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# Rights of a Copyright Owner

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## THE RIGHTS OF A COPYRIGHT OWNER

Why should there be any protection afforded the copyright owner? The answer to this question is predicated upon the basic concepts which go to make up our American way of life. The principles of our American government are found in the Declaration of Independence which is the creed of Americanism.<sup>1</sup> The Constitution of the United States provides for the mechanics for carrying into effect these principles of our government.<sup>2</sup> Pursuant to these basic principles, the framers of the federal constitution realized that individual genius should be protected, and consequently Congress was given the power,

“To promote the progress of science and useful arts, by securing for a limited time to authors and inventors, the exclusive right to their respective writings and discoveries.”<sup>3</sup>

The right of Congress to protect authors and inventors as set forth in the Constitution of the United States is thus the means by which the rights of these individuals is protected. By and large, then, the right of a copyright holder to certain protections is entrenched in the principles of Americanism.

The purpose of this treatise is to evaluate the extent to which the copyright owner is protected under the American form of government. This evaluation necessarily concerns the right of the persons and entities to acquire a statutory copyright, and the rights and limitations of the statutory copyright owner to make assignments, licenses, and contracts. However, first it may be well to point out some of the distinctions which exist between the common law copyright and statutory copyright.

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<sup>1</sup> “We hold these truths to be self-evident; that all men are created equal; that they are endowed by their Creator with certain inalienable rights; that among these are life, liberty, and the pursuit of happiness; that to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed. . . .”

<sup>2</sup> Clarence E. Manion, *Lessons in Liberty*, pp. 1-110 (1939); Desvernine, *Creed of Americanism*, 17 N. D. L. No. 3 (1942).

<sup>3</sup> Constitution of U. S., Art. 1, § 8, Cl. 8.

## COMMON LAW AND STATUTORY COPYRIGHT

*Common Law Copyright*

It has been a common error among many laymen in thinking that the only protection afforded an author is the statutory protection created by Congress. Among the English speaking peoples, there has always been a respect shown for the creative genius of an individual. The courts of the United States and England have been consistent in affording certain protection to authors even though the products of their endeavor are not protected by the copyright statute.<sup>4</sup>

At the common law the author or proprietor has a property interest in his work.<sup>5</sup> This common law right is perpetual so long as his work is not published or dedicated to the public. However, as soon as one publishes his work, he is said to have dedicated it to the public and thereafter no further protection is afforded the common law copyright owner.<sup>6</sup> Certain problems have arisen, however, in regard to what constitutes a publication. It is possible for the author or proprietor to put certain restrictions on his publication, but it is ultimately for the courts to decide whether or not the restrictions are sufficient to negative a general publication. The courts have recognized certain degrees of publication. By and large publication has been divided into general and limited. In a limited publication the author or proprietor's publication is so restricted that it is evident from the conditions imposed that the author does not intend to dedicate his work to the public as contrasted to a general publication where the acts and intent of the owner show an intention of dedication of the work to the public. Thus, in the case of *Werckmeister v. American Lithographic Company*<sup>7</sup> it was held that where pictures were exhibited at the Royal Academy with an understanding with the Academy that no copy

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<sup>4</sup> Carl W. Doozan, Pre-Copyright Rights, 14 N. D. L. p. 391 (1939).

<sup>5</sup> National Picture Theaters v. Foundation Film Corp., 266 F. 208 (1920).

<sup>6</sup> Press Pub. Co. v. Monroe, 73 F. 196 (1896).

<sup>7</sup> 134 F. 321 (1904).

or notes would be allowed while on exhibition, and it had been a practice among authors to so exhibit pictures without a copyright, the exhibition was merely a limited publication and the common law rights had not been extinguished. Likewise, in the case of *Waring v. W. D. A. S. Broadcasting Company*<sup>8</sup> the court found that the label which was put on phonograph records, "Not licensed for radio broadcasting" amounted to a limited license and protection was granted. It has, also, been held that lectures given before the public amount only to a limited publication and the lecture had not been dedicated to the public.<sup>9</sup> In a recent case,<sup>10</sup> the court ruled that an exhibition of a jungle film, taken by the president of a corporation, to an employee group free of charge did not amount to a general publication and the owner could recover for infringement. However, where an architect drew up specifications for a customer and filed them with the building inspector such a deposit in a public office amounts to a dedication to the public or general publication and all common law rights cease.<sup>11</sup>

In the main, where a property right is sought to be protected at common law, it is the intent of the owner or proprietor manifested by his overt acts and expressed intent which denotes whether or not a general publication has been effected. This point is illustrated in the case of the *Pittsburgh Athletic Company v. K. Q. V. Broadcasting Company*.<sup>12</sup> In this case, the plaintiff, a Pittsburgh baseball club sold the exclusive broadcasting rights to the General Mills Company. The court held that there was a property right in these broadcasts which had been sold to the General Mills Company and the selling of this right did not amount to a general publication, thus the defendant who had been broadcasting without authority could be enjoined from continuing

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<sup>8</sup> 327 Pa. 433, 194 A. 631 (1937).

<sup>9</sup> *Nutt v. Nat. Inst. Inc.*, 31 F. 2d 236 (1929).

<sup>10</sup> *Patterson v. Century Prod.*, 93 F. 2d 489 (1938).

<sup>11</sup> *Wright v. Eisle*, 83 N. Y. S. 887 (1903).

<sup>12</sup> 24 F. Supp. 490 (1938).

his broadcasting. The court said that the plaintiff had an interest in the broadcast of the baseball games and the plaintiff's contract with the General Mills Company shows an intent to preserve these rights rather than to make a dedication to the public.

Generally, one might say that where a common law copyright is sought to be protected the copyright owner must be able to show that there has been no general publication or dedication to the public. In passing, it may be well to note that where a property right is negative and the damage is nil, there is no common law right of protection.<sup>13</sup>

### *Statutory Copyright*

Although, as has been seen, the common law copyright owner was given many considerations, his rights ceased with publication. Consequently, Congress, under the powers granted by the constitution of the United States,<sup>14</sup> enacted a statutory copyright as early as 1790.<sup>15</sup> From time to time, since the passage of the first statutory copyright, there have been changes and additions made, with the effect of gradually increasing the scope of protection given the author or proprietor.

By 1909, there was a conglomeration of disjointed copyright statutes. This condition led to the passage of the present Copyright Act of 1909. One court says,

"The great purpose in the enactment of the Copyright Act of 1909 was to bring together all of the statutes applicable to the subject of copyright, and in many instances enlarge the protection secured by copyright . . ." <sup>16</sup>

The effect of the statutory copyright protection in this country has been to secure for the author, or his successors in interest, a monopoly, in the nature of a reward for his genius

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<sup>13</sup> *International News Serv. v. Asso. Press*, 248 U. S. 215, 63 L. ed. 211, 39 S. Ct. 68 (1918).

<sup>14</sup> Art. 1, § 8, Cl. 8.

<sup>15</sup> C. 18, 1 Stat. 124 (1790).

<sup>16</sup> *M. Witmark & Sons v. Standard Music Roll Co.*, 221 F. 376 (1915).

and industry, as well as for the encouragement of others.<sup>17</sup> Consequently, as a result of the 1909 Copyright Act, Congress increased the protection to the property interest of the author's genius,<sup>18</sup> and created a simple and effective method by which these rights could be insured, all of which served to afford greater encouragement to production of literary works of lasting benefits to the world.<sup>19</sup>

After the creation of the statutory copyright, a question arose as to whether or not one's common law protection existed even though the work was protected by the statutory copyright. This problem was first presented in the English case of *Millar v. Taylor*<sup>20</sup> where the plaintiff was an assignee of a book entitled "The Seasons." The defendant had printed the said book and sold it without consent of the plaintiff. The plaintiff rested his case on his common law rights, as his protection under the Statute of Anne had expired. The court held that the plaintiff had a common law right of protection as a property interest remained even though the statutory protection had ceased. However, subsequently, in the case of *Donaldson v. Beckett*<sup>21</sup> the court determined that where one had been given statutory protection and this protection had ceased, the author or proprietor was forever barred from any further common law rights. The leading American case on this point was *Wheaton v. Peters*<sup>22</sup> which followed the latter English case holding that one's common law rights are superseded by statute. Later American cases have reiterated this view, that common law and statutory copyright may not exist concurrently, but statutory copyright divests the owner of his common law rights.<sup>23</sup>

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<sup>17</sup> *Washingtonian Pub. Co. v. Pearson*, 305 U. S. 583, 83 L. ed. 365, 59 S. Ct. 85 (1939).

<sup>18</sup> *Norm Co. v. John A. Brown and Co.*, 26 F. Supp. 707 (1939).

<sup>19</sup> *Buck v. Swanson*, 33 F. Supp. 377 (1939); *Marsh v. Buck*, 313 U. S. 406, 61 S. Ct. 969 (1941).

<sup>20</sup> 4 Burr. 2303, 98 Eng. Rep. 201 (1769).

<sup>21</sup> 4 Burr. 2408, 1 Eng. Rep. 837 (1774).

<sup>22</sup> 33 U. S. 591, 8 L. ed. 1055 (1834).

<sup>23</sup> *Loew's Inc. v. Sup. Ct. of Los Angeles County*, 115 P. 2d 983 (1941); *Stuff v. LaBudde Feed and Grain Co.*, 42 F. Supp. 493 (1942).

When one acquires a statutory copyright, his rights are based solely upon a construction of the Copyright Act. In a leading case the court, speaking of the statute, says,

"The copyright statute ought to be reasonably construed, with a view to effecting the purposes intended by Congress. They ought not to be unduly extended by judicial construction to include privileges not intended to be conferred, not so narrowly construed as to deprive those entitled to their benefit of the rights Congress intended to grant."<sup>24</sup> However, another court<sup>25</sup> says that the act may be construed so as to include situations not anticipated by Congress, so long as there is a fair construction. Recent decisions reiterate that there should be a liberal construction to the Copyright Act as a means of carrying out the Congressional intent to foster the copyright owner's protection and consequently to encourage literary genius.<sup>26</sup>

Of course, another question which immediately comes to mind is, who may acquire a statutory copyright? The extent of this problem warrants some special consideration.

### *The Acquisition of a Statutory Copyright*

The Copyright Act provides for the persons who may be entitled to a statutory copyright.<sup>27</sup> And, every person aspiring to gain the protection afforded by the Act must prescribe to the provisions of the statute in order to reap the fruits of his labor.<sup>28</sup> The Act specifically provides that authors and proprietors may obtain a statutory copyright,

"The author or proprietor of any work made the subject of copyright by this title, or his executors, administrators, or assigns, shall have copyright for such work under the conditions and for the terms specified in this title."<sup>29</sup>

An author has been defined as one who by his own intellectual talents and labors produces a thing which is new in it-

<sup>24</sup> *Bobbs-Merrill Co. v. Strauss*, 210 U. S. 339, 52 L. ed. 1086, 28 S. Ct. 722 (1908).

<sup>25</sup> *Remick v. Am. Auto Accessories Co.*, 5 F. 2d 411, 40 A. L. R. 1511 (1925).

<sup>26</sup> *Buck v. Gibbs*, 34 F. Supp. 510 (1940); *So. Music Pub. Co. v. Bibb Long Inc.*, 10 F. Supp. 972 (1935); *Westway Theatre v. Twentieth Century-Fox Film Corp.*, 113 F. 2d 932 (1940).

<sup>27</sup> 17 U. S. C. A., § 8.

<sup>28</sup> *Wheaton v. Peters*, 8 Pet. 591, 8 L. ed. 1055 (1834).

<sup>29</sup> 17 U. S. C. A., § 8.

self.<sup>30</sup> However, if a person produces a thing which is similar to the work of another, the former is not precluded from the status of author if it can be shown that the work contains individuality which shows that the product was not copied or aided by another's work.<sup>31</sup>

However, the author must be careful to take advantage of the rights afforded him by Congress. Thus, where an author allows a publisher to take out a copyright in the publisher's name, the author is subsequently estopped from asserting a right to the copyright.<sup>32</sup> Of course, it is a question of fact as to whether or not the author has relinquished his rights to another,<sup>33</sup> and in certain instances equity may impress a trust, thus protecting the true owner.<sup>34</sup> These problems concerning equitable ownership will be discussed more fully in subsequent pages.

It should be noted, however, that the rights of authors once established, cannot be subsequently transgressed by others. This is in accord with the spirit of the Act, to grant protection and inspiration to the intellectual genius of mankind. Pursuant to this principle the court held that where an author agreed to write a book to be copyrighted either by the author or the stockholder of a corporation both parties were proprietors and a subsequent copyright by a publishing company of installments of the book published in the company's paper were void.<sup>35</sup> Nevertheless, the author should be careful to secure all of his due rights. Thus, it was held that the author was not allowed to be protected by a publishing company's copyright of the author's work when the author had neglected to transfer his rights to the publishing company.<sup>36</sup>

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<sup>30</sup> *Atwell v. Ferrett*, Fed. Cas. No. 3851 (1855).

<sup>31</sup> *Blume v. Spear*, 30 F. 629 (1887).

<sup>32</sup> *Mifflin v. Ditton*, 112 F. 1006, 61 L. R. A. 134 (1902).

<sup>33</sup> *Cohan v. Richmond*, 19 F. Supp. 771 (1937).

<sup>34</sup> *Quinn-Brown Pub. Corp. v. Chilton Co.*, 15 F. Supp. 213 (1936).

<sup>35</sup> *Public Ledger Co. v. Post Pub. Co.*, 294 F. 430 (1923).

<sup>36</sup> *Kaplan v. Fox Film Corp.*, 19 F. Supp. 780 (1937).



By and large, a proprietor obtains the same rights and protection, as the author, of the copyrighted product.<sup>37</sup> The word "proprietor" has been construed to be equivalent to "assign" which indicates that the proprietor receives the title and interest to the work which is possessed by the author.<sup>38</sup> A proprietor or assignee is to be distinguished from a licensee. An interesting case points out that where an author retains a part of his rights prescribed by the statutory division of rights the transferee from the author is a mere licensee and as such does not enjoy the rights of proprietorship.<sup>39</sup> It has been held that a partnership<sup>40</sup> or a corporation<sup>41</sup> may be a copyright owner. The copyright protection was primarily intended to benefit the citizens of the United States and consequently there are only certain limited circumstances when aliens may avail themselves of the statutory protection.<sup>42</sup>

#### *Employer-Employee Relations*

Many disputes have arisen in cases where an employee was the author of some particular work or art and the employer claims proprietorship of the product. An interesting case held that where an employee was paid by the employer to produce artistic works, the employer was entitled to copyright the produce as his own.<sup>43</sup> Likewise, where a song arranger was paid a weekly salary to furnish music compositions, the product of such labor is the property of the employer.<sup>44</sup> But, the courts have also said that an employee is not barred from obtaining a copyright simply because he produced the work as an employee.<sup>45</sup> However, in another case where an employee prepared a treatise as a part of his work and obtained a copyright on said treatise, it was held that the employee

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<sup>37</sup> Cohan v. Richmond, 19 F. Supp. 771 (1937).

<sup>38</sup> Cohan v. Richmond, 19 F. Supp. 771 (1937).

<sup>39</sup> Pub. Ledger Co. v. N. Y. Times, 275 F. 562 (1921).

<sup>40</sup> Scribner v. Henry G. Allen Co., 49 F. 854 (1892).

<sup>41</sup> Mutual Advertising Co. v. Refo, 76 F. 961 (1896).

<sup>42</sup> 17 U. S. C. A., § 8.

<sup>43</sup> Nat. Cloak Co. v. United Correspondence School Co., 94 F. 152 (1899).

<sup>44</sup> Tobani v. Carl Fisher Inc., 98 F. 2d 57 (1938).

<sup>45</sup> No-Leak Piston Co. v. Norris, 277 F. 951 (1921).

held the copyright in trust for his employer.<sup>46</sup> But, where an employer does possess a right and he assigns his rights to a third person, the latter may enforce a suit on infringement against the employee author.<sup>47</sup>

The question as to whether the employee or the employer has the right to the products of the creative genius of the former would seem to rest ultimately upon the employee-employer contract of employment. The courts will determine by a construction of the employment contract the intent of the parties in regard to the proprietorship of the efforts of the employee.

#### *Equitable Ownership*

It is possible under the Copyright Act to have the legal title to a copyright in one person and the beneficial title in another person.<sup>48</sup> In this situation one court found that where one possessed an equitable title to a photograph the equitable owner was not justified in having another reproduce the photograph for the beneficiary without the consent of the legal title holder.<sup>49</sup> In a recent case, a city contracted for the construction of a high school. There was a provision in the contract that two murals were to be painted in the school building, the city was to pay for them and also select the artist to perform the work. There was no special agreement that the artist should have a right to copyright the murals; nevertheless the artist did have the murals copyrighted and the court found that the artist held the copyright in trust for the city.<sup>50</sup> Where one obtains a copyright by fraud the courts of equity will impress a constructive trust requiring the fraudulent copyright holder to hold the copyright in trust for the true owner.<sup>51</sup> Although equity is quick to aid those who have rightful claims, yet equity re-

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<sup>46</sup> U. S. Ozone Co. v. U. S. Ozone Co. of America, 62 F. 2d 881 (1932).

<sup>47</sup> Shapiro, Bernstein and Company v. Byran, 27 F. Supp. 11 (1939).

<sup>48</sup> Hanson v. Jocard Jewelry Co., 32 F. 202 (1887).

<sup>49</sup> Press Pub. Co. v. Folk, 59 F. 324 (1894).

<sup>50</sup> Yardley v. Houghton Mifflin Co., 108 F. 2d 28 (1939).

<sup>51</sup> Press Pub. Co. v. Folk, 59 F. 324 (1894).

quires those who seek equity to come into equity with "clean hands." Pursuant to this maxim, a recent case says,

"Where the patent is used as a means of restraining competition . . . , the successful prosecution of an infringement suit even against one who is not a competitor in such a sale is a powerful aid to the maintenance of the attempted monopoly. . . . Equity may rightly withhold its assistance . . . by declining to entertain a suit for infringement, and should do so. . . ." <sup>52</sup>

### *Joint Ownership*

Not only may one acquire a copyright as an individual, but it is also possible to hold a copyright jointly with one or more other persons.<sup>53</sup> The interest which a joint author enjoys may be assigned, and his interest cannot be jeopardized by the other joint holders. Thus, where two joint authors of a comic opera had it published and copyrighted, even though the third author did not consent to the publication, and even though the absence of her consent avoided the publication, the third joint owner might accept the wrongful publication and demand her proprietary rights. In such a case, the other joint owners are constructive trustees for the third joint owner.<sup>54</sup>

In a recent case <sup>55</sup> the principles of joint ownership are extensively discussed. Speaking of joint ownership the court says,

"Where the author of lyrics sends them to a composer, either directly or through the medium of a producer or publisher, to have the composer write the music for the lyrics so that the two are thus united into one composition, the author of the lyrics and the composer of the music are co-authors and the statutory copyright of the musical composition is owned jointly by them. The same would be true if the composer of the music with a similar purpose, submitted his composition to a writer of lyrics in order that the lyrics and music should be published as a composite whole. If one co-author copyrights the musical composition in his own name he becomes a constructive trustee for the other co-author."

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<sup>52</sup> *Morton Salt Co. v. G. S. Suppiger Co.*, 62 S. Ct. 402 (1942); *B. B. Chemical Co. v. Ellis*, 62 S. Ct. 406 (1942).

<sup>53</sup> *Maurel v. Smith*, 220 F. 195 (1915).

<sup>54</sup> *Maurel v. Smith*, 220 F. 195 (1915).

<sup>55</sup> *Stuff v. La Budde Feed and Grain Co.*, 42 F. Supp. 493 (1942).

The court continues, and speaking of renewals says,

“. . . the renewal copyright obtained by a co-author of a joint work embraces the whole work, that his interest in the renewal copyright is that of an owner in common, that the renewal copyright enures to the benefit of his co-author or of those entitled to a renewal under the provisions of the Copyright Act, if that co-author be dead.”

However, where parties wish to create a joint ownership in a copyright, this intent should be specifically stated for as a recent case points out,

“Joint estates, with their attendant incident of survivorship, are no longer favored by the law, and will not be found unless the parties, by specific language evidencing that intent, indicate the desire to create such an estate.”<sup>56</sup>

Also, the joint owners may join in a suit for infringement. Even where one person has a community of interests in two or more separate copyrights and there has been an infringement of these separate copyrights there may be a separate suit joining both separate causes of action.<sup>57</sup> However, there must be a community of interest to maintain such a joinder, otherwise, separate and distinct causes of action exist which may not be joined.<sup>58</sup> An interesting case involving these points was *Buck v. Elm Lodge*,<sup>59</sup> in which ASCAP was the licensee of certain songs of two separate music publishing houses with a right of performance for profit. The defendant infringed the copyrights of both of the separate songs, and the plaintiff brought one suit joining the two publishing houses as party plaintiffs. The court held this to be a proper joinder saying that even though the plaintiff, as a mere licensee could not maintain a suit alone, yet the plaintiff was the real party in interest and the two other plaintiffs held their rights in trust for ASCAP. The court stressed the element of convenience and the community of interest of the parties as a justification for their ruling.

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<sup>56</sup> *Edward B. Marks Music Corp. v. Jerry Vogel Music Co.*, 42 F. Supp. 859 (1942).

<sup>57</sup> *Buck v. Virgo*, 22 F. Supp. 157.(1938).

<sup>58</sup> *Desylva, Brown, and Henderson, Inc. v. Weyman*, 7 F. Supp. 725 (1934); *De Croisset v. Vitograph Co.*, 262 F. 100 (1919).

<sup>59</sup> 83 F. 2d 201 (1936).

Thus far, chief concern has been placed on those who may obtain a copyright, but once one obtains the copyright his interest diverts to the extent of control which he obtains over this property. In this respect assignments and licenses serve to afford the copyright owner a possibility for further enjoyment of the property he has acquired.

## ASSIGNMENTS AND LICENSES

### *In General*

The Copyright Act specifically provides for an assignment of a copyright.<sup>60</sup> Generally, it is conceded that an assignment should be in writing and recorded.<sup>61</sup> However, before publication, one may make an oral assignment. In this respect, one court points out,

“One may become the owner, by a parol transfer, of whatever right the author, prior to taking the copyright, had to convey.”<sup>62</sup>

Thus, even though the statute requires assignments of copyrights to be in writing, one may make, by parol, an assignment of all of the common law rights which the assignor had to convey. Although the statute requires a copyright to be recorded,<sup>63</sup> the cases construe this section to be for the benefit and protection of subsequent purchasers or mortgagees for value, and an assignee would have a cause of action against an infringer irrespective of the recording provision of the act.<sup>64</sup> Accordingly, however, where there was an assignment of moving picture rights in a copyrighted novel, not recorded pursuant to the statute, the assignment was held

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<sup>60</sup> 17 U. S. C. A., § 42, “Assignments and bequests. Copyright secured under this title or previous copyright laws of the United States may be assigned, granted, or mortgaged by an instrument in writing signed by the proprietor of the copyright or may be bequeathed by will.”

<sup>61</sup> Pub. Ledger Co. v. Post Printing and Pub. Co., 294 F. 435 (1923).

<sup>62</sup> Scribner v. Allen, 42 F. 618 (1890); Witmark and Sons v. Calloway, 22 F. 2d 412 (1927); Callahan v. Meyers, 128 U. S. 617, 32 L. ed. 547, 9 S. Ct. 177 (1888).

<sup>63</sup> 17 U. S. C. A., § 44.

<sup>64</sup> New Fiction Pub. Co. v. Star Co., 220 F. 994 (1915).

void as to subsequent assignees without notice whose assignment was recorded.<sup>65</sup>

Where one has a number of rights under one copyright, it is possible to assign certain of these rights to one and retain or assign other rights under the same copyright to another. Thus, it was held that one could assign the stage rights to a play to one person and also assign the movie rights to another.<sup>66</sup> Likewise when the owner of a copyrighted story having assigned the right of performance to a particular copyrighted drama to one person, the owner could subsequently assign the right to performance of a different dramatization of the same story to another.<sup>67</sup> Thus, the copyright and the subject of the copyright may be separately assigned.<sup>68</sup>

The word "assign" has been held to be equivalent to the word "proprietor." Thus, an assignee will obtain the rights of an author or proprietor.<sup>69</sup> In attempting to construe an assignment of a copyright, the courts employ the general rules of contracts to ascertain the intent of the parties.<sup>70</sup> Of course, the extent of the rights which the assignee may acquire are the rights which the assignor had to give.<sup>71</sup> The courts will look to the substance rather than the form to ascertain whether an assignment has been made. To have an assignment, title and interest to the subject of the assignment is transferred to the assignee. Any agreement which transfers a lesser interest is not technically an assignment, though it may be called an assignment.<sup>72</sup> Consequently, in the case of *Manners v. Morosco* the court said,

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<sup>65</sup> *Macloon v. Vitagraph*, 30 F. 2d 634 (1929).

<sup>66</sup> *Macloon v. Vitagraph*, 30 F. 2d 634 (1929).

<sup>67</sup> *Harper Bros. v. Kalem Co.*, 169 F. 61 (1909).

<sup>68</sup> *Werckmeister v. Am. Lit. Co.*, 134 F. 321, 69 C. C. A. 553, 68 L. R. A. 591 (1904).

<sup>69</sup> *Pub. Leg. Co. v. Post Printing and Pub. Co.*, 294 F. 435 (1923).

<sup>70</sup> *Holt v. Selver*, 69 Mass. 438, 48 N. E. 837 (1897).

<sup>71</sup> *West Pub. Co. v. Edward Thompson Co.*, 169 F. 833 (1909).

<sup>72</sup> *Goldwyn Picture Corp. v. Howell Sales Co.*, 282 F. 9 (1922).

"An agreement for production rights binding the parties, heirs, executors and assignees, administrators, and successors is an assignment and not a mere license."<sup>73</sup>

Thus, to determine whether or not an assignment has been affected, the court will look to the contract of the parties in order to ascertain the intent, but a liberal construction will be given in favor of the assignor.<sup>74</sup> Also, it has been held that where a right is given and no time is set for the right to end, it is presumed the right is perpetual, which would amount to an assignment rather than a license.<sup>75</sup> Another interesting case points out that where an absolute assignment has been affected, it is the property of the assignee and passes to the assignee's trustee in bankruptcy.<sup>76</sup> Also, in the case of *Meyer v. Washington Times Company*<sup>77</sup> it was held that where a newspaper was licensed to use certain comic strips by a newspaper syndicate, this contract was assignable to a trustee in bankruptcy even though the contract created a mere license and not an assignment. The court said that this was not a personal contract, but rather an ordinary contract which might be assigned.

#### *Rights Acquired by an Assignment and a License*

By an assignment the copyright owner divorces himself from the particular title and interest which he has assigned. On the contrary, the rights of a licensee will rest solely upon the contract between the licensor and licensee rather than upon the rights given the proprietor under the Copyright Act.

Consequently, while a proprietor may maintain a suit for infringement,<sup>78</sup> a mere licensee is not granted this privilege.<sup>79</sup>

<sup>73</sup> 258 F. 557 (1919); To same effect see: Photo Drama Motion Picture Co. v. U-Film Corp., 213 F. 374 (1914).

<sup>74</sup> Pierpont v. Fowle, 19 F. Cas. No. 111 (1846).

<sup>75</sup> W. U. Tel. Co. v. Penn. Co., 729 F. 849, 64 C. C. A. 285, 68 L. R. A. 968 (1904).

<sup>76</sup> In re Hawlay-Dresser and Co., 132 F. 1002 (1904).

<sup>77</sup> 76 F. 2d 988 (1935).

<sup>78</sup> 17 U. S. C. A., § 25.

<sup>79</sup> Waterman v. Mackenzie, 138 U. S. 252, 34 L. ed. 929, 11 S. Ct. 334 (1890); Goldwyn Picture Corp. v. Howell Sales Co., 282 F. 9 (1922).

The assignee of an author's work has the right to have the work copyrighted, but naturally, this right does not carry over to a mere licensee.<sup>80</sup> Likewise, a licensee of the right to use a play cannot confer upon a printer and publisher of the play the power to have the play copyrighted.<sup>81</sup>

It should be remembered by the copyright owner that by an assignment, he parts with his title and interest to the thing assigned.<sup>82</sup> As a result, the rights of the assignee cannot be subsequently affected by any actions of the assignor, whereas, if a mere license existed, the copyright owner might affect the rights of licensee.<sup>83</sup> The recent case of *Kruger v. MacFadden Publications*<sup>84</sup> serves to illustrate these points. In the latter case, the plaintiff wrote a song and assigned it to the Famous Music Corporation with an agreement that if the latter did not publish it in a salable form within one year, the property would revert to the assignor. The Famous Music Corporation took the song and had it copyrighted, and while this corporation held the copyright, the defendant infringed the copyright. Subsequent to this infringement the plaintiff, assignor, asked for and received a reassignment of the copyrighted song. Then, the plaintiff brought suit against the defendant for infringement. The court held the plaintiff had no cause of action against the defendants as the latter's infringement was against the Famous Music Corporation and the subsequent quitclaim made by the Famous Music Corporation to the plaintiff did not entitle the plaintiff to the rights which the former corporation had enjoyed.

#### *Assignment and Licenses Distinguished*

Whether or not one has created a license or an assignment will depend upon the contract of the parties.<sup>85</sup> The problem

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<sup>80</sup> *Public Ledger Co. v. New York Times*, 275 F. 562 (1921).

<sup>81</sup> *Kappel v. Downing*, 11 App. D. C. 93 (1897).

<sup>82</sup> *Ford v. Blaney Ames Co.*, 148 F. 642 (1906).

<sup>83</sup> *Kortlander v. Bradford*, 190 N. Y. S. 311 (1921).

<sup>84</sup> 43 F. Supp. 170 (1942).

<sup>85</sup> *Anderson and Company v. Baldwin Law Pub. Co.*, 27 F. 2d 82 (1928).



is elementary when the author or proprietor is careful to point out the specific rights which are to be given. Thus, where an author makes an outright assignment of all title and interest, the result is conclusively an assignment, and conversely where an authorization to perform certain restricted acts is given a license is presumably created.

The difficulty in ascertaining whether an assignment or a license is created occurs in the cases where some partial right is transferred. An author may allow another person the exclusive right to the copyright for a particular time, in a particular territory, or for a particular use. As to whether or not these partial assignments of specific rights will constitute a license or a valid assignment will essentially depend upon the contract of the parties.

Where one gives to another the exclusive right to a copyright for a certain period of time, it would seem unobjectionable to allow the assignee the rights of a proprietor. The rights in the copyright would revert in the author or proprietor at the end of the time set by the contract, and prior to this time, the assignee could protect his rights to much better advantage than in the case where a mere license exists. Certain difficulties might exist where the assignee of a common law copyright while holding the copyright for a certain period of time published the work thus destroying the rights of the assignor. However, in the main, it would seem that the expediency and benefits of allowing a partial assignment for a certain period of time to be construed as a valid assignment of the copyright for the time stated would override the possible injustices of such a construction. A recent case sanctions this view when the court held that a grant of a song to a music company with all rights and interests for a period of one year was a valid assignment and the music company was the proprietor of the song for the period specified.<sup>86</sup> However, in an earlier case where

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<sup>86</sup> *Kruger v. MacFadden Publications*, 43 F. Supp. 170 (1942).

ASCAP had the exclusive license of the right of non-dramatic performance for profit for a given time, the court construed this to be a mere license.<sup>87</sup> Again, the determining factor as to the legal status of the parties will depend upon the intent expressed in their contract.

Where a partial assignment was attempted as to a certain territory, the court held a mere license was created, and not an assignment.<sup>88</sup> But, where there was an assignment of a common law copyright to be used in certain nations only, the court held that an assignment was created and the assignee was a proprietor of the copyright, not merely a licensee.<sup>89</sup> Consequently, where there is an assignment of a partial interest as to the area in which the assignee may use the copyright, this operates as a mere license under the statute, but as a valid assignment under the common law copyright.

The most complicated and unsettled problem as to partial assignments has arisen where one attempted to assign only a part of his rights. Thus, where the exclusive use to certain advance sheets was given, the court held that such a contract created a mere license and not an assignment.<sup>90</sup> Likewise, where a copyright owner transferred the "serial rights," which comprehended all publishing rights, to a publishing company, which company published the material and had it copyrighted, the court found that the publishing company had no right to this copyright as the publishing company was a mere licensee.<sup>91</sup>

The greatest difficulties in regard to the partial assignments of a certain kind of rights or class of rights has arisen in the so-called "movie cases." Here, the copyright owner

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87 *M. Witmark and Sons v. Pastime Amusement Co.*, 298 F. 470 (1924).

88 *Davis v. Vories*, 141 Mo. 234, 42 S. W. 707 (1897).

89 *Harper and Bros. v. M. A. Donahue and Co.*, 144 F. 191 (1905).

90 *Fraser v. Yock*, 116 F. 285 (1902).

91 *New Fiction Pub. Co. v. Star Co.*, 220 F. 994 (1915).

has attempted to transfer part of his rights to one person with the remaining rights in the grantor. Thus, where one was given the exclusive right to "produce, perform and represent" a play "on the stage" the court found that there was a license to produce the play on the stage and the movie rights remained in the licensor.<sup>92</sup> But, the exclusive right to "produce" a play was construed to be a grant of movie rights.<sup>93</sup> Likewise, where one had the exclusive right to perform a play in dialogue, the court reasoned that this carried with it an implied sanction to produce the play on the screen.<sup>94</sup> In *Harper Brothers v. Klaw*<sup>95</sup> the court held that where a license was granted to produce a play, a negative covenant carried with this license not to give the movie rights to another while the license was in force. The court reasoned that if one gives one right to one person, it is implied that this right will not be destroyed by a subsequent grant. This view is reiterated in the case of *Underhill v. Schenck*.<sup>96</sup> However, in the case of *Macloon v. Vitagraph*,<sup>97</sup> the exclusive play right was sold to one person and the movie right was reserved to the copyright owner. Subsequently, the copyright owner sold the movie right to Warner Brothers, and the grantee of the play right objected on the ground that there is an implied negative covenant that the rights so given will not be subsequently infringed by another assignment. However, the court held that no such negative covenant existed and Warner Brothers have the movie rights. The court pointed out that in this case the movie rights had been specifically retained by the grantor; and also another reason for this decision was,

"The law always favors the free and unrestricted use of property, and doubts and ambiguities should be resolved in favor of the natural right to such free use and enjoyment, and against restrictions thereof."

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<sup>92</sup> *Klein v. Beach*, 239 F. 108 (1917).

<sup>93</sup> *Frohman v. Fitch*, 149 N. Y. S. 633 (1914); *Lipzin v. Gardin*, 166 N. Y. S. 792 (1915).

<sup>94</sup> *Hart v. Fox*, 166 N. Y. S. 793 (1917).

<sup>95</sup> 232 F. 609 (1916).

<sup>96</sup> 193 N. Y. S. 745 (1922), modified 238 N. Y. 7, 143 N. E. 773 (1924).

<sup>97</sup> 30 F. 2d 634 (1929).

In another case, the court found that where one is given the right to make movies, there is an implied right to make talking pictures.<sup>98</sup>

Thus, the problem as to what has been created, a license or an assignment, will revolve around the provisions of the Copyright Act and the contract of the parties. If a right does not have a statutory division of its own, a transfer of that right to another will be a license and not an assignment.<sup>99</sup> Also, it is highly important to clearly set forth in the contract the rights and limitations which one seeks to create.<sup>100</sup> For, where there are ambiguities and uncertainties, the determination of the intent of the parties is left to the courts, and often a poorly written contract may serve to frustrate the intent of the parties.

### *Enforcement of Right*

Although it is important for one to appreciate whether or not a license or an assignment is being created, it is even more necessary for one to understand the exact nature of his rights and the enforceability of these rights. In order that one may sue, some right which he has must have been transgressed. Thus, for a right of action, it is necessary to know what amount of damages is necessary to create a cause of action. Where there is a suit for infringement, it is not necessary that a whole or even a substantial part of your work be copied. But, enough damage must have resulted to take the case out of the doctrine of *de minimus non curat lex*. Generally, it may be said that a substantial or material damage must result from such infringement. To ascertain what constitutes substantial or material damage, one must con-

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<sup>98</sup> *Murphy v. Warner Bros. Pictures*, 112 F. 2d 746 (1940).

<sup>99</sup> 17 U. S. C. A., § 1; *Photo-Drama Motion Picture Co. v. Social Uplift Film Corp.*, 220 F. 448 (1915) construes 17 U. S. C. A., § 5 grants the assignee of movie rights the status of proprietor; also compare *Goldwyn Picture Corp. v. Howells*, 282 F. 9 (1922), which denies the assignee of motion picture rights the right to sue for infringement, and *M. Witmark and Sons v. Pastime Amusement Co.*, 298 F. 470 (1924).

<sup>100</sup> *Macloon v. Vitagraph*, 30 F. 2d 634 (1929).

sult each set of facts separately, but the courts are generally rather liberal in this construction.<sup>101</sup> An interesting case along this line points out that where the defendant charged for the entertainment and the chorus of a copyrighted song is played as a part of the general entertainment, this amounts to a playing for profit and thus is an infringement of the copyright.<sup>102</sup>

If one is a mere licensee, he does not have the right to sue for an infringement. So, where the plaintiff, the proprietor of a musical composition entitled "Kiss Me Again" executed to ASCAP what is termed an assignment of performing rights, that is, the exclusive right to public performance for profit of the musical composition above mentioned, and the defendant infringed this copyright by playing the chorus of the song in his theatre, the court held the plaintiff could sue for infringement as he was a copyright proprietor and his agreement with ASCAP was a mere license not an assignment,

"In relation to the right to sue for an infringement, a copyright is an indivisible thing, and cannot be split up and partially assigned either as to time, place or particular rights or privileges, less than the sum of all the rights comprehended in the copyright . . . of course, such exclusive rights may be granted, limited as to time, place or extent of privileges which the grantee may enjoy; but the better view is that such limited grants operate merely as licenses, and not technical assignments, although often spoken of as assignments."<sup>103</sup>

In the case of *Buck v. Virgo*,<sup>104</sup> ASCAP was a licensee of songs of certain publishers. These publishers assigned to ASCAP the exclusive non-dramatic public performance rights to all music owned or subsequently produced to January 1, 1941. ASCAP joined the proprietors and brought

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<sup>101</sup> *Bloom v. Nixon*, 125 F. 977 (1903); *Green v. Luby*, 177 F. 287 (1909); *Witmark and Sons v. Pastime Amusement Co.*, 298 F. 470 (1922).

<sup>102</sup> *John Church Co. v. Hillard Hotel*, 242 U. S. 591, 61 L. ed. 511 (1916).

<sup>103</sup> *Witmark and Sons v. Pastime Amusement Co.*, 298 F. 470 (1924).

<sup>104</sup> 22 F. Supp. 156 (1938).

suit for infringement. The court held that a licensee could sue where he joined the legal title-holder.

Another problem closely allied to an infringement suit is the right of the copyright owner to royalties. If a copyright owner agrees to certain royalties, he is entitled to recover those royalties even though no performance for profit has been given.<sup>105</sup> Also, if a license is given to one to show films for eight years with a provision for periodic payments of royalties and no royalties are paid for the first six months, this amounts to a material breach of the contract and the licensor may terminate the contract.<sup>106</sup> However, in the case where one wrote a vaudeville sketch with royalties to be paid over a seventy-week period, it was held no royalties should be paid unless the sketch was produced.<sup>107</sup> Another point for the proprietor to keep in mind is that where there is an action for royalties equity will not take jurisdiction if there is an adequate remedy at law. Also, where there is a debtor-creditor relationship there is no equitable remedy for an accounting as an adequate remedy at law is available.<sup>108</sup> Copyright owners may pool their interests in view of one royalty so long as their agreement does not constitute a combination in restraint of trade.<sup>109</sup>

Thus, if one is an assignee, it is possible for him to protect the rights given to him by a suit against an infringer in his own name, but if the transferee of a right is a mere licensee, the rights which he enjoys must be protected by the licensor for the licensee is barred from suing in his own name without joining the licensor. Also, it must be remembered that in order to maintain any suit, it must be alleged and proven that damage has resulted.<sup>110</sup>

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<sup>105</sup> *Maxwell v. Foust and Co.*, 154 N. Y. S. 224 (1915).

<sup>106</sup> *De Mille Co. v. Casey*, 201 N. Y. S. 20 (1923).

<sup>107</sup> *Kennedy v. Rolfe*, 160 N. Y. S. 93 (1916).

<sup>108</sup> *Ehrlich v. Jack Mills*, 213 N. Y. S. 395 (1926).

<sup>109</sup> *Buck v. Gibbs*, 61 S. Ct. 962 (1941).

<sup>110</sup> *Buck v. Robinson*, 42 F. Supp. 697 (1942); *Buck v. Wood*, 42 F. Supp. 698 (1942).

## CONTRACTS

*In General*

Since the rights of the copyright owner are generally enforced to the fullest extent by means of contractual obligations, it is very necessary that the proprietor of a copyright understand the extent to which his rights will be enforced by his contracts, and the limitations of his rights by failure to employ the proper procedure. This latter point is illustrated in the famous *Bobbs-Merrill Case*.<sup>111</sup> The appellant brought suit against the respondent appellees to restrain the sale of a copyrighted novel, "The Castaway," at a retail price of less than one dollar per copy. Printed below the copyright notice, on the page in the book following the title page, was inserted the following notice: "The price of this book is one dollar net. No dealer is licensed to sell it at a less price, and a sale at a less price will be treated as an infringement of the copyright." These books were sold to wholesalers and subsequently they were resold to retailers. Some of these retailers sold "The Castaway" for eighty-nine cents, and it was alleged that this amounted to an infringement of the copyright. There is no question of notice as all parties had notice not to sell the book for less than one dollar. The question presented to the court was: Does the sole right of the copyright owner to vend, secure to the copyright this right, after one sale of the book has been made? In this case, the sole right of the copyright owner was based upon the Copyright Act as there was no other contractual obligation except the mere notice in the book. The court held this notice was not sufficient to protect the copyright owner from infringement beyond the first purchaser, the court saying:

"To add to the right of exclusive sale the authority to control all future retail sales, by a notice that such sales must be made at a fixed sum, would give a right not included in the terms of the statute, and,

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<sup>111</sup> *Bobbs-Merrill Co. v. Straus*, 210 U. S. 339, 52 L. ed. 1086, 28 S. Ct. 722 (1908).

in our view, extend its operation by construction, beyond its meaning, when interpreted with a view to ascertaining the legislative intent in its enactment.”

Likewise, where there was a mere giving to a musician of professional copies of music, a license to publicly perform was not affected.<sup>112</sup> It is evident that there must be something more than a mere notice or giving to create an enforceable license. If there is a restrictive *contract* between the vendor and vendee these restrictions may carry to third persons, as one court points out,

“If a person purchases from another a printing press, having knowledge of the existence of a contract between the vendor and third persons, whereby the vendor has agreed not to sell such presses except under certain restrictions, such third person is entitled to enforce his contract as against the vendee. . . . Contracts prohibiting the use of personal property in a particular way are valid.”<sup>113</sup>

Likewise, where a copyrighted book was sold with a provision in the contract that it should not be resold, offered or advertised for sale prior to August 1, 1907, this was held to be a valid restriction, binding on third persons who took with notice.<sup>114</sup> It is evident that by a contractual arrangement, the author or proprietor can create the greatest control over his product. Of course, even by contract there are certain restrictions which have been placed upon the author and proprietor, and it now seems pertinent to illustrate some of the more important situations where the copyright owner exceeded the powers granted by the Copyright Act.

### *Contracts in Restraint of Trade*

With the rapid growth of “big business” fostered by superior communication and transportation facilities in the latter half of the nineteenth century, there came an increasing demand from the general public for a curbing of monopolies. The result was the passage by Congress of the Sher-

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<sup>112</sup> *Harms v. Cohen*, 279 F. 276 (1922).

<sup>113</sup> *Murphy v. Christian Press Association Pub. Co.*, 38 App. Div. 42, 56 N. Y. S. 597 (1899).

<sup>114</sup> *Authors & Newspapers Assn. v. O’Gorman*, 147 F. 616 (1906).



man Anti-Trust Act in 1890, followed by the Clayton Anti-Trust Act in 1914 and subsequent other anti-monopoly legislation. Many states, also, joined the crusade by passing local anti-monopoly legislation. The effect of this legislation has naturally reflected on the copyright owner for a copyright is in itself a monopoly.

One of the first problems with which the copyright owner is confronted is the right to maintain resale prices.<sup>115</sup> In *Straus v. American Publishing Company*,<sup>116</sup> the defendant company had contracts with its vendees prohibiting the vendees from selling their wares except at a set price, and the defendant refused to sell to companies who would not conform to this agreement. The question presented was whether this price maintenance violated the Sherman Anti-Trust Act. The court answered in the affirmative, holding this agreement restrained trade under the meaning of the Sherman Act, the court saying,

"No more than the patent statute was the copyright act intended to authorize agreements in unlawful restraint of trade and tending to monopoly, in violation of the specific terms of the Sherman law. . . ."<sup>117</sup>

However, neither the *Bobbs-Merrill Case*<sup>118</sup> or the case of *Straus v. American Publishing Company*<sup>119</sup> completely negative the right of the copyright holder to control retail prices. Although, under these cases, he cannot base a charge of contributory infringement upon a sale of copies at less than the price fixed by him, and although he may not combine with other proprietors of copyrights for the purpose of coercing dealers to maintain a fixed retail price, he may, as an incident of his statutory right exclusively to publish and vend copies of the copyright production, contract with vendees as

<sup>115</sup> "Price-fixing is distinguished from price maintenance in that in the former the legislature regulates the charges for goods and services whereas in the latter it is the manufacturer of the goods who dictates resale price." Dykstra, *Textbook on Government and Business*, § 123, p. 244 (1938).

<sup>116</sup> 231 U. S. 222, 58 L. ed. 192, 34 S. Ct. 84, L. R. A. 1915 A. 1099 (1913).

<sup>117</sup> For a case holding the patent statute under the Sherman Act see: *Standard Sanitary Mfg. Co. v. U. S.*, 226 U. S. 20, 57 L. ed. 107, 33 S. Ct. 9 (1912).

<sup>118</sup> 210 U. S. 339, 52 L. ed. 1086, 28 S. Ct. 722 (1908).

<sup>119</sup> 231 U. S. 222, 58 L. ed. 192, 34 S. Ct. 84, L. R. A. 1915 A. 1099 (1913).

to the price of resale. Contracts of this sort are outside the rule against restraint of trade, because they fall within the exception existing in the case of ancillary stipulations reasonably necessary to the protection of a party to a legitimate business transaction.<sup>120</sup>

Although it is unquestionably true that,

"The right of an author to a monopoly of his publication is measured and determined by the Copyright Act."<sup>121</sup>

nevertheless, the Copyright Act must be read and construed in the light of other laws. Consequently, the problem of resale price maintenance must be viewed in the light of contracts in restraint of trade and their interpretation under the anti-monopoly legislation. The early cases favored liberality for the copyright monopolists,

"The right of a patentee, owner of a copyright or owner of a secret process is merely the right of exclusion or debarment. . . . He may sell or not, as he chooses. He may sell at one price to one person, and another to another person. He is not required to give reasons or deal fairly with purchasers."<sup>122</sup>

Likewise, another case allows resale price maintenance to the patentee and copyright holder saying,

"Cries of restraint of trade and impairment of the freedom of sales are unavailing because for the promotion of useful arts the constitution and statutes authorize this very monopoly."<sup>123</sup>

However, a later leading case definitely held that contracts in interstate commerce between manufacturers, wholesalers, and retailers in which the latter agreed to maintain prices dictated by the manufacturer were in violation of the Sherman Act and served to restrain trade.<sup>124</sup> This case carried a strong dissent by Justice Holmes on the theory that although competition among retailers selling Dr. Miles prod-

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<sup>120</sup> For a digest of re-sale price control see: *Ely Lilly Co. v. Saunders*, 216 N. C. 163, 4 S. E. 2d, 125 A. L. R. 1308 (1939).

<sup>121</sup> *Holmes v. Hurst*, 174 U. S. 82, 43 L. ed. 904, 19 S. Ct. 606 (1898).

<sup>122</sup> *Dr. Miles Medical Co. v. Platt*, 142 F. 606 (1906).

<sup>123</sup> *Victor Talking Machine Co. v. Fair*, 123 F. 424 (1903).

<sup>124</sup> *Dr. Miles Medical Co. v. John D. Parks and Sons Co.*, 220 U. S. 373, 55 L. ed. 502, 31 S. Ct. 376 (1911).

ucts was stifled, yet there still remained competition between Dr. Miles' products and other products of a similar nature, and thus, the case should not be ruled by the Sherman Act. Also, after this case became law, there was a demand for a change in the Sherman Act to allow resale price control. The result was the Miller-Tydings Act which provided for minimum resale prices if the state law where the resale was made allows the manufacturer to dictate minimum prices. However, if the state has no law, or if the state does not permit resale price maintenance, then the *Dr. Miles Case*<sup>125</sup> applies.

Although the copyright owner is restricted in the extent to which he may go to control resale prices, the author or proprietor does have a right to vend his article at his own price.<sup>126</sup> This view is emphasized in the *Coca-Cola Company v. State*<sup>127</sup> when the court says,

"The right of the owner of property to dispose of same upon such terms as he may see proper is universal."

Also, although the courts have frowned upon a person's control over resale prices, yet, the Supreme Court of the United States has sanctioned one's right to "suggest" resale prices.<sup>128</sup>

There are certain other interesting restrictions placed upon the use of the copyright. First of these are pools. It is not unlawful for one or more individuals to pool their interests and recover one royalty on the pooled interests,<sup>129</sup> unless such an arrangement serves to constitute a restraint of

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<sup>125</sup> *Dr. Miles Medical Co. v. John D. Parks and Sons Co.*, 220 U. S. 373, 55 L. ed. 502, 31 S. Ct. 376 (1911); Another interesting case follows the *Dr. Miles* case saying, "The owner of an article protected by a patent, copyright, or trade mark, when he has manufactured and sold the same, cannot impose restrictions upon the vendee as to the future sales of the same. Having parted with his ownership therein, it enters the channels of trade as an article of commerce, and is thereafter, beyond his control." *Coca-Cola v. State*, 225 S. W. 791 (1920).

<sup>126</sup> 17 U. S. C. A., § 1.

<sup>127</sup> 225 S. W. 791 (1920).

<sup>128</sup> *U. S. v. Colgate and Co.*, 250 U. S. 300, 63 L. ed. 992, 39 S. Ct. 465 (1919); *U. S. v. A. Schrader's Sons Inc.*, 252 U. S. 85, 64 L. ed. 471, 40 S. Ct. 251 (1920).

<sup>129</sup> *Standard Oil Co. v. U. S.*, 283 U. S. 163, 75 L. ed. 926, 51 S. Ct. 421 (1930).

trade.<sup>130</sup> Another restriction on one's free use of his property is the tying clause and the restrictive lease.

"Briefly, a 'tying' clause is an agreement where one or more different articles are tied together for sale or lease and may include, and generally does, a provision, by implication or otherwise, not to use other products of a competitor in combination with the goods which have been sold or leased."<sup>131</sup>

These clauses are bad under section three of the Clayton Act but it is necessary to show that such a clause lessens competition, and if this is not shown a prosecution will not lie.<sup>132</sup> As has been seen, one may make restrictive leases or licenses, but even though one is protected by the Copyright Act or the Patent Act one can not so restrict the use of the goods as to constitute a "tying" contract which is illegal under the anti-monopoly laws.<sup>133</sup>

Exclusive agreements are also bad under section three of the Clayton Act. Briefly, an exclusive agreement is an arrangement whereby goods are sold by vendor on condition that a vendee will not deal in similar goods of vendor's competitors.<sup>134</sup> In the case of *Bement and Sons v. National Harrow Company*<sup>135</sup> it was held that an agreement by a licensor of a patent with the licensee that the licensor would not license any other person to produce a certain product which the licensee was producing was valid and not in restraint of trade under the Sherman Act. However, it is possible that such an agreement might be struck down under section three of the Clayton Act as the practice "may be to substantially lessen competition or tend to create a monopoly."<sup>136</sup>

Other problems worthy of consideration in this regard are "full line forcing" and "block booking." These are nothing

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<sup>130</sup> *Watson v. Buck*, 313 U. S. 378, 61 S. Ct. 962 (1941).

<sup>131</sup> Dykstra, *Textbook on Government and Business*, § 202, p. 453 (1938).

<sup>132</sup> *Federal Trade Commission v. Gratz*, 253 U. S. 421, 64 L. ed. 993, 40 S. Ct. 572 (1920).

<sup>133</sup> *United Shoe Machinery Co. v. U. S.*, 258 U. S. 451, 66 L. ed. 708, 42 S. Ct. 363 (1922).

<sup>134</sup> Dykstra, *Textbook on Government and Business*, § 207, p. 460 (1938).

<sup>135</sup> 186 U. S. 70, 46 L. ed. 1058, 22 S. Ct. 747 (1902).

<sup>136</sup> This case was decided before the Clayton Act was passed.

more than particular tying clauses, the former in which a company producing many products refuses to sell unless the vendee is willing to accept the full line of the vendor's goods; the latter is employed in the movie industry requiring the exhibitor of films to accept a group of films irrespective of the exhibitor's wishes. One case on "block booking" held that this arrangement did not violate the federal acts as the movie company did not control the market and the contract did not lessen competition.<sup>137</sup> Another interesting case which involved a similar point was the case of *Interstate Circuit v. United States of America*.<sup>138</sup> In this case the Interstate Circuit and the Texas Consolidated Theaters were movie distributors and they warned the movie distributors that they would refuse to buy "first run" pictures unless the distributors would agree not to allow "subsequent run" theaters to show these first run pictures for less than twenty-five cents, and never as a part of a double feature. Under this pressure, Paramount, the copyright owner of certain first run pictures, made an agreement with its licensee, the Consolidated Theaters, to enforce these restrictions in certain districts where no other restrictions were enforced. However, the court decided this agreement restrained trade and was consequently invalid. There was a vigorous dissent on the ground that the copyright owner under the statutory monopoly was given the right to deal with his property as he saw fit, and his action here was not arbitrary or unreasonable and they would not restrain trade as the copyright owner did not have a monopoly of the field.

Thus, although the Copyright Act affords the author or proprietor a monopoly, as a method of protecting and encouraging individual genius, nevertheless, the copyright owner is not allowed to run rampant over the rights of others protected by the federal anti-trust acts. It should be remembered by the copyright owner that in all of these prac-

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<sup>137</sup> *Federal Trade Commission v. Paramount Famous-Lasky Corp.*, 57 F. 2d 152 (1932).

<sup>138</sup> 306 U. S. 208, 83 L. ed. 610, 59 S. Ct. 467 (1938).

tices which have been discussed — resale price maintenance, tying contracts, exclusive agreements, and block booking — the ultimate test as to whether or not section one of the Sherman Act is violated will be, is this action “in restraint of trade;” as to whether or not section three of the Clayton Act is violated the test will be, is it possible that this action, “may be to substantially lessen competition or tend to create a monopoly,” and as to whether or not section five of the Federal Trade Commission Act is violated, look to see whether there is a “tendency” to lessen competition.

Thus far, chief concern has been given to whether or not the actions of the author or proprietor in dealing with his copyright has violated any federal laws. Accordingly, it is just as important to note the effect of a violation of a state law. Of course, the federal law is the supreme law of the land and no state law can supersede the federal enactments. This is pointed out in the case of *Coca-Cola v. State*<sup>139</sup> when the court says,

“Private monopolies are contrary to the genius of commercial people, and contracts in restraint of trade are not looked upon with favor. The Constitution of the United States, however, expressly provides for the creation of monopolies in the matter of patent rights, trade marks and copyrights. . . . Congress has legislated under this provision, and no state can nullify its acts.”

However, the Supreme Court of the United States has recently held that a copyright owner may be subject to the state anti-trust laws as well as the federal anti-trust laws.<sup>140</sup> In the case of *Marsh v. Buck*, the State of Florida had passed an anti-trust act which was more far-reaching than the federal legislation and the American Society of Composers, Authors and Publishers was being sued under the local state act, and the defendants pleaded the fact that they were under the Copyright Act and the state act should not be enforced. The court held, however, contracts are entirely subject to state laws if they are solely intra-state agreements and

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<sup>139</sup> 225 S. W. 791 (1922).

<sup>140</sup> *Watson v. Buck*, 313 U. S. 378, 61 S. Ct. 962 (1941).

the state laws will apply unless the state law violates some federal law wherein the latter will supersede the state law.<sup>141</sup>

Although the author or proprietor may have some of his rights limited by a violation of the anti-trust laws, it may be well to point out that this anti-monopoly legislation can not be enforced by a collateral attack, rather there must be a direct attack,<sup>142</sup> unless a contract grows directly out of an illegal agreement and there is no independent or collateral agreement.<sup>143</sup> Consequently, in a suit by ASCAP for an infringement where the defendant answered alleging that ASCAP was a monopoly, controlling virtually all of the "popular music" and isin restraint of trade

"by means of their monopoly . . . arbitrarily and capriciously give and withhold the privilege of reproducing such music and arbitrarily fix the charges for such privilege"

the court granted a motion to strike saying,

"It is clear that the rights under the copyright laws are exclusive. To permit this paragraph in the respondent's answer to exercise its force and effect is to destroy the exclusiveness given by the Constitution and the laws thereunder to the petitioners' copyright."<sup>144</sup>

Attention has been devoted to the importance of contracts to the copyright owner. By a poorly written or ambiguous contract the author may lose his valuable rights; also, the greedy copyright owner may dissipate his efforts by executing an unenforceable or illegal contract. But, on the contrary, if the author or proprietor has availed himself of the general laws pertaining to contracts and especially the rights given to him by the Copyright Act it is possible for him to reap the just fruits of his labor.

Closely allied to the law of copyright is the law pertaining to patents and trade marks. Consequently, if an author or a proprietor ever has the opportunity to select his protection

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<sup>141</sup> *Marsh v. Buck*, 313 U. S. 406, 61 S. Ct. 969 (1941); compare: *Buck v. Gibbs*, 34 F. Supp. 510 (1940); *Buck v. Swanson*, 33 F. Supp. 387 (1939).

<sup>142</sup> *Witmark and Sons v. Pastime Amusement Co.*, 298 F. 470 (1922).

<sup>143</sup> *Continental Paper Co. v. Voight*, 212 U. S. 227, 53 L. ed. 486, 29 S. Ct. 280 (1908).

<sup>144</sup> *Buck v. Hillsgrove Country Club*, 17 F. Supp. 643, (1937).

from one or the other of these protective agencies it would be well for him to comprehend the laws regarding each, that he might afford himself the greatest protection. As a result, let us examine briefly some of the distinctions among Patents, Copyrights and Trade Marks.

### PATENTS, COPYRIGHTS AND TRADE MARKS

Patents, copyrights, and trade marks have many things in common, but just as individuals, each has its own peculiarities and distinctions which set it apart from the other. As one court points out,

“A trade mark, patent, or copyright is property. . . . However valuable it may be to its owner, it is nothing more than a privilege, valuable because of its exclusiveness. . . . A copyright, while possessing the same attributes of monopoly as a patent or trade mark, differs from both of them in that it applies exclusively to works of art or literature. In a copyright as in a patent the owner loses control of the article when it is sold.”<sup>145</sup>

The property right in a trade mark, if there be any, comes from its association with a particular business or product. Consequently, the owner of a trade mark cannot make a negative or prohibitive use of it as a monopoly such as can the patent or copyright holder.<sup>146</sup> These points are forcefully brought to mind in *United States v. Steffins*<sup>147</sup> where the court says,

“At common law the exclusive right to it (the trade mark) grows out of the use of it, and not its mere adoption. By the Act of Congress this exclusive right attaches upon registration. But in neither case does it depend upon novelty, upon invention, upon discovery, or upon any work of the brain. It requires no fancy or imagination, no genius, no laborious thought. It is simply founded on priority of appropriation.”

Also, in regard to a trade mark the doctrine of unfair competition is applied in recovery for infringement. This is necessarily based on the damage which accrues to the owner. And accordingly the damage will depend upon the use of the

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<sup>145</sup> *Coca-Cola v. State*, 225 S. W. 791 (1922).

<sup>146</sup> *United Drug Co. v. Rectanus Co.*, 248 U. S. 90, 63 L. ed. 141 (1918).

<sup>147</sup> 100 U. S. 82, 25 L. ed. 550 (1879).



trade mark. However, in patents and copyrights a right of action may accrue and damages be allowed pursuant to the statutes even though no tangible damage has been effected.

There is another distinction among these rights in regard to assignments and licenses. The patent and copyright statutes give their owners certain rights such as making and selling the articles, and any person acquiring by assignment or license an interest in such invention or authorship takes title subject to prior assignments or licenses of which the assignee must inform himself as best he can and at his own risk, but the owner of a secret process has no such exclusive right and a person acquiring an assignment or license is bound to respect prior assignments only to the extent to which he contracts with the licensor.<sup>148</sup> Thus, a trade mark will protect the owner from use by another while the property held has some economic value, but there need be no special monetary or tangible value to enforce one's right in a thing protected under a patent or copyright statute.<sup>149</sup>

Although the patent and copyright statutes are very similar in their protection to the owners, it would seem that the patent statute affords the owner somewhat greater protection than does the copyright monopoly. The patent grants the owner the exclusive right to use, make and sell the product. The copyright statute gives an author or proprietor the exclusive right to vend and multiply copies.<sup>150</sup> The copyright owner does not have exclusive use granted as does the patent holder, and the courts have not extended this right to the extent that the courts dealing with patent have allowed this right of use to be enforced. Thus, where a copyright holder placed a notice that the copyright article should not be sold at less than a certain price, the court found that mere notice by the author or proprietor was not sufficient to impress a restrictive license or contractual arrangement, and

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<sup>148</sup> *Am. Dirigold Corp. v. Dirigold Metals Corp.*, 125 F. 2d 446 (1942).

<sup>149</sup> *Am. Dirigold Corp. v. Dirigold Metals Corp.*, 125 F. 2d 446 (1942).

<sup>150</sup> *Park v. Hartman*, 153 F. 2d, 12 L. R. A. (N. S.) 135 (1907).

in the absence of this, the Copyright Act did not supply any relief.<sup>151</sup> But, in the case involving patents where the patent holder had a patent on cotton ties, and stamped on each cotton tie,

“Licensed to use once only”

and subsequently these belts were rebuilt and resold by a third party, the court held the third party liable as an infringer of the patent.<sup>152</sup> But, even though the patent act confers the exclusive right to “use” his product, whereas the copyright statute is silent on the use, by and large the protection granted to each is similar, and the vending in the Copyright Act and exclusive right to sell in the patent act has been judicially construed to grant the same protection in selling.<sup>153</sup>

Briefly, then, the patent and copyright owner’s rights are based on statutory protection and for enforceability of these rights the statute should be consulted, whereas in the trade mark the owner must allege and show substantial damage has resulted from an infringement.<sup>154</sup> Thus, if the author or inventor ever found himself in a situation where he could choose his protection among the trade mark, the patent, and the copyright, it would seem that the greatest protection would be afforded by the patent, copyright and trademark in that order.

### CONCLUSION

From a survey of the evolution of the rights granted to the copyright owner, one is aware of the gradual extension of the author’s rights. This policy is in accord with the basic purpose of the Copyright Act, namely to encourage and protect the creative genius of the individual.

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<sup>151</sup> *Bobbs-Merrill Co. v. Straus*, 210 U. S. 339, 52 L. ed. 1086, 28 S. Ct. 722 (1908).

<sup>152</sup> *Am. Cotton Tie Co. v. Simmons*, 106 U. S. 89, 27 L. ed. 79, 1 S. Ct. 52 (1882).

<sup>153</sup> *Bauer v. O'Donnell*, 229 U. S. 1, 57 L. ed. 1041 (1912).

<sup>154</sup> *Am. Fork and Hoe Co. v. Stampit Corp.*, 125 F. 2d 472 (1942).

In the main, the common law copyright merely afforded the author a monopoly over his product, only until it was published. The framers of the Constitution of the United States, realizing the limited scope of the common law protection, provided that Congress should have the power to increase the protection of the authors as a means of encouraging men to produce more works of lasting merit for the world.

Under this authority, Congress has seen fit to carry out the intent of the framers of our United States Constitution by enacting the Copyright Act. Under this Act, the author or proprietor has gained the exclusive right to vend and multiply his product, to license another to use his product, to assign his rights to another, to restrict the use by a valid contract, to renew, and the right to protect their interests from infringers. The courts have rather consistently construed the Copyright Act in the spirit in which it was passed, for the further protection of authors.

For many years the Copyright Act has served to foster the interests of authors and proprietors. However, today there would seem to be a need for an expansion of the scope of the statutory protection for authors. For, with the growth of commerce, communications, and transportation the world has been brought closer to our front door, and the copyright owner, naturally, desires protection for his property rights when his produce enters the channels of world commerce. An agreement whereby a uniform copyright statute could be invoked, at least, in the Western Hemisphere would serve further to insure the author protection and encouragement of his intellectual genius which is the basic purpose of our copyright protection.

*James H. Neu.*