. v. Harrisongs Music, Ltd.* to initiate the discussion of transferable rights, the court noted that “[t]he right to prosecute an accrued cause of action for infringement is also an incident of copyright ownership.”¹³⁰ This statement, however, does not tell the whole story. What the *ABKCO* court actually said, referencing 17 U.S.C. § 501(b), was that the owner of an *exclusive* right is entitled to prosecute for infringement.¹³¹

This right to prosecute for infringement of an exclusive right corresponds with the concept that co-owners of a copyright may not sue each other for infringement, because neither co-owner is in sole possession of an exclusive right, which is why all co-owners must agree to transfer an exclusive right to a third party.¹³² In

26 (9th Cir. 2001) (“We have recognized . . . that Section 204(a)’s writing requirement applies only to the transfer of exclusive rights; grants of nonexclusive copyright licenses need not be in writing . . . [a] nonexclusive license may be granted orally or by implication.”); *Lulirama Ltd., Inc. v. Axxcess Broad. Servs., Inc.*, 128 F.3d 872, 879 (5th Cir. 1997) (“While the Copyright Act requires that exclusive licenses be evidenced by a writing, no such writing requirement applies to nonexclusive licenses.”); *Jacob Maxwell, Inc. v. Veeck*, 110 F.3d 749, 752 (11th Cir. 1997) (“In contrast to an exclusive license, a nonexclusive license to use a copyright may be granted orally, or may even be implied from conduct.”) (internal quotations omitted); *I.A.E. Inc. v. Shaver*, 74 F.3d 768, 774 (7th Cir. 1996) (“A copyright owner may transfer to another person any of the *exclusive* rights the owner has in the copyright; however, such a transfer must be made in writing.”); *MacLean Assocs, Inc. v. Wm. M. Mercer-Meidinger-Hansen, Inc.*, 952 F.2d 769, 778 (3d Cir. 1991) (“The owner of a copyright can transfer ownership of the copyright by selling it or exclusively licensing it . . . [e]xclusive licenses must, however, be in writing.”); *Effects Assocs, Inc. v. Cohen*, 908 F.2d 555, 558 (9th Cir. 1990) (“Section 204 [of the Copyright Act] provides that all transfers of copyright ownership must be in writing; Section 101 defines transfers of ownership broadly, but expressly removes from the scope of Section 204 a ‘nonexclusive license.’”); *NIMMER, supra* note 7, § 10.02[B][5] (“It remains true that nonexclusive licenses may be valid although oral or implied [by conduct].”).

129. See *Davis II*, 505 F.3d at 98-102.

130. *Id.* at 99. (citing *ABKCO Music, Inc. v. Harrisongs Music, Ltd.*, 944 F.2d 971, 980 (2d Cir. 1991)).

131. *ABKCO Music*, 944 F.2d at 980 (emphasis added).

132. See *Davis II*, 505 F.3d at 99.

applying its policy rationale for defeating retroactive licenses, the court relies on this “right to prosecute,” but this reliance is misplaced since a non-exclusive license, which, as has been established, does not require a written agreement, was at issue here.¹³³ Additionally, the Southern District of New York had previously held that a subsequent writing to commemorate an earlier oral agreement satisfied the requirement that copyright transfers must be in writing, so either way, it would appear that the defendants were covered.¹³⁴ In ignoring this seemingly convincing weight of prior case law, the Second Circuit has potentially opened the door to an influx of lawsuits regarding alleged retroactive licenses and one question must be asked: was creating the rule that retroactive licenses are *never* acceptable the best move, especially in a circuit heavy with entertainment and intellectual property litigation?

IV. IMPACT

While this case is not binding on other circuits, it will most certainly serve as persuasive authority in an area where the Supreme Court has not weighed in. The Second Circuit assumes that its opinion’s impact in the field will be nothing short of beneficial to copyright owners, since it purports to protect their rights to sue for infringement.¹³⁵ The Second Circuit, however, also appears to assume that all retroactive licenses are granted for some deceitful purpose.¹³⁶ Of course, instances where another co-owner has no issue with the granting of a retroactive license most likely never see a courtroom; however, the sweeping holding of the Second Circuit, that a license may only act prospectively, would effectively eliminate successful retroactive licenses as well

133. *Id.* at 103.

134. *Davis I*, 419 F. Supp. 2d 493, 498 (S.D.N.Y. 2005) (citing *Eden Toys, Inc. v. Florelee Undergarment Co., Inc.* No 80 CIV. 2242, 1984 WL 2120, at *2 (S.D.N.Y. Jan. 31, 1984)).

135. *Davis II*, 505 F.3d at 103. A co-owner’s right to sue for infringement “is one of the most valuable ‘sticks’ of the ‘bundle of rights’ of copyright. *Id.*”

136. *Id.* (“A retroactive license or assignment purports to authorize a past use that was originally unauthorized . . . a retroactive license or assignment would – if given legal effect – erase the unauthorized use from history with the result that the nonparty co-owner’s right to sue for infringement . . . is extinguished.”).

as those possibly granted with a malicious intent in mind.

As an example, assume there are two co-owners to a work. For the ease of this example, let us assume these co-owners are a married couple. The husband decides to transfer his interest in the work to one of the couple's friends while his wife retains her interest; however, the husband, unfamiliar with the law, merely orally transfers his rights to the friend. Things progress nicely for years without incident. Somewhere along the line, the husband is alerted that he needs to commemorate in writing his earlier oral agreement with his friend and does so by way of a retroactive license, dating back to the initial oral transfer. Let us say the couple subsequently dies and the wife's interest then transfers to their child. The child does not like his co-owner and subsequently learns of the retroactive license. Since the child is knowledgeable of the *Davis II* decision, the child hauls the co-owner into court where the court finds the retroactive license is essentially a legal nullity. In this case, there was no initial infringement, or ill will, or bad faith or anything of the like; rather, there existed the innocent, good faith attempt of a copyright holder to transfer his rights to friend, which backfired upon his death.

Granted, the Second Circuit could distinguish a case like this from *Davis II* on the grounds of intent of the parties or the proof of an actual oral agreement (where in *Davis I* the district court concluded that "a reasonable jury could find an oral agreement never existed between Chambliss and Miller").¹³⁷ But then this turns into yet another "where do you draw the line" situation. With the sweeping declaration that "a license or assignment in copyright can only act prospectively" the Second Circuit has corralled itself into being nothing short of a line-drawing body, as evidenced by the public policy reasons given by the court.¹³⁸

137. *Davis I*, 419 F. Supp. 2d at 498.

138. *Davis II*, 505 F.3d at 104. Policy reasons offered by the court in reaching its conclusion include the following:

A rule permitting retroactive assignments and transfers would inject uncertainty and unpredictability into copyright ownership, contrary to the intent of Congress in enacting the Copyright Act of 1976 . . . [i]f retroactive transfers and licenses were permissible, one could never reliably and definitively determine if and when an infringement occurred, because an infringement could be "undone" by the very sort

What seems to be a more effective way to deal with the problem of retroactive licenses is to look at each on a case-by-case basis. From the facts of each case, a court should be able to determine the trustworthiness of the parties, at least to some extent. For example, in *Davis II*, the Second Circuit agreed with the district court that “a reasonable jury could find an oral agreement never existed between Chambliss and Miller.”¹³⁹ Instead of leaping from the oral agreement to the written retroactive license, the court could have analyzed this aspect a bit more, rather than simply dismissing it in a mere sentence and moving on to what the Second Circuit apparently felt were more appropriate topics – tort law, contract law, patent law, and policy concerns. Policy concerns are indeed important but, again, the judiciary needs to be careful that it does not cross yet another line in judicial activism. Additionally, in making a policy-backed decision, courts should consider all viable alternatives to the ruling before handing down an all-encompassing holding that will force it to engage in further line drawing. All the Second Circuit needed to do in *Davis II* was qualify its holding to a narrow situation – for example, where a question of fact exists about the original oral agreement, a retroactive license *may* not insulate co-owners from infringement suits by another co-owner. This would require the courts to take a look at each individual case, instead of the issuance of a broad statement neatly condemning retroactivity with regard to copyright licenses and transfers.¹⁴⁰

Admittedly, it is nice to have black letter law. It is often helpful to know where the proverbial line is, and just how much can be done before crossing it – at least for your client’s sake. However, in drawing this line, courts must be aware of the potential rights that they are trammeling. Is it worth it, to effectively limit statutorily-given freedoms to copyright owners or licensees? Prior to *Davis II*, the only real limit on a co-owner’s ability to distribute his rights to a third party involved obtaining his co-owner’s consent before allowing another party to hold an exclusive right; now, a co-owner is unable to orally grant a non-exclusive license

of maneuver attempted by defendants in this case.

Id. at 105.

139. *Id.* at 101 (quoting *Davis I*, 419 F. Supp. 2d at 498).

140. *Id.* at 104.

and later memorialize it with a written retroactive license, even though oral grants of non-exclusive licenses are a perfectly acceptable method of transfer. The decision runs against established statutory and case law and, quite frankly, this established law should not be overruled by the Second Circuit's policy concerns and issues with fairness to co-owners.

Of course, protecting co-owners and, more importantly, the creation of copyrights, *is* important and *is* a main tenet of copyright law.¹⁴¹ But the Second Circuit here focused its decision on the co-owner that does not transfer his rights. What of the co-owner who does transfer his rights? The court seemed to ignore the fact that this co-owner is equally protected by the Copyright Act and thus has the right to transfer his portion of ownership to a third party if he should so desire.¹⁴² Why the court determined that one co-owner's rights were more important than another is a mystery, but it appears to be grounded in the policy concerns mentioned above. In deciding any case, a court must determine which party's interest outweighs the other. This determination, though, should not be made before the trier of facts actually gets to hear the facts – and the holding in *Davis II* prevents this from happening by effectively stating that one party's interests inherently supersede the other party's rights to transfer. Thus, at the risk of sounding like a broken record (pun intended), the Second Circuit should have either (1) qualified its holding to the narrow instance in the case or (2) ruled that, going forward, retroactive licenses are to be determined on a case-by-case basis, with the court looking at all aspects of the case before making its decision on whose interests trump whose.

V. CONCLUSION

The Copyright Act of 1976 established some basic tenets for the transferability of copyrights by joint owners in a work. The Act does not, however, say anything about the viability of a retroactive

141. *Bong v. Alfred S. Campbell Art. Co.*, 214 U.S. 236, 245 (1909) (“[T]he statute must be read in the light of the intention of Congress to protect this intangible right as a reward of the inventive genius that has produced the work.”).

142. See 17 U.S.C. § 201(d) (2006).

license from one joint owner to a third party, thereby nullifying any potential lawsuit from the other joint owner, since co-owners in a copyright may not sue each other. The transfer from one co-owner to a third party is a non-exclusive transfer of rights, as an exclusive transfer requires the conveyance of all co-owners. A non-exclusive license is not required to be in writing, while an exclusive license must be written to be valid.

Courts across the country have consistently held that retroactive licenses are valid transfers under the commonly held legal construction that a co-owner may transfer all rights that he has to a third party – he just may not transfer anything *more* than what he possesses. In the only circuit court decision to date, the Second Circuit went against the bulk of authority in finding retroactive licenses invalid *per se*. In so holding, the Second Circuit failed to consider not only viable alternatives, such as considering each instance on a case-by-case basis, but it also wiped out the ability of co-owners to retroactively license their share in a work even if their intentions are good.

Because of the established copyright law, including the well-established ability of a co-owner to transfer his rights to whomever, and whenever, he wishes, the Second Circuit's position is odd from a legal standpoint. In attempting to justify its decision, the Second Circuit utilized a policy standpoint in explaining essentially that it would not be fair to the other co-owner to have one of its rights, the right to sue, quashed by his co-owner's ability to retroactively transfer a license. The Second Circuit did not contemplate that retroactive licenses could actually be used for something beneficial. While a beneficial use may not be a likely outcome, it is nonetheless possible, and should thus have been at least considered before the Second Circuit explicitly ruled out the use of all retroactive licenses.

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