No. 22-2971

IN THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

SUZANNE MERRILL,
Plaintiff - Counter-Defendant - Appellant,
v.

KENNETH M. HYMAN, DEAN F. HYMAN, MARK S. HYMAN,
RICHARD E. HYMAN,
Defendants – Counter-Claimants – Appellees,

FREDERICK L. HYMAN,
Defendant – Counter – Claimant

On Appeal from the United States District Court
for the District of Connecticut
Case No. 3:21-cv-551, Hon. Jeffrey A. Meyer

BRIEF FOR DEFENDANTS-APPELLEES
KENNETH M. HYMAN, DEAN F. HYMAN, MARK S. HYMAN,
RICHARD E. HYMAN

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I. STATEMENT OF THE ISSUE

Bob Merrill wrote the lyrics to *Funny Girl*—a Broadway musical. In December 1963, before *Funny Girl* attained box-office success, Merrill sold some of his future royalties in the musical to Eliot Hyman. Merrill and Hyman memorialized this deal, through which they, and then their heirs, earned royalties from *Funny Girl's* incredible commercial successes. This arrangement lasted for decades without hindrance—long after Merrill and Hyman had died. In 2015, though, Merrill's widow, Suzanne, alerted Hyman's heirs that she was exercising rights under the Copyright Act and axing the Merrill-Hyman deal. She then sued them in the District of Connecticut—seeking a rubber stamp from the District Court.

Plaintiff, Suzanne Merrill, and Defendants, Hyman's heirs, cross-moved for summary judgment. The District Court (Meyer, J.) granted summary judgment to Defendants. It held that Suzanne Merrill has no right to cancel her late-husband's royalties deal with Hyman because this deal did not license or transfer any copyright interests. Did the District Court err?

II. STATEMENT OF THE CASE

A. RELEVANT FACTS

1. <u>The 1963 MBP Contract</u>

Bob Merrill wrote and copyrighted the lyrics to the Broadway musical *Funny Girl*. In November 1963, the Funny Girl-Joint Venture (the "Production Company") signed a written agreement (the "MBP Contract") with several parties: Isobel

Lennart (writer); Jule Styne (composer); and Bob Merrill (collectively, the "Authors"). ECF No. 37-1 at p. 2. The MBP Contract granted the Production Company the exclusive right to produce *Funny Girl* in the U.S. and Canada. Id., pp. 2-3; JA 181. In exchange for this "Grand Right," the Production Company promised the Authors "royalties or percentage compensation" tied to things such as box-office receipts, albums, and libretto publications. ECF No. 37-1 at pp. 12-13; JA 181.

Merrill and Styne, though, kept for themselves ownership in the separate music and lyrics—as distinguished from music and lyrics used in a "dramatic way" or in a *Funny Girl* performance. ECF No. 37-1 at p. 14. And over the next year-or-so, they filed copyright applications for around 31 musical compositions that appear in *Funny Girl*. JA 91-94.

2. The 1963 Royalties Agreement

Shortly after signing the MBP Contract, Merrill "decided to swap some of his future royalties for immediate cash." JA 182. He struck a deal with Eliot Hyman—an executive at the Production Company (the "Royalties Agreement"). Id. Under this Royalties Agreement, Hyman promised Merrill $82,500.00 for "an undivided two-thirds of [Merrill's] interest in all royalties, percentage compensation, rights and other compensation" under the MBP Contract. JA 13-14; 182.[1] Merrill clarified in

[1] Accounting for inflation, this amount in today's dollars is around $819,950.25. See www.usinflationcalculator.com. Accessed on July 10, 2023.

this agreement that he was keeping copyrights and revenue streams relating to the separate music and lyrics—as he (and Styne) had done in the MBP Contract. JA 15; 182. This meant, for example, that he "was not giving away any royalties from the radio rights to his songs—just royalties from the full musical." JA 182.

The Royalties Agreement covered royalties and compensation flowing from "theater companies who wanted to put on the show." JA 13-14; 182. And "three years later, the *Funny Girl* creators decided to tap that market." JA 182. They signed-up with Tams-Witmark Music Library, Inc. ("Tams") from which Tams "got the right to sell licenses to produce *Funny Girl*" throughout the world (the "Licensing Agreement"). Id. Tams would take its cut from these sales and "pass the rest back to the creators." Id. Merrill and his co-authors would ordinarily each get a $12^{1/3}$% share of these royalties, but under the Royalties Agreement, "Merrill would only get a third of that (a $4^{1/9}$% share) while Hyman would get the remaining $8^{2/9}$%."[2] Id.

3. The Termination Notice

Merrill and Hyman died some time ago. Id. Still, as time passed, their heirs continued to receive royalties from Tams under the Royalties Agreement. Id. In 2015, though, Merrill's widow, Suzanne, "wanted to cut the Hymans out" and axe this decades-old arrangement. Id. Citing federal copyright law, she served a "Notice of Termination" in which she warned the Hymans that on December 25, 2020, they

[2] The Licensing Agreement contains provisions which modified these distributions over time—none of which are pertinent for present purposes.

would no longer receive royalties from *Funny Girl*. JA 91-95. She also instructed Tams to "redirect the Hymans' royalties to her." JA 183. After the Hymans had objected, Tams escrowed the disputed royalties. Id.

B. PROCEDURAL HISTORY

1. Complaint and Counterclaims

Ms. Merrill sued the Hymans in April 2021. She sought a declaratory judgment that "she validly terminated the [Royalties Agreement]" and "recaptured" all rights sold therein. JA 183; 106. The Hymans counterclaimed that Ms. Merrill had breached the Royalties Agreement ("First Counterclaim") and had tortiously interfered with the business relationship between them and Tams ("Second Counterclaim"). JA 113-116. They also sought a declaratory judgment that Ms. Merrill could not terminate the Royalties Agreement ("Third Counterclaim") and an injunction to stop her from sabotaging their contractual rights to receive royalties ("Fourth Counterclaim"). JA 116-118.

2. Summary Judgment

The parties cross-moved for summary judgment in 2022. The District Court granted summary judgment to the Hymans on the First Counterclaim, Third Counterclaim, and Fourth Counterclaim. JA 186. It dismissed the Second Counterclaim as moot because the only damages sought by the Hymans were the escrowed royalties, which were addressed by the Fourth Counterclaim. Id. The District Court denied Ms. Merrill's motion in its entirety and ordered Ms. Merrill to "revoke her termination notice and instruct Tams to release and resume royalty payments to the Hymans." JA 186-187.

The District Court reasoned that the Royalties Agreement "is unambiguously not a copyright deal" and thus is not subject to termination under the 1976 Copyright Act. JA 184-187. It stressed that the Royalties Agreement "nowhere says that Hyman could sell, copy, adapt, perform, or display" the copyrighted work. JA 184. Rather, it granted Hyman a mere "financial right: if Merrill transfers or licenses his lyrics in return for royalties, then Hyman gets a cut." Id.

3. Appeal and Motion to Stay

Plaintiff filed a Notice of Appeal. ECF No. 59. Soon after, she moved to stay enforcement of the District Court's decision pending the appeal. ECF No. 61. The District Court denied the stay because, among other things, Plaintiff had "not made any showing" that she will succeed on appeal. ECF No. 67, at p. 4.

III. ARGUMENT SUMMARY

The District Court held that Plaintiff cannot terminate the Royalties Agreement under the 1976 Copyright Act. JA 186. It reasoned that "Bob Merrill's agreement with Hyman was only a royalty deal" to which the 1976 Copyright Act does not apply. JA 181. Plaintiff counters that the District Court got it wrong. She argues that it misread the Royalties Agreement; and that the Licensing Agreement so confirms. She insists that Merrill actually sold "Grand Rights" to Hyman and that she, his widow, can walk-back this sale under the 1976 Copyright Act.

This Court should affirm the District Court's decision to award summary judgment to Defendants for at least three reasons: (1) unambiguous language in the Royalties Agreement shows that Merrill did not transfer or license to Hyman any copyright interests; (2) the Licensing Agreement lacks relevance but, even so, does not affect the plain meaning of the Royalties Agreement; and (3) if required, other extrinsic evidence supports the District Court's holding. With no genuine issues of material fact, and the Hymans entitled to judgment as a matter of law, the District Court reached the correct decision.

IV. ARGUMENT

This Court should affirm the District Court's decision to award summary judgment to Defendants because the 1976 Copyright Act does not give Plaintiff the right to terminate her late-husband's royalties deal with Hyman.

A. Applicable Legal Framework

1. Ownership and Transfers of Copyrights

"[T]he only rights that exist under copyright law are those granted by statute." Silvers v. Sony Pictures Entm't, Inc., 402 F.3d 881, 883–84 (9th Cir. 2005), cert. denied, 546 U.S. 827 (2005). The 1976 Copyright Act provides the relevant framework. "The starting point for . . . interpretation of a statute is always its language." Comm. for Creative Non-Violence v. Reid, 490 U.S. 730, 739 (1989). Copyright owners have the exclusive right to sell, copy, adapt, perform, and display materials. 17 U.S.C. § 106; see also Rodrigue v. Rodrigue, 218 F.3d 432, 439 (5th

Cir. 2000), cert. denied, 532 U.S. 905 (2001).[3] They can transfer these rights to somebody else if, and only if, their intention to do so is "clear and unequivocal." 17 U.S.C. § 201(d); see also Weinstein Co. v. Smokewood Ent. Grp., LLC, 664 F. Supp. 2d 332, 341 (S.D.N.Y. 2009). Copyright owners can also "license" copyrighted material so that a licensee receives an "ownership interest" in the material. Davis v. Blige, 505 F.3d 90, 99; n.10 (2d Cir. 2007), cert. denied, 555 U.S. 822 (2008).

One exclusive right—the right to perform copyrighted work—commands further attention. Indeed, this right comprises both non-dramatic performance rights ("Small Rights") and dramatic performance rights ("Grand Rights"). See Buffalo Broad. Co., Inc. v. Am. Soc. of Composers, Authors, and Publishers, 744 F.2d 917, 920, n.1 (2d Cir. 1984), cert. denied, 469 U.S. 1211 (1985). Small Rights mean "the right to perform a musical composition other than in a dramatic performance." Id. For example, in the music context, a song that is not used to tell a story, such as performing theme music for a television audience. See Celador Int'l. Ltd. v. The Walt Disney Co., 2009 WL 10429760, at *17 (C.D. Cal. Mar. 6, 2009) (Theme music for "Who Wants to be a Millionaire" constituted a non-dramatic right); 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT §10.10 (Matthew

[3] Copies of all referenced statutes are included in the Addendum.

Bender & Co. 2007) (Performance is non-dramatic if, after being removed, "the continuity or story line of the production is in no way impeded or obscured").[4]

Performing Rights Organizations, like the American Society of Composers, Authors, and Publishers ("ASCAP"), license public performances of non-dramatic copyrighted works, usually for an annual flat fee. See United States v. Am. Soc. of Composers, Authors, and Publishers, 627 F.3d 64, 68-69 (2d Cir. 2010), cert. denied, 565 U.S. 929 (2011). In fact, ASCAP and similar groups, like BMI, "acquire only, and in turn license only, small or nondramatic performance rights." NIMMER ON COPYRIGHT §10.10; United States v. Am. Soc. of Composers, Authors, and Publishers, 2001 WL 1589999, at *2 (S.D.N.Y. Jun. 11, 2001) (Most recent consent decree between ASCAP and the Dept. of Justice defining scope of ASCAP's licensing rights).

2. Termination of Copyrights

Congress passed the first Copyright Act in 1909. See Pub. L. No. 60-349, 35 Stat. 1075 (1909). This statute established a 28-year copyright term, after which an author could renew the copyright for another 28 years. Id. §§ 22, 23. A notable issue under the 1909 statute was that an author's heirs would miss out on successful copywritten works if, as often happened, the author had assigned renewal rights and survived into the renewal period. See Fred Fisher Music Co. v. M. Witmark & Sons, 318 U.S.

[4] Copies of all unreported decisions are included in the Addendum.

643 (1943). An author who had assigned these rights before having had an opportunity to appreciate the commercial value of their work would inadvertently cheat his or her heirs from a lucrative inheritance.

The 1976 Act addresses this by creating a "termination right that allows an author [or heirs] to undo a prior transfer of his copyright and recapture all interests in the copyright for himself." Brumley v. Albert E. Brumley & Sons, Inc., 822 F.3d 926, 928 (6th Cir. 2016) (internal quotation marks omitted). This non-transferable termination right kicks-in after a prescribed period of years from the original transfer (or license) of the copyright. HOWARD B. ABRAMS and TYLER T. OCHOA, § 12.3, THE LAW OF COPYRIGHT (2020). For copyrights existing before 1978, this termination right begins 56 years after the author registered the copyright and endures for five years. 17 U.S.C. § 304(c)(3). Termination under § 304(c) applies only to the "grant of a transfer or license" of a renewal copyright or any derivative right. See Siegel v. Warner Bros. Entm't, Inc., 542 F. Supp. 2d 1098, 1131 (C.D. Cal. 2008), rev'd in part on other grounds, 504 Fed. Appx. 586 (9th Cir. 2013).

3. Royalty Agreements

"Notably absent from the [1976] Copyright Act's exclusive sub-bundle of five rights is the right to enjoy the earnings and profits of the copyright." Rodrigue, 218 F.3d at 439-40; see also Everly v. Everly, 2020 WL 5642359, at *7 (M.D. Tenn. Sep. 22, 2020), aff'd. sub nom, Garza v. Everly, 59 F. 4th 876 (6th Cir. 2023)

(Conveying royalties interest does not implicate exclusive rights under the 1976 Copyright Act). The "right to receive royalties is [thus] not a copyright interest." Hayes v. Carlin Am., Inc., 168 F. Supp. 2d 154, 161 (S.D.N.Y. 2001); see also Big E. Entm't., Inc. v. Zomba Enters., Inc., 453 F. Supp. 2d 788, 798 (S.D.N.Y. 2006), aff'd. 259 F. Appx 413 (2d Cir. 2008) (Royalties agreement "does not constitute a 'transfer of copyright ownership' within the meaning of the Copyright Act.") (citing Papa's-June Music, Inc. v. McLean, 921 F. Supp. 1154, 1160 (S.D.N.Y. 1996); 172 Am. Jur. Trials 1 (2021) (same).

Yount v. Acuff Rose-Opryland, 103 F.3d 830 (9th Cir. 1996) clarifies this point. In that case, the Ninth Circuit reversed a District Court, holding that the 1976 Copyright Act did not encompass contractual royalty rights. In Yount, a songwriter had sold his copyright to a record company in exchange for royalties; and later assigned these royalty rights to a non-party. After the initial copyright term had ended, and was renewed, the record company's successor-in-interest began issuing royalties to the songwriter. The non-party purchaser, though, demanded these royalties—arguing that he was contractually entitled to them.

The trial court held that the songwriter was entitled to royalties because the contract did not specifically mention the renewal term. Id., at 831. The Ninth Circuit reversed and stressed the critical distinction between copyright interests (creatures of statute) and royalty interests (creatures of state contract law): "[H]olding a royalty interest does not bespeak an interest in the underlying copyright itself—a royalty is simply an interest in receiving money when the owner of the copyright exploits it. Id., at 834. It thus explained:

> When [the songwriter] transferred the underlying copyright, he obtained a contractual right to royalties. He no longer had a copyright; he had a mere contractual right—a promise by [the publishing company] that it would make royalty payments. At that point federal copyright law essentially ceased to be concerned with how that contractual royalty right or assignments of it would be enforced. Id. at 835.

Because the royalty rights at issue stemmed from a contract, the Ninth Circuit held that the case presents "a question of state law" and remanded the issue to the trial court for an analysis under state contract law. Id. at 835; see also, Cortner v. Israel, 732 F.2d 267, 272 (2d Cir. 1984) (Royalties do not implicate federal copyright law).

The Southern District of New York has endorsed Yount's analysis. See Hayes, 168 F. Supp. 2d at 154. In Hayes, the trial court granted partial summary judgment to the party seeking royalty payments and held that whether the author had transferred his royalty rights "depend[ed] on the language of the transfer without reference to copyright rules governing renewal terms." Id. at 158. In reaching this holding, the court focused solely on the underlying contract which effected the transfers. Id. at 160; see also Broad Music, Inc. v. Hirsch, 104 F.3d 1163, 1165 (9th Cir. 1997) ("Assignments of interests in royalties have no relationship to the existence, scope, duration or identification of a copyright, nor to 'rights under a copyright' . . . ."); Larry Spier, Inc., v. Bourne Co., 953 F.2d at 774, 778 (2d. Cir. 1992) (Author's right to receive royalties did "not negate the fact that he retained no interest in the renewal copyrights themselves").

B. Standard of Review

This Court reviews de novo a district court's decision to grant summary judgment. Covington Specialty Ins. Co. v. Indian Lookout Country Club, Inc., 62 F.4th 748, 752 (2d Cir. 2023). On summary judgment, a district court must "assess whether there are any factual issues to be tried." McKinney v. City of Middletown, 49 F.4th 730, 738 (2d Cir. 2022). Summary judgment is "proper when the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." McKinney, 49 F.4th at 737.

In simple terms, this means that "the record taken as a whole could not lead a rational trier of fact to find for the non-moving party." Id. (quoting Lovejoy-Wilson v. NOCO Motor Fuel, Inc., 263 F.3d 208, 212 (2d Cir. 2001) (internal quotation marks omitted).To overcome summary judgment, a non-movant must "present competent evidence" that there is no genuine dispute as to any material fact— rather than "simply show that there is some metaphysical doubt as to the material facts." Id. (internal quotation marks omitted).

C. Analysis

The District Court correctly held that Plaintiff cannot terminate the Royalties Agreement under the 1976 Copyright Act because the agreement does not "transfer or license" to Hyman the right to sell, copy, adapt, perform, or display copyrighted works.

The District Court held that plain language in the Royalties Agreement "refute[s]" the notion that Merrill had sold Hyman a copyright interest. JA 185. It explained that the Royalties Agreement "never identifies a right under the Copyright Act" and unlike other agreements in the record, "is unambiguously not a copyright deal." Id. The District Court further held that the Licensing Agreement does not mean what Plaintiff thinks it means, and, regardless, it cannot displace unambiguous language in the Royalties Agreement. JA 186.

This Court should affirm the District Court for at least three reasons: (1) plain and unambiguous language in the Royalties Agreement shows that Merrill did not transfer or license any rights under the 1976 Copyright Act; (2) the Licensing Agreement lacks relevance but, even so, does not affect the plain meaning of the Royalties Agreement; and (3) if necessary, other extrinsic evidence supports the District Court's holding.

1. The District Court correctly held that plain and unambiguous language in the Royalties Agreement shows that Merrill did not sell to Hyman any rights under the 1976 Copyright Act.

The District Court held that the Royalties Agreement is not a copyright deal. It reasoned that plain language in the agreement shows that the only right sold by

Merrill to Hyman was a financial right. This plain language is abundant. It first appears in the preamble, which provides that under the MBP Contract, Merrill "is to receive royalties, percentage compensation, rights and other compensation" JA 13. It then declares Merrill's intent to "sell, deliver, and assign to Hyman an undivided two-thirds of his interest" in the royalties, percentage compensation, rights and other compensation he "is to receive" under the MBP Contract. This language sets the stage: Merrill wanted to sell Hyman some of the financial rights he bargained for under the MBP Contract. And the District Court was required to effect this unmistakable intent. See Maser Consulting, P.A. v. Viola Park Realty, LLC, 936 N.Y.S.2d 693, 836 (2d Dept. 2012) ("[F]undamental, neutral precept of contract interpretation is that agreements are construed in accord with the parties' intent").

Plaintiff argues that the "rights" referenced in this sale mean copyrights—and that Merrill thus sold Hyman a copyright interest. But as the District Court held, plain language in the Royalties Agreement shows otherwise. JA 185. The canon *noscitur a sociis* (the meaning of a word or phrase is determined by reference to those words with which it is associated) clears this up. For example, in Homaidan v. Sallie Mae, Inc., 3 F.4th 595, 604 (2d Cir. 2021), this Court used the canon to construe the phrase "educational benefit" as debts that need not be repaid. It reasoned that these words were surrounded by the companion words "scholarship" and "stipend"—both of which denote conditional payments. Id.

Applying *noscitur a sociis* here suggests that "rights" means financial rights—and nothing more. Indeed, "royalties" and "compensation"—words in the Royalties Agreement with which "rights" is associated—denote payment and remuneration. See BLACK'S LAW DICTIONARY (9th Ed.). And as the District Court explained, "'compensation' would make little sense if 'rights' meant 'copyright.'" JA 185. And for the avoidance of doubt, the Royalties Agreement characterizes "royalties, percentage compensation, rights and other compensation" as things that are "payable" to the Hyman Parties. JA 14. Copyrights are not payable; and therefore "rights" cannot mean copyright. See HTRF Ventures, LLC v. Permasteelisa N. Am. Corp., 141 N.Y.S.3d 17, 21 (1st Dept. 2021) (Contracts should be read "as a harmonious and integrated whole . . . and must be construed in a manner which gives effect to each and every part, so as not to render any provision meaningless or without force or effect.") (internal quotation marks omitted).

But even without this cannon, the Royalties Agreement lacks ambiguity. Again, the Royalties Agreement clarifies that the "rights" being sold to Hyman are those Merrill "is to receive" under the MBP Contract. JA 13. And as the District Court held, these "rights" cannot mean copyrights because Merrill "did not get his copyright from the production company." JA 185. He "got it by law because he wrote the lyrics." Id.; see also JA 200 (12:5-9) (Plaintiff's counsel concedes that

Merrill did not receive copyrights from the Production Company—but "as a matter of law").

This backdrop reveals an obvious gap in the Royalties Agreement, which the District Court highlighted: unlike a "true copyright deal[,]" the Royalties Agreement "never identifies a right under the Copyright Act." JA 185; see also Rodrigue, 218 F.3d at 439 (Right to enjoy the earnings and profits of the copyright not within purview of 1976 Copyright Act). The District Court stressed this by contrasting the MBP Contract and the Licensing Agreement—which granted exclusive production and licensing rights, respectively—with the Royalties Agreement which merely sold a financial right. JA 185.

Financial rights to receive royalties do not affect "the existence, scope, duration or identification" of any copyright. See Hirsch, 104 F.3d at 1166; Big E. Entm't., Inc. v. Zomba Enters., Inc., 453 F. Supp. 2d at 798 (Royalties agreement does not transfer copyright ownership within the meaning of the Copyright Act). So Hyman like Yount received a mere "contractual right to royalties[,]" which is governed by state contract law—not federal copyright law. See Yount, 103 F.3d at 834-835; Luckett v. Delpark, 270 U.S. 496, 502 (1926) (Royalty dispute "not a suit under the . . . laws of the United States").

Plaintiff ignores this and misdirects attention to the distinction between Grand Rights and Small Rights. She homes-in on the preamble:

> WHEREAS, Merrill desires to sell, deliver and assign to Hyman an undivided two-thirds of his interest in all royalties, percentage compensation, rights and other compensation derived by him from the results and proceeds of any and all services rendered by him in connection with "Funny Girl" with certain exceptions as hereinafter set forth. JA 13 (emphasis added).

This excerpt, she argues, shows that the Royalties Agreement "allows for Hyman to perform the lyrics" because Merrill sold to Hyman "rights derived from the results and products [sic] of his services." Pl. Br., p. 19. And these derived rights, she continues, are "Grand Rights." Id. This reasoning is flawed. The "rights derived from the results and proceeds of any and all services" refers to financial rights derived by Merrill under the MBP Contract—not copyrights, which, as Plaintiff concedes, Merrill received by law. See JA 200 (12:5-9). Indeed, otherwise, portions of the Royalties Agreement would make little sense. For example, as explained by the District Court, it would render meaningless the words "other compensation" in "rights and other compensation." JA 185. It would similarly clash with the provision requiring "royalties, percentage compensation, rights, and other compensation" to be "payable." JA 14.

The Royalties Agreement is "unambiguously not a copyright deal." JA 185. Plaintiff's attempt to terminate it presents a scenario like Yount, Hayes, and Hirsch in which a party tries to apply federal copyright law to a contract dispute. And like in those cases, the District Court correctly rebuffed those efforts and reaffirmed the settled notion that selling future royalties does not "transfer any interest in a copyright or in any of the exclusive rights comprised in a copyright." Hirsch, 104 F.3d 1166. With no genuine issues of material fact, Defendants were entitled to judgment as a matter of law.

For these reasons, this Court should affirm the District Court.

2. The District Court correctly held that the Licensing Agreement does not affect the plain language contained in the Royalties Agreement.

The District Court held that the Royalties Agreement controls notwithstanding speculative and unclear language in the Licensing Agreement. This Court should affirm for at least three reasons: (1) the Royalties Agreement lacks ambiguity and therefore extrinsic evidence, like the Licensing Agreement, is immaterial; (2) even if considered, the Licensing Agreement does not undermine the District Court's decision because it neither expands nor modifies the Royalties Agreement; and (3) other extrinsic evidence supports the District Court's decision and confirms that the Licensing Agreement is inconsequential.

Plaintiff has relied on the Licensing Agreement since this lawsuit began. But as the District Court correctly held, "the words of the [Royalties Agreement]" control the analysis. JA 186. For sure, when contractual language is clear, extrinsic evidence or a party's viewpoint is immaterial. See Contant v. AMA Cap., LLC, 66 F. 4th 59, 66 (2d Cir. 2023). Plain language "does not become ambiguous merely because the parties urge different interpretations in the litigation[.]" Id.; Elite Union Installations, LLC v. Nat. Fire Ins. Co. of Hartford, 559 F. Supp. 3d 211, 224 (S.D.N.Y. 2021)

(Ambiguity "must emanate from the language used in the contract rather than from one party's subjective perception") (quoting Lee v. BSB Greenwich Mortg. Ltd. P'Ship., 267 F.3d 172, 179 (2d Cir. 2001)).

Judge Meyer held that the Royalties Agreement is "unambiguously not a copyright deal." JA 185. As discussed above, His Honor reached the correct decision. See §B.1., infra. And Plaintiff cannot rebuke this decision by merely pushing "language beyond its reasonable and ordinary meaning." Crowley v. VisionMaker, LLC, 512 F. Supp. 2d 144, 152 (S.D.N.Y. 2007) (internal quotation marks omitted). Her attempt to read "rights" as "copyrights" does exactly that. It follows that the Licensing Agreement—whatever "subjective perceptions" it might reveal, and whatever speculation it might arouse—cannot affect the Royalties Agreement. Elite Union Installations, LLC, 559 F. Supp. 3d at 224. The District Court correctly sidelined the Licensing Agreement and grounded its holding on unambiguous language in the Royalties Agreement. See Goodale v. Cent. Suffolk Hosp., 179 N.Y.S.3d 272, 274 (2d Dept. 2022) (Court will not consider extrinsic evidence when contract language is unambiguous).

But regardless, the Licensing Agreement does not undermine the District Court's decision because its contents have no bearing on the financial right sold via the Royalties Agreement. These agreements, signed three-years apart, and for distinct purposes, involve different rights and different parties. For sure, under the

Licensing Agreement, Merrill (and his co-authors) exercised their right to license copyrighted work under the 1976 Copyright Act; while under the Royalties Agreement, Merrill sold a financial right untethered to copyright ownership. See Blige, 505 F.3d at 99; 17 U.S.C. § 101. Put another way, the Licensing Agreement neither expands nor modifies the Royalties Agreement. So even if considered, the Licensing Agreement, in context, has no relevance to the Royalties Agreement.

Its inconsequence aside, the Licensing Agreement, as shown by other extrinsic evidence, cannot mean what Plaintiff thinks it means. The MBP Contract clarifies that while the Authors conveyed "Grand Rights" to the Production Company, Jule Styne and Merrill retained complete ownership in the separate music and lyrics:

> "[Jules Styne and Bob Merrill] shall have the sole right to dispose of the printed publication, small performing, mechanical and synchronization and similar music publication rights of the separate music and lyrics (as distinguished from use of same in a dramatic way or as part of [Funny Girl]) . . . and to retain all royalties and proceeds" derived therefrom (Emphasis added). ECF No. 37-1., at p. 14.

Because Merrill had conveyed his "Grand Rights" to the Production Company, he could not a month later, sell them to Hyman. Merrill could not sell to Hyman what he did not have.

Plaintiff insists otherwise. But she overlooks that around a decade ago, she signed an agreement in which she admits that the Royalties Agreement did not transfer or license copyright interests. In this agreement, Plaintiff, and others, sold the exclusive right to produce and license *Funny Girl*. JA 40-45. And this agreement contains language which blunts the notion that Merrill had sold copyright interests to Hyman under the Royalties Agreement.

First, it recites that Suzanne Merrill is the "sole owner" of the lyrics. JA 42. If true, this of course wrecks the theory that Hyman owned "Grand Rights in and to the lyrics of the play." Pl. Br., at p.9. Second, it confirms that the Licensing Agreement is the only time any author has "exercised, granted, assigned, encumbered, or otherwise disposed of . . . any right, title, or interest in *Funny* Girl. JA 43. Again, if true, this recital confirms as the District Court held that "Merrill's agreement with Hyman was only a royalty deal." JA 184.

V. CONCLUSION

The District Court correctly awarded summary judgment to Defendants. Plain and unambiguous language in the Royalties Agreement shows that Merrill sold Hyman a financial right; and, with no genuine issues of material fact, summary judgment in Defendant's favor was warranted. This Court should affirm the District Court based on this language in the Royalties Agreement.

In the alternative, this Court can affirm the District Court because (a) the Licensing Agreement, though irrelevant, does not affect the plain meaning of the Royalties Agreement, and/or (b) other extrinsic evidence, like the MBP Contract, confirms that Merrill did not transfer or license any copyright interests to Hyman under the Royalties Agreement.

For these reasons, this Court should affirm the District Court's decision in its entirety.

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CERTIFICATE OF COMPLIANCE

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/s/ Marc J. Herman
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Pursuant to Local Rule 31.1, six paper copies of this brief were sent via first class mail on the date hereof to the Clerk's Office at Thurgood Marshall United States Courthouse, 40 Foley Square, New York, New York, 10007.

/S/ Marc J. Herman
Marc J. Herman
Counsel for Defendants-Appellees

ADDENDUM

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Statutes

2009 WL 10429760
Only the Westlaw citation is currently available.
United States District Court,
C.D. California.

CELADOR INTERNATIONAL LTD.,
a United Kingdom corporation; Lusam Music Ltd., a United Kingdom corporation;
and Paul Smith, an individual, Plaintiffs,
v.
The WALT DISNEY COMPANY, a Delaware corporation; American Broadcasting Companies, Inc., a New York corporation; Buena Vista Television, a California corporation; Walt Disney World Co., a Florida corporation; and Does 2 through 20, inclusive, Defendants.

No. 2:04–cv–3541–FMC–RNFx.
|
Signed March 6, 2009.

Attorneys and Law Firms

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ORDER DENYING DEFENDANTS' MOTION FOR PARTIAL SUMMARY JUDGMENT OF PLAINTIFFS' BREACH OF CONTRACT CLAIM

ORDER GRANTING IN PART AND DENYING IN PART DEFENDANTS' MOTION FOR PARTIAL SUMMARY JUDGMENT OF PLAINTIFFS' EXTRA–CONTRACTUAL CLAIMS

ORDER GRANTING DEFENDANTS' MOTION FOR SUMMARY JUDGMENT OF LUSAM MUSIC LTD.'S COPYRIGHT INFRINGEMENT CLAIM

ORDER DENYING PLAINTIFFS' MOTION FOR PARTIAL SUMMARY JUDGMENT RE IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING

ORDER DENYING PLAINTIFFS' MOTION FOR PARTIAL SUMMARY JUDGMENT RE MERCHANDISING REVENUES

FLORENCE–MARIE COOPER, District Judge.

***1** This matter is before the Court on the following motions: (1) Defendants' Motion for Summary Judgment on Lusam Music Ltd.'s Copyright Infringement Claim (docket no. 263), filed January 12, 2009; (2) Defendants' Motion for Partial Summary Judgment on Plaintiffs' Breach of Contract Claim (docket no. 272), filed January 12, 2009; (3) Defendants' Motion for Partial Summary Judgment Re Plaintiffs' Extra–Contractual Claims (docket no. 278), filed January 12, 2009; (4) Plaintiffs' Motion for Partial Summary Judgment Re Implied Covenant of Good Faith and Fair Dealing (docket no. 284), filed January 12, 2009; and (5) Plaintiffs' Motion for Partial Summary Judgment Re Merchandising Revenues, (docket no. 285), filed January 12, 2009.[1] The Court has considered the moving, opposition, and reply documents submitted in connection with these motions. The Court deems this matter appropriate for decision without oral argument. *See* Fed.R.Civ.P. 78(b); Local Rule 7–15. Accordingly, the hearing set for March 9, 2009, is removed from the Court's calendar.

For the reasons and in the manner set forth below: (1) Defendants' Motion for Summary Judgment on Lusam Music Ltd.'s Copyright Infringement Claim (docket no. 263) is GRANTED; (2) Defendants' Motion for Summary Judgment of Plaintiffs' Breach of Contract Claim (docket no. 272) is DENIED; (3) Defendants' Motion for Partial Summary Judgment Re Plaintiffs' Extra–Contractual Claims (docket no. 278) is GRANTED IN PART AND DENIED IN PART; (4) Plaintiffs' Motion for Partial Summary Judgment Re Implied Covenant of Good Faith and Fair Dealing (docket no. 284) is DENIED; and (5) Plaintiffs' Motion for Partial Summary Judgment Re Merchandising Revenues (docket no. 285) is DENIED.

I. EVIDENTIARY OBJECTIONS

A. Defendants' Objections to Plaintiffs' Evidence in Support of Opposition to Defendants' Motion for Summary Judgment of Breach of Contract Claim

1. Exhibits R and Z—two newspaper articles—SUSTAINED

2. Exhibits AA and BB—two audit reports—OVERRULED
Defendants object to two audit reports dated January 28, 2003 and February 3, 2003, as inadmissible hearsay, and for lack of foundation. These audit reports describe the procedure undertaken to prepare them, the documents reviewed, and were prepared by the accounting firm, Sills & Adelmann. They are therefore covered by the business records exception. Fed.R.Evid. 803(6). Defendants' objections are overruled.

3. Exhibits G and Y—portions of Richard Marks expert report and rebuttal report—OVERRULED
Defendants reiterate their objection to several statements within Mr. Marks' reports as constituting inadmissible legal opinions. These statements pertain to Mr. Marks' interpretation of the Rights Agreement at issue. The Court has previously determined that Mr. Marks "is certainly well qualified to examine the parties' contracts and determine their legal effect and consequences. Any challenges to his conclusions go to the weight to be given his testimony, not its admissibility." (Order dated February 13, 2009.) Defendants' objections are overruled.

3. Exhibit N—portions of James N. Dertouzos expert report—SUSTAINED
***2** Defendants reiterate their objection to portions of Mr. Dertouzos' report that the Court has previously ruled inadmissible. To the extent the Court has previously ruled these portions of Mr. Dertouzos' report inadmissible in its Order Re: Experts dated February 13, 2009, Defendants' objections are sustained.

B. Plaintiffs' Evidentiary Objections to Defendants' Motion for Summary Judgment of Plaintiffs' Extra–Contractual Claims

1. Martin D. Katz Declaration—SUSTAINED
Plaintiffs object to the portion of Mr. Katz's declaration that states, "I am aware of no discovery from this case that in any way suggests that TWDC interfered with ABC's or BVT's performance of the Rights Agreement in the manner described in the Second Amended Complaint or in any other way." Plaintiffs' objection is sustained.

2. Whitney Walters Declaration—SUSTAINED
Plaintiffs object to the portion of Ms. Walters declaration that states the Rights Agreement "forms the basis of the claims in Plaintiffs' Second Amended Complaint." Ms. Walters is Defendants' counsel. Plaintiffs' object on the grounds of improper legal conclusion and lack of personal knowledge. Plaintiffs' objection is sustained.

C. Defendants' Objections to Plaintiffs' Evidence in Support of Opposition to Defendants' Motion for Summary Judgment of Extra–Contractual Claims

1. Exhibits Y and Z—two newspaper articles—SUSTAINED

2. Exhibit M—portions of James N. Dertouzos expert report—SUSTAINED
Defendants reiterate their objection to portions of Mr. Dertouzos' report that the Court has previously ruled inadmissible. To the extent the Court has previously ruled these portions of Mr. Dertouzos' report inadmissible in its Order Re: Experts dated February 13, 2009, Defendants' objections are sustained.

3. Exhibit I—portions of Richard Marks expert report—OVERRULED
Defendants reiterate their objection to several statements within Mr. Marks' report as constituting inadmissible legal opinions. These statements pertain to Mr. Marks' interpretation of the Rights Agreement at issue. The Court has previously determined that Mr. Marks "is certainly well qualified to examine the parties' contracts and determine their legal effect and consequences. Any challenges to his conclusions go to the weight to be given his testimony, not its admissibility." (Order dated February 13, 2009.) Defendants' objections are overruled.

4. Exhibit C—Packaging Services Agreement
Defendants object to a letter from Stuart Tenzer of the William Morris Agency ("WMA") to Plaintiff Paul Smith,

along with its attached documents, indicating the existence of a packaging services agreement between ABC and WMA. Defendants argue the letter and agreement have not been authenticated and constitute inadmissible hearsay. The Court has reviewed Defendants' objection and the corresponding evidence, but does not find the evidence to be necessary to the Court's disposition of the underlying motion.

D. Defendants' Objections to Lusam Music's Evidence in Support of Opposition to Defendants' Motion for Summary Judgment of Copyright Infringement Claim

1. Exhibits G, I, and L—expert report, supplemental report, and deposition of Raphael Tisdale—SUSTAINED IN PART

***3** Defendants reiterate their objection to portions of Mr. Tisdale's report that the Court has previously ruled inadmissible. To the extent the Court has previously ruled these portions of Mr. Tisdale's report inadmissible in its Order Re: Experts dated February 13, 2009, Defendants' objections are sustained. Mr. Tisdale's legal conclusion that the performance of the Millionaire music at Defendants' theme parks is a dramatic performance is also sustained. In his deposition testimony, Mr. Tisdale discusses how a licensing fee for a DVD would normally be negotiated. The Court does not find this deposition testimony to fall within the Court's previous ruling regarding the calculation of licensing fee at theme parks for the performance of the Millionaire music. Defendants' objection to Mr. Tisdale's deposition testimony is overruled.

2. Exhibit M—Music Cue Sheet

Defendants object to a music cue sheet listing John Griffin as the composer of the Millionaire theme music for the North American Series. Plaintiffs contend John Griffin did not compose the Millionaire music for the British version and that Defendants therefore did not acquire rights to the North American version of the music at the time the Rights Agreement was executed, as the North American version did not yet exist. The Court has reviewed Defendants' objection and the corresponding evidence, but does not find the evidence to be necessary to the Court's disposition of the underlying motion.

E. Plaintiffs' Objections to Defendants' Declarations in Opposition to Plaintiffs' Motion for Summary Judgment Re Implied Covenant of Good Faith

1. Mark A. Pedowitz Declaration—SUSTAINED IN PART

Plaintiffs object to various portions of Mr. Pedowitz' declaration as improper lay opinion, as lacking in personal knowledge, and as vague. In his declaration, Mr. Pedowitz discusses what he believes to be customary practices both at ABC and within the television industry. However, Mr. Pedowitz has not been designated an expert witness. To the extent Mr. Pedowitz has testified regarding customary practices within the television industry, Plaintiffs' objections are sustained. On the other hand, Mr. Pedowitz has testified to his extended career at ABC and may certainly testify as to standard practices at ABC. Plaintiffs' objections to testimony regarding practices at ABC are hereby overruled.

2. Tom Malanga Declaration

Plaintiffs object to the portion of Mr. Malanga's declaration opining that "from the standpoint of the executive producer fees component of the Rights Agreement, Celador Productions is far better off during the network run than it is during first run syndication." (Malanga Decl. ¶ 5.) The Court has reviewed Defendants' objection and the corresponding evidence, but does not find the evidence to be necessary to the Court's disposition of the underlying motion.

F. Defendants' Objections to Plaintiffs' Evidence in Support of Plaintiffs' Motion for Summary Judgment Re Implied Covenant of Good Faith

1. Richard Marks expert report and supplemental report—OVERRULED

***4** Defendants reiterate their objection to several statements within Mr. Marks' reports as constituting inadmissible legal opinions. These statements pertain to Mr. Marks' interpretation of the Rights Agreement at issue. The Court has previously determined that Mr. Marks "is certainly well qualified to examine the parties' contracts and determine their legal effect and consequences. Any challenges to his conclusions go to the weight to be given his testimony, not its admissibility." (Order dated February 13, 2009.) Defendants' objections are overruled.

2. Paul Smith Declaration—OVERRULED

Defendants object to several portions of Mr. Smith's declaration. First, Defendants' object to Mr. Smith's declaration that the Series comprised a list of "elements." Defendants assert the use of the word "elements" denotes a legal analysis regarding the elements of his work that may be copyrighted. The Court does not find Mr. Smith's use of the word "elements" to be improper legal analysis. Defendants' objection to use of the word "elements" is overruled. Second, Defendants object to Mr. Smith's statement that music rights were not granted to Defendants under the Rights Agreement. The Court has reviewed Defendants' objection and the corresponding evidence, but does not find the evidence to be necessary to the Court's disposition of the underlying motion.

G. Defendants' Objections to Plaintiffs' Evidence in Support of Plaintiffs' Motion for Summary Judgment Re Merchandising Revenues

1. Richard Marks expert report and supplemental report—OVERRULED

Defendants reiterate their objection to several statements within Mr. Marks' reports as constituting inadmissible legal opinions. These statements pertain to Mr. Marks' interpretation of the Rights Agreement at issue. The Court has previously determined that Mr. Marks "is certainly well qualified to examine the parties' contracts and determine their legal effect and consequences. Any challenges to his conclusions go to the weight to be given his testimony, not its admissibility." (Order dated February 13, 2009.) Defendants' objections are overruled.

II. FACTUAL BACKGROUND AND PROCEDURAL HISTORY

This case arises out of a contract between Plaintiffs Celador International, Ltd. ("Celador") and Paul Smith ("Smith"), on the one hand, and Defendants American Broadcasting Companies, Inc. ("ABC") and Buena Vista Television ("BVT"), on the other hand. (Martin D. Katz Decl. in Support of Defendants' Motion for Summary Judgment on Plaintiffs' Breach of Contract Claim, Ex. 1, hereinafter, "Rights Agreement").

A. Undisputed Facts

The parties do not dispute the following background facts: Plaintiffs are the creators of the television game show series, "Who Wants to Be a Millionare" (hereinafter, the "Series" or "Millionaire"), which initially aired in the United Kingdom. After the Series experienced success in the United Kingdom, Plaintiffs sought to expand its audience to North America. Meanwhile, Michael Davies, the Executive Vice President for Alternate Programming at ABC, viewed the U.K. Series and developed an interest in bringing the Series to ABC. Plaintiffs enlisted the William Morris Agency ("WMA") to serve as their representative during negotiations. On December 1, 1998 (revised March 5, 1999), Plaintiffs entered into the Rights Agreement with ABC and BVT. ABC and BVT are both subsidiaries and affiliates of Defendant The Walt Disney Company ("Disney").

***5** The Rights Agreement granted to "ABC/BVT" the option to acquire all rights to the Series for the North American Territory, and upon exercise of the option, ABC/BVT shall own "the exclusive rights throughout the Territory ... in perpetuity, to the Property ... and all rights to distribute and exploit all programs and adaptations of the Property." (Rights Agreement ¶ 2.) In exchange, Celador was to receive: (1) a pre-determined and fixed "Rights/Executive Producer Fee" for each episode of the Series produced, and (2) fifty percent (50%) of Defined Contingent Compensation ("DCC"), which is defined as BVT's revenues from exploitation of the Series minus certain fees, costs, and expenses. (Rights Agreement ¶ 3 & Ex. B.) The Agreement also provides that the Series may be produced by ABC/BVT, an entity affiliated with ABC/BVT, or a third party, and that ABC/BVT has the right to assign its rights under the Agreement to any assignee for the purposes of production and exploitation of the Series. (Rights Agreement ¶¶ 2, 10.)

Subsequently, ABC assigned all its rights in the Series to BVT. BVT then licensed back to ABC the right to broadcast the Series on network television. As a result, the assignment and license back transactions distributed the network broadcast rights to ABC, and the remaining rights, including syndication and merchandising rights, were distributed to BVT. (Harris Decl. in Support of Plaintiffs' Motion for Partial Summary Judgment Re Implied Covenant of Good Faith, Exs. E, G.) ABC/BVT assigned the actual production duties for the show to Valleycrest Productions Ltd. ("Valleycrest"), a fellow subsidiary of Disney. On August 16, 1999, the Series debuted on the ABC Network on prime-time television.

In April and September of 2001, Defendant Walt Disney World Co. ("World Co.") opened Who Wants To Be A Millionaire attractions at two of its theme parks, Disney's Hollywood Studios, and Disney's California Adventure. These attractions replicated the game show airing on television for the theme park guests. The replicated game show also played the Millionaire music as part of its attraction, and the parties dispute whether such performance of the music was authorized.

B. Disputed Facts Submitted By Plaintiffs

Plaintiffs submit the following disputed facts: During the negotiations of the Rights Agreement, ABC/BVT implicitly represented or promised that it was the best fit for Plaintiffs and that it would aggressively develop the Series' monetary value for the mutual benefit of both parties. (Silverman Dep. at 182:11–183:3, 193:3–7, 331:16–21.) Furthermore, by contracting to allow the Series to be produced on any network or any other television media, the parties intended that the licensing fee would be negotiated at an "arm's-length price," and for fair market value. (Rierson Dep. at 267:220271:2; Gregson Dep. at 113:12–114:13, 228:7–229:1, 230:20–231:6.) The Rights Agreement also provides that Paul Smith, President of Celador and creator of Millionaire, shall have meaningful consultation rights. (Rights Agreement ¶ 9.) As a result of Mr. Smith's close involvement with the production of the Series, the parties acted as if they formed a partnership or a joint venture in which Mr. Smith acquired a number of approval rights. (Smith Dep. at 55:22, 56:23–57:7, 57:10–13, 57:25–58:23.)

***6** After finalizing the Rights Agreement, ABC assigned its rights to the Series to BVT. More important, ABC acquired the license of the network broadcasting rights at an unreasonable licensing fee. (Harris Decl. in Support of Plaintiffs' Motion for Partial Summary Judgment Re Implied Covenant of Good Faith, Ex. G.) Specifically, the licensing fee figures were chosen because they are equivalent to the cost of producing each episode. As a consequence, BVT would never generate a profit from licensing the network broadcast rights to ABC.

The broadcast of the Series on the ABC network experienced enormous and immediate success in North America. Eventually, ABC's entire prime-time schedule revolved around the Series. It is the custom and practice in the entertainment industry to renegotiate higher licensing fees when a show is highly successful. (Richard Marks Decl., Expert Report ¶ 11.) Nevertheless, Defendants never renegotiated a higher licensing fee for the Series. In September 1999, Mort Marcus, President of BVT, expressed interest in distributing the Series for syndication, which would have begun generating income for BVT. Despite Mr. Marcus' request, Disney rejected the syndication proposal at that time. (Harris Decl. in Support of Plaintiffs Opposition to Defendants' Motion for Summary Judgment of Plaintiffs' Extra–Contractual Claims, Exs. P, Q.)

C. Disputed Facts Submitted by Defendants

Defendants submit the following disputed facts: During the negotiations of the Rights Agreement, Defendants' representations that it was the best fit for the Series were either true, or were mere statements of "puffery" to generate "heat" for the deal. (Davies Dep. at 47:18–48:17, 92:5–93:21, 102:11–106:13, 281:8–288:18, 291:3–10; Rierson Dep. at 116:18–24, 139:9–140:10.) At the time of contracting, all parties to the Agreement were well aware that ABC/BVT would perform its assignment and license back transactions, and that a licensing fee equal to the cost of production is standard practice for ABC. (Lipstone Dep. at 52:19–53:8, 60:561:12, 146:1–147:19; Pedowitz Decl. ¶¶ 11–14.) Though the Rights Agreement provides Paul Smith with meaningful consultation rights, the Agreement expressly states that "ABC/BVT shall control all business and creative decisions with respect to the Pilot and Series." (Rights Agreement ¶ 9.) In addition, there is no evidence that both parties recognized or conducted their relationship as a partnership or joint venture.

The Rights Agreement provides that ABC/BVT shall acquire all rights to the Series in perpetuity. In accordance with this provision, ABC/BVT properly structured its assignment and license back transactions to mirror the perpetual grant of rights. The perpetual license back to ABC was therefore appropriate and did not require ABC/BVT to renegotiate the network licensing fee after the Series' purported success. (Pedowitz Decl. ¶ 12.) As a final matter, though Disney rejected BVT's proposal to distribute the Series for syndication in September 1999, Disney did so for a legitimate business purpose. (Harris Decl. in Support of Plaintiffs Opposition to Defendants' Motion for Summary Judgment of Plaintiffs' Extra–Contractual Claims, Exs. P, Q.)

D. Procedural History

***7** On May 19, 2004, Plaintiffs filed suit in this Court, alleging: (1) breach of contract; (2) breach of the covenant of good faith and fair dealing; (3) tortious interference with contract; (4) breach of fiduciary duty; (5) fraudulent inducement; (6) constructive fraud; (7) unfair competition under California Business and Professions Code § 17200; (8) an accounting; (9) copyright infringement; and (10) declaratory relief. Defendants have since filed two Motions to Dismiss. On November 23, 2004, the Court granted in part Defendants' first motion, and dismissed Plaintiffs' fifth claim for fraudulent inducement and tenth claim for declaratory relief with leave to amend. Plaintiffs thereafter filed a Second Amended Complaint ("SAC") with an amended fraudulent inducement claim. Defendants moved to dismiss the amended fraud claim, and the Court denied the motion in an Order dated January 28, 2005.

Plaintiffs and Defendants now move for summary judgment of various claims through their combined five Motions for Summary Judgment.

III. LEGAL STANDARD

Summary judgment is appropriate if there is no genuine issue of material fact and the moving party is entitled to judgment as a matter of law. Fed.R.Civ.P. 56(c). The moving party bears the initial responsibility of informing the court of the basis of its motion, and identifying those portions of " 'pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any,' which it believes demonstrate the absence of a genuine issue of material fact." *Celotex Corp. v. Catrett,* 477 U.S. 317, 323, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986) (quoting Fed.R.Civ.P. 56(c)). Where the nonmoving party will have the burden of proof at trial, the movant can prevail merely by pointing out that there is an absence of evidence to support the nonmoving party's case. *See id.; see also* *Nissan Fire & Marine Ins. Co. v. Fritz Cos.,* 210 F.3d 1099, 1106 (9th Cir.2000) ("In order to carry its burden of production, the moving party must either produce evidence negating an essential element of the nonmoving party's claim or defense or show that the nonmoving party does not have enough evidence of an essential element to carry its burden of persuasion at trial."). If the moving party meets its initial burden, the nonmoving party must then set forth, by affidavit or as otherwise provided in Rule 56, "specific facts showing that there is a genuine issue for trial." Fed.R.Civ.P. 56(e); *Anderson v. Liberty Lobby, Inc.,* 477 U.S. 242, 250, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986).

The substantive law governing a claim determines whether a fact is material. *T.W. Elec. Serv. v. Pac. Elec. Contractors Ass'n,* 809 F.2d 626, 630 (9th Cir.1987); *see also* *Long v. County of Los Angeles,* 442 F.3d 1178, 1185 (9th Cir.2006) ("Material facts are those which may affect the outcome of the case.") (internal citations omitted). In judging evidence at the summary judgment stage, the Court does not make credibility determinations or weigh conflicting evidence and draws all reasonable inferences in the light most favorable to the nonmoving party. *T.W. Elec. Serv.,* 809 F.2d at 630–31; *see also* *Brookside Assocs. v. Rifkin,* 49 F.3d 490, 492–93 (9th Cir.1995). The evidence presented by the parties must be admissible. Fed.R.Civ.P. 56(e). Mere disagreement or the bald assertion that a genuine issue of material fact exists does not preclude the use of summary judgment. *Harper v. Wallingford,* 877 F.2d 728, 731 (9th Cir.1989).

IV. DISCUSSION

***8** The parties have filed the following five motions for summary judgment, which will be discussed in turn: (1) Defendants' Motion for Partial Summary Judgment on Plaintiffs' Breach of Contract Claim; (2) Defendants' Motion for Partial Summary Judgment Re Plaintiffs' Extra–Contractual Claims; (3) Defendants' Motion for Summary Judgment on Lusam Music Ltd.'s Copyright Infringement Claim; (4) Plaintiffs' Motion for Partial Summary Judgment Re Implied Covenant of Good Faith and Fair Dealing; and (5) Plaintiffs' Motion for Partial Summary Judgment Re Merchandising Revenues.

A. Breach of Contract Claim

Defendants move for partial summary judgment of Plaintiffs' first claim for relief for breach of contract. Specifically, Defendants move for summary judgment with respect to the following parts of Plaintiffs' breach of contract claim: [2]

(a) Defendants entered into agreements with affiliated entities on terms that are not fair and reasonable and do not represent arms-length prices;

(b) Defendants permitted affiliated entities to become delinquent in their obligations to make payments in connection with the production and distribution of the Series; [3]

(c) Defendants failed and refused to provide documentation requested by Celador to substantiate that the terms of their dealing and agreements with affiliated entities are fair and reasonable and represent arms-length prices;

...

(e) Contrary to the custom and practice in the entertainment industry, BVT failed to renegotiate ABC's per-episode license fee in view of the Series' enormous success.

...

(Second Amended Complaint "SAC" ¶ 62.) Defendants contend they are entitled to summary judgment, because the Rights Agreement neither governs nor prohibits the conduct alleged to have resulted in a breach; and because Defendants' failure to provide documentation is not actionable, it did not give rise to any damages.

Defendants point to the following provisions of the Rights Agreement permitting Defendants's conduct:

The Series may be produced, at ABC/BVT's discretion, by BVT, ABC, an entity affiliated with BVT or ABC, or a third party.... If ABC/BVT exercises the Option as set forth in paragraph 1.B. above, then ABC/BVT shall own, subject to Owner's rights of reversion as set forth in paragraph 4 below, the exclusive rights throughout the Territory ... in perpetuity, to the Property ... and all rights to distribute and exploit all programs and adaptations of the Property. (Rights Agreement ¶ 2.)

Artist and Owner acknowledge that the fixed compensation provided to be paid hereunder is by itself fair, reasonable and sufficient compensation for all services rendered by Artist and Owner hereunder and for all rights granted to ABC/BVT by Artist and Owner hereunder whether or not any Contingent Compensation under subparagraph 3.B. ever becomes payable by ABC/BVT hereunder.

(Rights Agreement ¶ 3.C.)

ABC/BVT shall control all business and creative decisions with respect to the Pilot and Series. (Rights Agreement ¶ 9.)

***9** ABC/BVT has the right to assign this Agreement in whole or in part (including but not limited to the right to utilize and exploit the results and proceeds of the services of Owner and Artist hereunder) to any assignee for purposes of production and exploitation of any Property/Pilot/Series.... Without limitation of the foregoing, ABC may freely assign any project hereunder to BVT, and vice versa, at any time. (Rights Agreement ¶ 10.)

It is understood and agreed that ABC/BVT shall have no obligation to produce, complete, release, distribute, advertise or exploit any program, and Owner releases ABC/BVT from any liability for any loss or damage Owner may suffer by reason of ABC/BVT's failure to produce, complete, release, distribute, advertise, or exploit any of such program." (Rights Agreement, Ex. A ¶ 7.)

Excluding the allegation concerning the failure to provide documentation, Defendants assert that these contractual provisions expressly permit the conduct about which Plaintiffs complain. On the other hand, Plaintiffs contend that the Rights Agreement is not exhaustive of the terms contemplated by the parties. Rather, the parties' representations and conduct in the course of negotiating the agreement resulted in additional implied-in-fact terms. The implied terms required Defendants to negotiate a fair market value for the network license for the Series, and to maximize profits for the mutual benefit of Celador and Defendants. Whether extrinsic evidence of such terms may be considered in addition to an existing written agreement requires application of the parol evidence rule.

In undertaking contract interpretation, "the intention of the parties as expressed in the contract is the source of contractual rights and duties. A court must ascertain and give effect to this intention by determining what the parties meant by the words they used. Accordingly, the exclusion of relevant, extrinsic evidence to explain the meaning of a written instrument could be justified only if it were feasible to determine the meaning the parties gave to the words from the instrument alone." *Pacific Gas & Elec. Co. v. G.W. Thomas Drayage & Rigging Co.,* 69 Cal.2d 33, 38, 69 Cal.Rptr. 561, 442 P.2d 641 (1968). On the other hand, courts should be mindful not to rewrite the parties' agreement to include a concept they failed to enunciate at the time they accepted the terms of their agreement. *Edwards v. Comstock Insurance Co.,* 205 Cal.App.3d, 1164, 1167–69, 252 Cal.Rptr. 807 (1988).

Parol evidence is to be excluded if it directly contradicts the terms of a written agreement. *Masterson v. Sine,* 68 Cal.2d 222, 227, 65 Cal.Rptr. 545, 436 P.2d 561 (1968). However, "[t]he fact that the terms of an instrument appear clear to a judge does not preclude the possibility that the parties chose the language of the instrument to express different terms. That possibility is not limited to contracts whose terms have acquired a particular meaning by trade usage, but exists whenever the parties' understanding of the words used may have differed from the judge's understanding." *Pacific Gas & Elec. Co. v. G.W. Thomas Drayage & Rigging Co.,* 69 Cal.2d 33, 39, 69 Cal.Rptr. 561, 442 P.2d 641 (1968). Courts must therefore first consider whether express terms of a written agreement are ambiguous or susceptible to a secondary meaning, and may consider all credible evidence offered to prove the intention of the parties. *Id.* at 39–40, 69 Cal.Rptr. 561, 442 P.2d 641. Determination of whether ambiguity exists presents a question of law. *Teachers' Ass'n v. Governing Bd. Of the Hilmar Unified Sch. Dist.,* 95 Cal.App. 4th 193, 188 (2002).

***10** Once the court provisionally receives all credible evidence concerning the parties' intentions to determine ambiguity, and determines that the contractual language is "reasonably susceptible" to an interpretation urged by a party, extrinsic evidence may be admitted to aid in contract interpretation. *Winet v. Price,* 4 Cal.App.4th, 1159, 1165, 6 Cal.Rptr.2d 554 (1992). Where extrinsic evidence concerning the meanings of writings has been properly admitted and the evidence is in conflict, and thus requires resolution of credibility issues, the ultimate construction of the agreement is a question of fact. *See id.* at 1166, 6 Cal.Rptr.2d 554; *Stratton v. First Nat. Life Ins. Co.,* 210 Cal.App.3d 1071, 1084, 258 Cal.Rptr. 721 (1989).

Furthermore, "[e]vidence of oral collateral agreements should be excluded only when the fact finder is likely to be misled." *Masterson v. Sine,* 68 Cal.2d 222, 227 & n. 1, 65 Cal.Rptr. 545, 436 P.2d 561 (1968) ("If the court believes that the parties intended a collateral agreement to be effective, there is no reason to keep the evidence from the jury."). Parol evidence of collateral agreements or additional terms is also properly considered where the written instrument was not intended by the parties to be a complete integration of the terms of the transaction. In other words, "parol evidence cannot be used to vary the terms of a completely integrated agreement." *Masterson v. Sine,* 68 Cal.2d 222, 228–29 & n. 3, 65 Cal.Rptr. 545, 436 P.2d 561 (1968) ("The option clause in the deed in the present case does not explicitly provide that it contains the complete agreement, and the deed is silent on the question of assignability.... This case is one, therefore, in which it can be said that a collateral agreement such as that alleged 'might naturally be made as a separate agreement.' A fortiori, the case is not one in which the parties 'would certainly' have included the collateral agreement in the deed.").

Here, neither party has directed the Court's attention to any form of integration clause contained in the Rights Agreement, nor has the Court found one.[4] To the contrary, Exhibit A to the Agreement, entitled "Standard Terms and Conditions," which is incorporated by reference pursuant to paragraph 16, states:

> Subject to good faith negotiation, the above terms and such other incidental and ancillary provisions as are customary in more formal agreements of this type with ABC/BVT (e.g., relating to suspension and termination due to disability and default; equitable relief, no right to rescission or injunction by Owner or Artist, severability, etc.) which are incorporated herein by reference, will constitute a binding agreement between the parties.
>
> (Rights Agreement, Ex. A ¶ 11.) As set forth in Exhibit A, the parties specifically contemplated that other incidental and ancillary provisions could be incorporated into their agreement. As in *Masterson v. Sine,* the Rights Agreement is silent with respect to a number of issues, including whether ABC/BVT had a duty to seek fair market value for the network licensing fee or to otherwise maximize profits for both Defendants and Celador. The Court therefore finds the Rights Agreement to be subject to supplementation by extrinsic evidence regarding consistent, additional terms.

***11** Furthermore, the extrinsic evidence Plaintiffs offer to advance their position regarding implied-in-fact terms does not contradict the express terms of the Rights Agreement.[5] Though Defendants point to several provisions of the Agreement that undoubtedly grant ABC/BVT broad discretion and control over the production of the Series, and permit ABC/BVT to freely assign the rights acquired under the Agreement, these provisions do not address the specific duties Plaintiffs allege were implicitly promised to them. In other words, the Rights Agreement fails to unambiguously set forth ABC/BVT's lack of any duty to maximize profits. For example, the Agreement states that ABC/BVT has no obligation to produce or otherwise exploit the rights acquired from Plaintiffs. (Rights Agreement, Ex. A ¶ 7.) However, the Agreement fails to specify whether ABC/BVT must seek fair market value for the network licensing fee if it does decide to produce the Series. The Court therefore finds that the express terms of the Rights Agreement are not inconsistent with the parol evidence and implied-in-fact terms advanced by Plaintiffs. [6]

Not surprisingly, the extrinsic evidence Plaintiffs offer to support their claim for additional implied-in-fact terms is heavily disputed by Defendants. For example, Defendants contend that all parties to the Rights Agreement understood that the network licensing fee for the Series would not be negotiated with a third party unaffiliated with ABC/BVT:

Q. Okay. So [is] it fair to say, though, that when you and Greg Lipstone spoke to Lee Rierson about the arm's length issue, that you and Mr. Lipstone were expressing to Mr. Rierson your concern as representatives of Celador to how the agreement would operate if BVT entered into an agreement with an affiliated company?

A. I think that's a fair assumption.

Q. Okay. And Mr. Rierson then sends language that he's willing to have put in the agreement that would address affiliated transactions. Correct?

A. That's very plausible, yes.

Q. And the Celador side decides to not have in the agreement the language that Mr. Rierson was offering to provide as protection for Celador for that scenario, that is, a scenario where ABC/BVT enter into an affiliated transaction. Correct?

A. Correct.

(Angela Petillo Cuneo Dep. at 126:3–20.) The Court therefore finds a genuine issue of material fact exists in connection with parts (a) and (e) of Plaintiffs' breach of contract claim. Defendants' Motion for Summary Judgment of these parts is hereby DENIED.

Defendants also move for summary judgment of part (c) of Plaintiffs' breach of contract claim. Defendants assert that Plaintiffs cannot demonstrate that they have been damaged as a result of Defendants' failure to provide certain documentation, as required by the Rights Agreement. Plaintiffs contend that "Celador cannot calculate the actual damages caused by Defendants' failure to properly account and pay Celador its share of profits because of Defendants' continuing misconduct of withholding various documents and information." (Opp'n at 24.) Plaintiffs have submitted evidence showing that Defendants were required to reverse certain deductions that were previously made without Plaintiffs' knowledge, due to Plaintiffs' inability to access Defendants' records. (Gazica Dep. at 166:3–15, 275:49.) According to Plaintiffs' audit reports, Plaintiffs believe there were additional deductions that are improper. (Harris Decl., Exs. AA, BB.) [7] Plaintiffs have therefore demonstrated that Defendants' failure to provide documentation may have caused damages to Plaintiffs. Defendants' Motion for Summary Judgment of part (c) of Plaintiffs' breach of contract claim is hereby DENIED.

HB. Extra–Contractual Claims

***12** Defendants move for partial summary judgment of Plaintiffs' extra-contractual claims, including Plaintiffs' third, fourth, fifth, and sixth claims for relief. Defendants have brought their motion in the following order: (1) fifth claim for fraudulent inducement; (2) fourth claim for breach of fiduciary duty; (3) sixth claim for constructive fraud; and (4) third claim for tortious interference with contract.

1. *Fraudulent inducement*

Defendants move for summary judgment of Plaintiffs' fraudulent inducement claim, asserting that the allegedly fraudulent statements pleaded in the Complaint were either true or reasonably believed to be true, and even if untrue, would at most constitute non-actionable puffery and were not relied upon by Celador. At most, Defendants contend the statements were made in an attempt to create "heat" for the deal, and were not representations of fact or collateral promises. Plaintiffs' fraudulent inducement claim avers that Defendants' representatives, Michael Davies, Executive Vice President of ABC and/or Lee Rierson, Senior Program Attorney for ABC at the time, represented the following to Plaintiffs: (i) that ABC was the only network that could guarantee production of the Series; (ii) that ABC/BVT was the perfect home for the Series; (iii) that contracting directly with the network would be the "cleanest" relationship for Plaintiffs; and (iv) that Disney was the best studio to establish a valuable franchise for the Series to the mutual benefit of Plaintiffs and Disney. [8] (Second Am. Compl. ¶ 89.)

The elements of fraud and deceit are: (1) misrepresentation; (2) knowledge of falsity; (3) intent to defraud; (4) justifiable reliance; and (5) resulting damages. 5 Witkin, *Summary of Cal. Law* (9th ed. 1988) Torts, § 676, pp. 778–79. In general, assertions that a particular product is the "best" or speculative statements about possible profits are non-actionable opinions ("puffing"), and a party is not entitled to rely upon them. 5

Witkin, *Summary of Cal. Law* (9th ed. 1988) Torts, § 676–677, pp. 779–80. "Puffery" has been described as "making generalized or exaggerated statements such that a reasonable consumer would not interpret the statement as a factual claim upon which he or she could rely". *Glen Holly Entm't, Inc. v. Tektronix, Inc.,* 100 F.Supp.2d 1086, 1096–97 (C.D.Cal.1999) (citing *In re All Terrain Vehicle Litigation,* 771 F.Supp. 1057, 1060 (C.D.Cal.1991); *Wenger v. Lumisys, Inc.,* 2 F.Supp.2d 1231, 1247 (N.D.Cal.1998) (holding vague statements of opinion are not actionable because they are considered immaterial and discounted by the market as mere "puffing").

Defendants point to deposition testimony from Michael Davies and Lee Rierson indicating that they don't recall whether they made the statements alleged in Plaintiffs' Complaint, and from what they recall, they merely pitched to Plaintiffs how ABC was uniquely positioned and most capable of getting the Series on the air. (Davies Dep. at 102:11–106:13, 281:8–288:18, 291:3–10; Rierson Dep. at 116:18–24, 139:9–140:10.) Mr. Davies also testified that he believed and still believes that ABC and its affiliated entities were the best choice for the Series. (Davies Dep. at 47:1848:17, 92:5–93:21, 102:11–103:12.)

***13** On the other hand, Plaintiffs submit the deposition testimony of Benjamin Silverman of the William Morris Agency, who represented Celador in its negotiations with ABC. Mr. Silverman testified that Michael Davies was "trying to sell ABC as the perfect home," and that "Michael in his sale of ABC as the cleanest relationship, purest relationship was talking about creative, but was also intimating that it would enable Celador to make more money because there would be less partners." (Silverman Dep. at 182:11–183:3, 193:3–7.) Mr. Silverman also testified Michael Davies told him that "Disney would go aggressively to monetize the intellectual property and brand WHO WANTS TO BE A MILLIONAIRE on behalf of everybody involved." (Silverman Dep. at 331:16–21.)

The Court finds Mr. Silverman's testimony to be sufficient to create a triable issue of fact as to whether the allegedly fraudulent statements were made. At a minimum, there is evidentiary support for the statement that "Disney was the best studio to establish a valuable franchise for the Series to the mutual benefit of Plaintiffs and Disney." As the Court previously determined, "[a]n implied misrepresentation *or promise* can serve as the basis for fraud under California law." (Order dated January 28, 2005 at 6–7) (citing *Engalla v. Permanente Medical Group,* 15 Cal.4th 951, 974, 64 Cal.Rptr.2d 843, 938 P.2d 903 (1997) (implied promise to exercise good faith to have arbitrators appointed within specified time); *Randi W. v. Muroc Joint Unified School District,* 14 Cal.4th 1066, 1084, 60 Cal.Rptr.2d 263, 929 P.2d 582 (1997) (implied representation that vice principal was fit to interact appropriately with students); *Locke v. Warner Bros.,* 57 Cal.App.4th 354, 367, 66 Cal.Rptr.2d 921 (1997) (finding that because trial court erred in concluding that defendant did not breach any implied promises, it erred in concluding that a claim for promissory fraud could not survive); *Thrifty–Tel, Inc. v. Myron Bezenek,* 46 Cal.App.4th 1559, 1567, 54 Cal.Rptr.2d 468 (1996) (stating that misrepresentation can be implied by conduct); *Tonkin Construction Co. v. County of Humboldt,* 188 Cal.App.3d 828, 233 Cal.Rptr. 587 (1987) (holding defendant liable for misrepresentation based on implied promise in contract)).

The statement that Disney would aggressively monetize the intellectual property on behalf of everybody involved, if found to be credible, can properly be characterized as an implied promise that Disney would aggressively deliver Celador its share of the profits. This is not merely a statement of opinion that courts have characterized as "dealer's talk" or "puffing." *Cf. Schonfeld v. City of Vallejo,* 50 Cal.App.3d 401, 412, 123 Cal.Rptr. 669 (1975) (finding lessor's statements that the marina was a "first class harbor" and "the best berthing facility in Northern California" to be non-actionable statements of opinion), *disapproved of on other grounds by Morehart v. County of Santa Barbara,* 7 Cal.4th 725, 736–743, 29 Cal.Rptr.2d 804, 872 P.2d 143 (1994); *Glen Holly Entm't, Inc. v. Tektronix, Inc.,* 100 F.Supp.2d 1086, 1096–97 (C.D.Cal.1999). In Glen Holly, the court found Tektronix's representations that " 'high priority' development of a number of different products 'would be pursued full tilt,' " that Tektronix had developed technology "superior to Avid's," and that Tektronix had " 'implemented an aggressive program' ... to promote the Lightworks system," were statements of puffery and non-actionable. On the other hand, the court found the statement that "Tektronix was in a position to deliver 24–frame software for the V.I.P. editing system no later than September 1, 1998" to be an actionable assertion of fraud, as it was a specific statement directed at something within Tektronix' control. Similarly, Defendants' statement regarding aggressive monetization can be characterized as a specific promise directed at something within Defendants' control.

***14** More important, "[h]ow a statement that forms the basis of fraud should be interpreted is a question of fact," and "[w]hether Plaintiffs' interpretation is reasonable is a question of fact." (Order dated January 28, 2005 at 7–8.) It is therefore a question of fact whether the alleged statements were made only in the context of "generating heat." For these reasons, Defendants' Motion for Summary Judgment of Plaintiffs' fifth claim for fraudulent inducement is hereby DENIED.

2. *Breach of fiduciary duty*

Defendants move for summary judgment of Plaintiffs' fourth claim for breach of fiduciary duty, asserting that Plaintiffs have failed to demonstrate that a joint venture existed by virtue of the conduct of the parties. Defendants reference the Court's previous Order, which concluded that "a relationship short of a joint venture is not sufficient to sustain Plaintiffs' claim for breach of fiduciary." (Order dated November 23, 2004 at 10.) The Court rejected Plaintiffs' other bases for a fiduciary relationship, including Defendants' duty to account for profits, Plaintiffs' retention of reversion rights, and the joint interest in profits or accrual of profits. (*Id.*) Nonetheless, the Court denied Defendants' motion to dismiss the fiduciary duty claim due to Plaintiffs' allegation that their relationship with Defendants was "akin to a joint venture." (*Id.*) (citing Compl. ¶ 33.)

The existence of a joint venture gives rise to a fiduciary or confidential relationship. *Wolf v. Superior Court,* 107 Cal.App.4th 25, 30, 130 Cal.Rptr.2d 860 (2003); *Nelson v. Abraham,* 29 Cal.2d 745, 750, 177 P.2d 931 (1947). A joint venture is "an undertaking by two or more persons jointly to carry out a single business enterprise for profit." *April Enterprises, Inc. v. KTTV,* 147 Cal.App.3d 805, 819, 195 Cal.Rptr. 421 (1983). The necessary elements for its creation are: (1) a joint interest in a common business; (2) an understanding to share profits and losses; and (3) a right to joint control. *Id.* Whether a joint venture exists is a question of fact, as "the parties may create a joint venture despite an express declaration to the contrary." *April Enterprises,* 147 Cal.App.3d at 820, 195 Cal.Rptr. 421; *Nelson,* 29 Cal.2d at 750, 177 P.2d 931.

Here, the Rights Agreement between Plaintiffs and Defendants expressly precludes any joint venture relationship:

> Nothing herein contained shall constitute or give rise to a partnership between, or joint venture of, the parties hereto or constitute either party the agent of the other. Neither party shall hold itself out contrary to the terms of this paragraph, and neither party shall become liable for the representation, act or omission of the other contrary to the provisions thereof.

(Rights Agreement ¶ 15.) The Agreement further provides:

> ABC/BVT shall control all business and creative decisions with respect to the Pilot and Series. Notwithstanding the foregoing, Artist shall have meaningful consultation rights, as requested by Artist, in connection with creative matters relating to production of the Pilot and Series, subject to production exigencies and subject to Artist's availability.

***15** (Rights Agreement ¶ 9.)

Plaintiffs attempt to rebut these contractual provisions with testimony that Paul Smith, Celador's Chairman and co-creator of the Series, viewed the parties' relationship as a partnership and that he exercised meaningful consultation and approval rights. Mr. Smith testified that "[w]e were going to be partners" and co-executive producers, who would be jointly responsible for the show, and would share the profits equally. (Smith Dep. at 55:22, 56:23–57:7.) Mr. Smith also pointed out that "at the end [of each show] there are two end boards on 'Who Wants To Be A Millionaire.' One of them says Valley Crest and the other says Celador Productions, or Celador." (Smith Dep. at 57:10–13.) With respect to consultation and approval rights, Mr. Smith testified:

A. Quite specifically, I remember the first day we were in the studio in New York and Michael Davies stood up in front of the entire production team and said ... "This is the most perfect show that has ever existed. This guy is in charge. What he says to every one of you, you do. You don't vary from what he says." Now, that is a fact. That is an approximation of those words. In any situation where there have been any changes ever made to the show or proposed changes I have been consulted. In some cases I have approved them or I have modified them or in some cases I have said that I don't believe it should take place, and they have not.

Q. Is it your recollection that there is not a single aspect of the creative side of the show that you have not approved?

A. I am pretty confident that that is the case, yes.

Q. So is it fair to say that insofar as you are concerned ABC and BVT have lived up to the obligation to give you meaningful consultation with respect to creative aspects of the show, correct?

A. Most certainly.

(Smith Dep. at 57:25–58:23.)

The Court finds Mr. Smith's testimony regarding the conduct of the parties to be consistent with the terms of the Rights Agreement. Mr. Smith, as the Artist, maintained meaningful consultation rights, and was granted control over creative aspects of the Series. Production crew members were instructed to comply with his orders, and changes to the show required his approval. However, Mr. Smith's testimony demonstrates that his control was limited to the creative aspects of the show. His personal belief that the parties had entered a partnership is not evidence that Mr. Smith or Celador controlled any business decisions. As a result, there is no evidence that Plaintiffs controlled any business decisions with respect to the Series. Having joint control of the business decisions would likely have given Plaintiffs some control over how the network licensing fee was to be determined, and whether it should have been renegotiated. To the contrary, the Rights Agreement expressly vests control of all business decisions with ABC/BVT, and expressly forecloses a joint venture or partnership relationship. The Court finds no evidence of a fiduciary duty or confidential relationship between the parties. For these reasons, Defendants' Motion for Summary Judgment of Plaintiffs' fourth claim for breach of fiduciary duty is hereby GRANTED.

3. *Constructive fraud*

***16** The parties have jointly recognized that the viability of Plaintiffs' sixth claim for constructive fraud is directly linked to the same issue discussed in Plaintiffs' fourth claim for breach of fiduciary duty—whether a fiduciary duty or confidential relationship exists. As the Court has found no such duty or relationship, Defendants' Motion for Summary Judgment of Plaintiffs' sixth claim for constructive fraud is hereby GRANTED.

4. *Tortious interference with contract*

Defendants move for summary judgment of Plaintiffs' third claim for tortious interference with contract, asserting that there is no evidence of such interference.

"To recover in tort for intentional interference with the performance of a contract, a plaintiff must prove: (1) a valid contract between plaintiff and another party; (2) defendant's knowledge of the contract; (3) defendant's intentional acts designed to induce a breach or disruption of the contractual relationship; (4) actual breach or disruption of the contractual relationship; and (5) resulting damage." *Applied Equipment Corp. v. Litton Saudi Arabia Ltd.,* 7 Cal.4th 503, 514 n. 5, 28 Cal.Rptr.2d 475, 869 P.2d 454 (1994).

" 'One who has a financial interest in the business of another is privileged purposely to cause him not to enter into or continue a relation with a third person in that business if the actor [¶] (a) does not employ improper means, and [¶] (b) acts to protect his interest from being prejudiced by the relation.' (Rest., Torts, § 769.) The financial interest privileged under this provision is an interest in the nature of an investment, i.e., interest of a part owner, partner, stockholder and the like." *Sade Shoe Co. v. Oschin & Snyder,* 162 Cal.App.3d 1174, 1181, 209 Cal.Rptr. 124 (1984). Interference by a parent corporation with the contractual relations between a subsidiary and a third party is covered by section 769 of the Restatement, but this privilege is not absolute, and depends upon the circumstances giving rise to the interference. *Culcal Stylco, Inc. v. Vornado, Inc.,* 26 Cal.App.3d 879, 882–883, 103 Cal.Rptr. 419 (1972). "It is essentially a state-of-mind privilege and therefore its existence cannot normally be satisfactorily determined on the basis of pleadings alone. The resolution of the issue turns on the defendants' predominant purpose in inducing the breach of the contract." *Id.* at 883, 103 Cal.Rptr. 419 (internal citations omitted).

Here, Plaintiffs have submitted e-mail communications among top-level executives at Disney, ABC, and BVT, preventing BVT from introducing the Series to syndication. Producing the Series in syndication would have generated revenues and profits for BVT, which would have been shared with Celador, as Celador's profit participation was tied to BVT's profits at the time. As discussed above, BVT may have had a contractual duty to pursue profits for the mutual benefit of Celador and Defendants.

On September 23, 1999 and September 29, 1999, Mort Marcus, President of BVT, e-mailed Robert A. Iger, a top-level executive of Disney at the time and currently its President and CEO. In his e-mails, Mr. Marcus expressed interest in selling the rights to "Millionaire" "for a ton of money in syndication." (Marcia J. Harris Decl., Ex. Q.) On September 30, 1999, Mr. Iger replied, "it is far too early to test whether this show has enough durability to survive on both network and syndication. Since the perception created by success, or lack thereof in primetime is so enormous ... impacting our stock price and lord knows what else, let's table this whole thing for now." (Marcia J. Harris Decl., Ex. P.)

***17** As indicated in Mr. Iger's response to Mr. Marcus' inquiry, Disney may have had a legitimate business reason for denying BVT's proposal of syndication. On the other hand, Disney may have also been motivated by a desire to prevent Celador from participating in any profits generated by BVT. Whether Disney's act to prevent syndication at that time was motivated by an improper purpose is a question of fact appropriate for trial. As there is evidence that Disney intentionally interfered with the contractual relationship between BVT and Celador, Defendants' Motion for Summary Judgment of Plaintiffs' third claim for tortious interference with contract is hereby DENIED.

C. Copyright Infringement Claim

Defendants move for summary judgment of Plaintiff Lusam Music's ninth claim for copyright infringement, asserting that Defendant World Co.'s use of the Series' music and sound effects at its theme parks were authorized. [9] Defendant contends the use was authorized either through its license with the American Society of Composers, Authors and Publishers ("ASCAP"), or as part of the general Rights Agreement between Plaintiffs and Defendants. With respect to Defendants' first ground for non-infringement, it is undisputed that Lusam Music has allowed ASCAP to license non-dramatic performances of Lusam's music to others, including Defendants. (Opp'n at 6 n. 4.) Defendant has also submitted copies of the License Agreements between ASCAP and World Co., authorizing Defendant to perform at its theme parks the musical compositions contained in ASCAP's repertory for non-dramatic purposes. (David Ludwig Decl., Exs. A, B.) As explained in *Nimmer on Copyright:*

> Because ASCAP and the other performing rights societies acquire only, and in turn license only, small or nondramatic performance rights as distinguished from grand (or dramatic) performance rights, the distinction between a grand and small performance is crucial in order to determine whether a license from a performing rights society will authorize a given performance.
>
> 3 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 10.10[E] (Matthew Bender & Co.2007). Accordingly, whether Defendant's use of the music was authorized by its License Agreements with ASCAP turns on whether it performed the music in a "grand" or "dramatic" manner.

Courts have generally characterized a musical performance as grand or dramatic if: (1) a song is used to tell a story; or (2) a song is performed with dialogue, scenery, or costumes. *Gershwin v. Whole Thing Co.,* 1980 WL 1182, at *4 (C.D.Cal. March 10, 1980); *see also* *Robert Stigwood Group, Ltd. v. Sperber,* 457 F.2d 50, 55 n. 6 (2d Cir.1972) ("Professor Nimmer states that 'a performance of a musical composition is dramatic if it aids in telling a story; otherwise it is not.' "). Professor Nimmer also proposes the following test: "Delete the proposed musical performance from the production (be it stage, motion picture or television); if after such deletion the continuity or story line of the production is in no way impeded or obscured, then the proposed performance is nondramatic —otherwise it is dramatic." 3 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 10.10[E] (Matthew Bender & Co.2007).

***18** Here, Defendant has lodged a video recording of the Who Wants To Be A Millionaire theme park attraction. (DVD of "WHO WANTS TO BE A MILLIONAIRE—Play It!" contained in Notice of Lodging of Physical Evidence.) The Court has reviewed the video recording, and Plaintiffs do not dispute its accuracy. The theme park attraction essentially replicates the format and content of the game show that aired on television. Contestants are selected from an audience of theme park guests, and are placed in a "hot seat" to answer successively more difficult multiple choice questions. The Millionaire theme music is played in a similar fashion to that of the television show. For example, music and sound effects are played when introducing a new contestant, before each question is presented to the contestant, and after the contestant answers the question. It is apparent that the music acts to enhance the overall experience of the show, and to create suspense before the correct answer is revealed. However, the Court cannot conclude that the theme music aids in telling a story. If any story exists to this game show, it is the story of a single contestant trying to answer as many multiple choice questions as he or she can, as each question becomes increasingly more difficult, and offers increasingly greater rewards. Deletion of the Millionaire theme music would not impede or obscure the continuity or basic idea behind this plot.

Moreover, the License Agreements between ASCAP and Defendant sets forth additional examples of permissible uses for the ASCAP license:

> This license is limited to nondramatic performances, and does not authorize any dramatic performances. For purposes of this Agreement, a dramatic performance shall include, but not be limited to, the following:
>
> (i) performance of a "dramatico-musical work" (as hereinafter defined) in its entirety;
>
> (ii) performance of one or more musical compositions from a "dramatico-musical work" (as hereinafter defined) accompanied by dialogue, pantomine, dance, stage action, or visual representation of the work from which the music is taken;
>
> (iii) performance of one or more musical compositions as part of a story or plot, whether accompanied or unaccompanied by dialogue, pantomine, dance, stage action, or visual representation;
>
> (iv) performance of a concert version of a "dramatico-musical work" (as hereinafter defined).
>
> The term "dramatico-musical work" as used in this Agreement shall include, but not be limited to, a musical comedy, opera, play with music, revue, or ballet.

(Ludwig Decl., Exs. A & B ¶ 2(f).) The Court finds that the performance of the Millionaire music at Defendant's theme parks does not fall within any of these examples. [10]

For these reasons, the Court finds Defendant's use of the Millionaire music to have been authorized by its ASCAP License Agreements, and Defendants' Motion for Summary Judgment of Plaintiff Lusam Music's ninth claim for copyright infringement is hereby GRANTED.

D. Implied Covenant of Good Faith and Fair Dealing Claim

***19** Plaintiffs move for summary judgment of their second claim for breach of the covenant of good faith and fair dealing. Plaintiffs assert that given their contractual right to share in a portion of BVT's profits from exploitation of the Series, Defendants breached the implied covenant of good faith and fair dealing by assigning all revenues and profits derived from the network broadcast of the Series to ABC. Defendants assigned to BVT the revenues and profits derived from first-run syndication and merchandising.

"Every contract imposes upon each party a duty of good faith and fair dealing in its performance and its enforcement." *Carma Developers (Cal.), Inc. v. Marathon Development California, Inc.,* 2 Cal.4th 342, 371, 6 Cal.Rptr.2d 467, 826 P.2d 710 (1992) (quoting Rest.2d Contracts, § 205). "The covenant of good faith finds particular application in situations where one party is invested with a discretionary power affecting the rights of another. Such power must be exercised in good faith." *Id.* at 372, 6 Cal.Rptr.2d 467, 826 P.2d 710 (citing *Perdue v. Crocker National Bank,* 38 Cal.3d 913, 923, 216 Cal.Rptr. 345, 702 P.2d 503 (1985); *California Lettuce Growers Assn. v. Union Sugar Co.,* 45 Cal.2d 474, 484, 289 P.2d 785 (1955)). "The implied covenant of good faith and fair dealings forbears either party from doing anything which will injure the right of the other to receive the benefits of the agreement." *Foley v. U.S. Paving Co.,* 262 Cal.App.2d 499, 505, 68 Cal.Rptr. 780 (1968) (citing *Comunale v. Traders & General Ins. Co.,* 50 Cal.2d 654, 328 P.2d 198 (1958)).

"[I]t has been suggested the covenant has both a subjective and objective aspect—subjective good faith and objective fair dealing. A party violates the covenant if it subjectively lacks belief in the validity of its act or if its conduct is objectively unreasonable." *Id.* (citing Comment, *Reconstructing Breach of the Implied Covenant of Good Faith and Fair Dealing as a Tort* (1985) 73 Cal. L.Rev. 1291, 1303; Farnsworth, *Good Faith Performance and Commercial Reasonableness*

Under the Uniform Commercial Code (1962–1963) 30 U. Chi. L.Rev. 666). "In the case of a discretionary power, it has been suggested the covenant requires the party holding such power to exercise it 'for any purpose within the reasonable contemplation of the parties at the time of formation—to capture opportunities that were preserved upon entering the contract, interpreted objectively.' " *Id.* (quoting Burton, *Breach of Contract and the Common Law Duty to Perform in Good Faith* (1980) 94 Harv.L.Rev. 369, 373.) In other words, "under traditional contract principles, the implied covenant of good faith is read into contracts 'in order to protect the express covenants or promises of the contract, not to protect some general public policy interest not directly tied to the contract's purpose.' " *Id.* at 373, 328 P.2d 198 (quoting *Foley v. Interactive Data Corp.,* 47 Cal.3d 654, 690, 254 Cal.Rptr. 211, 765 P.2d 373 (1988)).

Here, the underlying mechanics of what occurred are not in material dispute. The Rights Agreement between Celador and ABC/BVT granted ABC/BVT the exclusive right to exploit the Series in North America, including network broadcast, syndication, and merchandising rights. [11] (Rights Agreement ¶ 2.) In return, Celador was to receive a fixed fee for each episode produced, as well as fifty percent (50%) of the Defined Contingent Compensation ("DCC"), [12] as determined by Exhibit B to the Rights Agreement. [13] (Rights Agreement ¶ 3.) Exhibit B defines DCC as those receipts remaining after certain fees, costs, and expenses are deducted from Defined Receipts. Defined Receipts are defined as those sums actually received by, or credited to, BVT from the exploitation of the Series and ancillary and subsidiary rights. Celador's 50% participation in DCC, which amounts to a form of profit-sharing, is thus tied to BVT's revenues and profits.

***20** On April 24, 1999, ABC assigned all its rights derived from the Rights Agreement to BVT, and BVT accepted such assignment. (Harris Decl., Ex. E.) On July 9, 1999, Buena Vista Productions ("BVP"), an affiliate of BVT, licensed to ABC the exclusive right to broadcast the Series on network television for the first season—1999/2000—and granted ABC the perpetual option to order and broadcast additional episodes in subsequent seasons. In return, BVP received a licensing fee of $187,500 for each 30–minute episode it produced, and $210,000 for each 60–minute episode it produced. [14] (Harris Decl., Ex. G.) In this manner, the assignment and license back transactions distributed the majority of the revenues and profits from the network broadcast of the Series to ABC. The remainder, revenues and profits from first-run syndication and merchandising, were distributed to BVT. As a result, Celador's 50% participation in DCC was limited primarily to profits derived from first-run syndication and merchandising.

Plaintiffs contend the assignment and license back transactions breach, as a matter of law, the implied covenant of good faith and fair dealing. Plaintiffs argue that the consideration received by BVT for giving up the network broadcast rights is objectively unreasonable, as the revenue stream from syndication and merchandising rights were speculative at the time, and likely to be much less significant than network advertising revenues. For example, Mort Marcus, President of BVT, testified that it was uncommon for a program to air on network television and subsequently go into first-run syndication. (Marcus Dep. at 39:18–40:3.) Similarly, it was unclear whether BVT would derive any value from its license back agreement, as syndication was "[r]olling a dice" or "a swing of the bat." (Marcus Dep. at 86:18–88:15.)

On the other hand, Defendants have submitted testimony from Greg Lipstone, an employee of William Morris Agency, who assisted with the representation of Celador during its negotiations with ABC. Mr. Lipstone testified that game shows produced for network television typically operate at an even position, such that the licensing fee would match the production costs. (Lipstone Dep. at 52:19–53:8.) Mr. Lipstone's testimony also suggests that Plaintiffs understood going into the deal that ABC and BVT would be executing their assignment and license back transactions, and that the licensing fee would equal the production costs for the Series. (Lipstone Dep. at 60:5–61:12, 146:1–147:19.) Defendants have also submitted the declaration of Mark A. Pedowitz, who supervised ABC's acquisition of the rights to the Series, and has enjoyed an extended career at ABC and Disney. Mr. Pedowitz declares that the purpose for the assignment and license back transactions were to divide the rights obtained from Celador in the customary manner in which rights are held at ABC. [15] (Pedowitz Decl. ¶¶ 9–12.) In addition, between 1996 and 2004, it was ABC's common practice and policy not to "enter into a single agreement by which it agreed to share its advertising revenues with a producer or distributor from whom it was obtaining television product." (Pedowitz Decl. ¶ 11.)

***21** Defendants have therefore submitted sufficient evidence to support their contention that a legitimate reason existed for the assignment and license back transactions, and that such transactions are common practices at ABC. The

Court cannot determine as a matter of law that Defendants' assignment and license back transactions were objectively unreasonable. *See Hicks v. E.T. Legg & Associates,* 89 Cal.App.4th 496, 509, 108 Cal.Rptr.2d 10 (2001) ("The issue of whether the implied covenant of good faith and fair dealing has been breached is ordinarily 'a question of fact unless only one inference [can] be drawn from the evidence.' ") (citing *Paulfrey v. Blue Chip Stamps,* 150 Cal.App.3d 187, 194, 197 Cal.Rptr. 501 (1983)). Plaintiffs' Motion for Partial Summary Judgment Re Implied Covenant of Good Faith and Fair Dealing is hereby DENIED.

E. Merchandising Revenues

Plaintiffs move for partial summary judgment of their claim for breach of contract directed at the alleged miscalculation of merchandising revenues. Plaintiffs argue that in calculating the amount of profits derived from merchandising, Defendants' improperly deducted certain expenses, which resulted in reduced profit-sharing for Plaintiffs.

As discussed above, Celador is entitled to receive 50% of the Defined Contingent Compensation, which is defined as those receipts remaining after certain fees, costs, and expenses are deducted from Defined Receipts. Defined Receipts is defined as all sums credited to BVT from exploitation of "the episodes of the Series and ancillary and subsidiary rights." (Rights Agreement, Ex. B.) The parties agree that ancillary and subsidiary rights include merchandising rights. (Mot. at 7 & Opp'n at 3.) Returning to Defined Contingent Compensation, it is more specifically defined as those receipts remaining from Defined Receipts after deduction, in the following order, of:

1. BVT's normal distribution fees: [including] ... Fifty Percent (50%) domestic merchandising; Sixty–Five Percent (65%) foreign mechandising ...

2. Out-of-pocket advertising, promotion and distribution expenses [directly] [16] related to the Pilot and/or Series, as defined and reported [i]n BVT's customary manner ...

3. Interest on monies expended in developing, producing and distributing the Pilot and/or Series ...

4. Development and Production Costs of the Pilot and/or Series ...

5. Agency package fee, if any.

(Rights Agreement, Ex. B.) [17] The dispute at hand is concerned with paragraph 2 and whether Defendants were permitted to deduct distribution expenses in connection with their merchandising efforts.

Plaintiffs argue that the phrase, "Pilot and/or Series," only refers to the television programming for the Series, not its merchandising. Plaintiffs therefore conclude that paragraph 2 only permits deduction of distribution expenses that are directly tied to the programming for the Series.

However, the Rights Agreement does not define the phrase, "Pilot and/or Series," and instead defines the terms "Pilot" and "Series" separately:

> ***22** "a pilot, presentation tape and/or sets of airing and/or non-airing test episodes ("Pilot") or a series ("Series") containing elements(s) of the Property."

(Rights Agreement ¶ 1.B.) As the phrase, "Pilot and/or Series," is not expressly defined, it can refer to either the television episodes of the Series, or the Series in general. The dispute concerns the meaning of this phrase as it is used in Exhibit B; its usage in other areas of Exhibit B is therefore instructive. Exhibit B does not elsewhere refer to "Pilot and/or Series" outside of paragraphs 2, 3, and 4, but does refer to "Series." Specifically, Defined Receipts is defined as all sums credited to BVT from "the exploitation of the episodes of the Series and ancillary and subsidiary rights." It is apparent from this usage of "Series" that it is equivalent to "Millionaire." Furthermore, interpretation of "Pilot and/or Series" as equivalent to "Millionaire" is reasonable, as Defined Contingent Compensation is intended to be a measure of BVT's profits. Deduction of distribution expenses from merchandising revenues prior to calculation of profits is a reasonable deduction. The Court therefore cannot determine that the only permissible interpretation of Exhibit B is Plaintiffs' interpretation. For these reasons, Plaintiffs' Motion for Partial Summary Judgment Re Merchandising Revenues is hereby DENIED.

V. CONCLUSION

For the foregoing reasons and in the manner set forth above:

1. Defendants' Motion for Summary Judgment on Lusam Music Ltd.'s Copyright Infringement Claim (docket no. 263) is GRANTED.

2. Defendants' Motion for Summary Judgment of Plaintiffs' Breach of Contract Claim (docket no. 272) is DENIED.

3. Defendants' Motion for Partial Summary Judgment Re Plaintiffs' Extra–Contractual Claims (docket no. 278) is GRANTED IN PART AND DENIED IN PART in the following manner:

a) Defendants' Motion for Summary Judgment of Plaintiffs' fifth claim for fraudulent inducement is hereby DENIED.

b) Defendants' Motion for Summary Judgment of Plaintiffs' fourth claim for breach of fiduciary duty is hereby GRANTED.

c) Defendants' Motion for Summary Judgment of Plaintiffs' sixth claim for constructive fraud is hereby GRANTED.

d) Defendants' Motion for Summary Judgment of Plaintiffs' third claim for tortious interference with contract is hereby DENIED.

4. Plaintiffs' Motion for Partial Summary Judgment Re Implied Covenant of Good Faith and Fair Dealing (docket no. 284) is DENIED

5. Plaintiffs' Motion for Partial Summary Judgment Re Merchandising Revenues (docket no. 285) is DENIED.

IT IS SO ORDERED.

All Citations

Not Reported in F.Supp.2d, 2009 WL 10429760

Footnotes

1 Plaintiffs erroneously docketed two Statements of Uncontroverted Facts and Conclusions of Law as Motions for Summary Judgment (docket nos. 286, 287).

2 Defendants have not moved for summary judgment with respect to parts (d) and (f) of Plaintiffs' breach of contract claim.

3 Plaintiffs have withdrawn this allegation regarding delinquent payments. (Opp'n at 2 n. 3.)

4 The only provision resembling an integration clause is directed at the parties' understanding of how Defined Contingent Compensation is to be determined:

> Producer as a participant in Defined Contingent Compensation (“Participant”) acknowledges and agrees that the definition, computation, accounting and payment ... of speculative contingent compensation have been specifically negotiated by Participant's representatives and Participant has a full understanding of the terms of the agreement and Defined Contingent Compensation and that no representations whatsoever have been made to Participant to the contrary, other than those which may have been set forth in writing and executed by all the parties to this agreement.

(Rights Agreement, Ex. B.)

5 For example, Plaintiffs have submitted deposition testimony indicating that Defendants represented ABC/BVT to be the perfect fit for the Series and that ABC/BVT would “aggressively monetize” the rights to the Series for the mutual benefit of both parties. (Silverman Dep. at 182:11–183:3, 193:3–7, 331:16–21.)

6 This is consistent with the Court's earlier determination in the context of a Defendants' Motion to Dismiss that "Defendants hav[ing] no obligation to produce the Series is not inconsistent with a promise to maximize profits." (Order dated November 23, 2004 .)

7 Unless otherwise noted, the Court's citation to a particular declaration or piece of evidence is in reference to the declaration filed in support of the motion being discussed.

8 The Court previously recognized that "[w]ith the exception of one representation, that 'Disney was the best studio to establish a valuable franchise for the Series to the mutual benefit of Plaintiffs and Disney,' Plaintiffs do not challenge the conclusion that statements such as 'ABC/BVT was the perfect home for the Series,' and 'contracting directly with the network would be the cleanest' are not themselves actionable." (Order dated January 28, 2005 at 6.)

9 Plaintiff Lusam is dropping its copyright infringement claim against The Walt Disney Company, which leaves Walt Disney World Co. as the sole remaining defendant for this claim.

10 This conclusion is also consistent with how the parties structured ValleyCrest's use of the Millionaire music for its television production of the Series. Rather than negotiating a specific licensing fee for use of the Millionaire music for television, Celador waived payment of a licensing fee, and only required Valleycrest to "complete and file music cue sheets with the applicable performing rights societies in the United States for each episode of the Series in which the Composition is embodied." (Marcia J. Harris Decl., Ex. E ¶ 6(b).)

11 Plaintiffs seek from the Court an initial determination that pursuant to the Rights Agreement, Defendants ABC and BVT acquired joint ownership of the Series' copyright. The Court declines to make such a determination, as the issue of joint copyright ownership has not been alleged as a part of Plaintiffs' claim for breach of the implied covenant of good faith and fair dealing. The Court has also previously dismissed Plaintiffs' claim for declaratory relief. (Court's Order dated November 23, 2004.)

12 The 50% DCC is subject to reduction by certain third party participants.

13 As an advance against Celadors' Defined Contingent Compensation, Celador was to receive twenty-five percent (25%) of the Adjusted Defined Receipts ("ADR"), which is defined similarly to DCC, except that distribution fees are capped at 12.5%. (Rights Agreement ¶ 3.B.)

14 Plaintiffs argue these licensing fee figures were chosen because they are equivalent to BVP's cost of producing each episode. As a consequence, BVP would never generate a profit from licensing the network broadcast rights to ABC.

15 Plaintiffs object to various portions of Mr. Pedowitz' declaration as improper lay opinion, as lacking in personal knowledge, and as vague. In his declaration, Mr. Pedowitz discusses what he believes to be customary practices both at ABC and within the television industry. However, Mr. Pedowitz has not been designated an expert witness. To the extent Mr. Pedowitz has testified regarding customary practices within the television industry, Plaintiffs' objections are sustained. On the other hand, Mr. Pedowitz has testified to his extended career at ABC and may certainly testify as to standard practices at ABC. Plaintiffs' objections to testimony regarding practices at ABC are hereby overruled.

16 As part of the Rights Agreement, the parties agreed to insert the word "directly" to this paragraph of Exhibit B. (Rights Agreement ¶ 3.B(3)(vi).)

17 As part of the Rights Agreement, the parties also agreed that "merchandising shall be a separate 'pot' (i.e., costs and revenue in connection with merchandising shall not be cross-collateralized with costs and revenues relating to the production of the Pilot and/or Series)."

End of Document

2020 WL 5642359
United States District Court, M.D. Tennessee, Nashville Division.

Isaac Donald EVERLY, Plaintiff,
v.
Patrice Y. EVERLY, Phillip J. Everly, Christopher Everly, The Phillip Everly Family Trust and Everly and Sons Music (BMI), Defendants.

Case No. 3:17-cv-01440
|
Filed 09/22/2020

Attorneys and Law Firms

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Lauren M. Spahn, William V. Parsons, III, Jay Scott Bowen, Shackelford Bowen McKinley Norton, LLP, Nashville, TN, for Defendants.

MEMORANDUM

ALETA A. TRAUGER, United States District Judge

***1** Before the court are the defendants' Motion for Judgment as a Matter of Law and Memorandum of Law in Support (Doc. No. 69), and the plaintiff's Motion for Partial Summary Judgment, filed with a separate Memorandum (Doc. Nos. 70, 71). For the reasons stated herein, the plaintiff's motion will be granted, and the defendants' motion will be denied.

I. FACTUAL BACKGROUND [1]

Isaac Donald Everly ("Don" or "Don Everly"), the plaintiff in this action, and Phillip Everly ("Phil" or "Phil Everly"), who died in 2014, are brothers and were members of the music group, the Everly Brothers. (Doc. No. 19-1 ¶ 2.) The Everly Brothers dissolved and Don and Phil Everly stopped speaking in 1973. (*Id.* ¶ 11.)

Phil Everly is survived by his third wife, Patrice Everly ("Patti Everly"), and two sons, Phillip J. Everly ("Jason Everly") and Christopher Isaac Everly ("Chris Everly"). Patti, Jason, and Chris Everly are the defendants in this action.

One of the Everly Brothers' most famous hits was the song "Cathy's Clown," which was recorded and released in 1960. (Doc. No. 19-1 ¶ 4; Doc. No. 1-2; Doc. No. 19-9.) Don and Phil Everly are both listed as "authors" on the original copyright registrations for "Cathy's Clown." By agreement dated March 21, 1960 (the "1960 Grant"), Don and Phil Everly assigned 100% of the worldwide copyright in "Cathy's Clown" to Acuff-Rose Publications ("Acuff-Rose"). (Doc. No. 1-1.) Even after assigning the copyright in "Cathy's Clown" to Acuff-Rose, Don and Phil retained the contractual right to the so-called songwriter's share of royalties derived from the song. (*Id.*; Doc. No. 23 ¶ 4.)

From 1960 to 1980, "Cathy's Clown" was credited on all copies as having been authored by both Don and Phil, and they shared the composition's songwriter royalties equally. They also publicly described the process of writing the song as a joint effort. For instance, in 1972, Don and Phil were interviewed on The David Frost Show, during which Don stated that the brothers wrote "Cathy's Clown" together, and Phil described how they worked together on the song. (Doc. No. 37.)

The crux of this dispute arises from the fact that Don Everly now claims sole authorship of "Cathy's Clown" (*see* Doc. No. 19-1 ¶¶ 3, 6; Doc. No. 19-5, Don Everly Dep. 11, 22 [2]) and seeks a judicial declaration to that effect. Although that contention is in dispute, and the events leading up to Phil's execution of a document entitled "Release and Assignment" (the "1980 Release") are contested, there is no dispute that, on June 10,1980, Phil signed this 1980 Release, which, first, acknowledges that Don and Phil entered into the 1960 Grant "transferring" "Cathy's Clown" to Acuff-Rose as publisher and that the 1960 Grant "listed both Phil Everly and Don Everly as composers" of "Cathy's Clown." (Doc. No. 1-3.) In pertinent part, the 1980 Release then states that Phil "desires to release, and transfer, to [Don] all of his rights, interests and claim in and to ["Cathy's Clown"], including rights to royalties and his claim as co-composer, effective June 1, 1980." (*Id.*) In exchange for the recited consideration of $1.00, Phil did "transfer, release, assign and set over unto Don ... all of his rights, titles, interests and claim to" "Cathy's Clown", the copyright to which was noted still to be owned by Acuff-Rose. (*Id.*) The transfer "include[d] not only [Phil's] right to royalties and other income arising out of ["Cathy's Clown"] from and after the effective date, but also every claim of every nature by him as to the composition[ ] of said song[ ]." (*Id.*) Finally, the 1980 Release directed Acuff-

Rose and the performing rights society, Broadcast Music, Inc. ("BMI"), to "correct their records accordingly and to make payments of amounts due and to become due to the said Don Everly solely on and after the effective date" of the agreement. (*Id.*)

***2** The 1980 Release was recorded in the United States Copyright Office and filed with BMI and Acuff-Rose shortly thereafter. (Doc. No. 19-9, at 2; (Doc. No. 19-1 ¶¶ 17, 18.) BMI and Acuff-Rose Publications modified their records to reflect that Don Everly was the sole "author" of "Cathy's Clown" (Doc. No. 19-11, at 2, 5), and they ceased payment of any songwriter royalties to Phil Everly (Doc. No. 19-5, Don Everly Dep. 22; Doc. No. 19-1 ¶18).

After execution of the 1980 Release and in accordance with its terms, Don Everly was publicly credited as the sole author of "Cathy's Clown" and was paid 100% of the songwriter's share of royalties for "Cathy's Clown." (Doc. No. 19-1 ¶¶ 20 and 24; Doc. No. 19-3, Jason Everly Dep. 45, 99.) After the filing of the 1980 Release, Sony issued hundreds of licenses designating Don Everly as the sole author of "Cathy's Clown." (Doc. No. 19-9, at 26–38.) In 1990, Reba McEntire's cover recording of "Cathy's Clown" earned the Robert J. Burton Award for BMI Country Song of the Year, an award that was presented to Don Everly as the sole songwriter at an awards celebration that Don attended without Phil Everly. (Doc. No. 19-5, Don Everly Dep. 27– 28; Doc. No. 19-1 ¶ 20.) Phil Everly was aware that Don Everly alone had been accorded this award. (Doc. No. 19-3, Jason Everly Dep. 19.) Prior to 1980, both Don and Phil Everly had been awarded songwriting honors for "Cathy's Clown" by BMI. (*See* Doc. No. 19-11, at 8–9 (program for 1961 BMI award dinner).) In addition, the 1984 biography of the Everly Brothers, *Walk Right Back*, reports Phil's description of the writing of "Cathy's Clown" as follows:

> Don called me and said he'd started writing a song and could I come over. He'd written the chorus of Cathy's Clown and had the melody for the verses. I just put together the verses and it was finished. We went into the studio and cut in maybe two days and we knew it was a hit.

(Doc. No. 19-5, at 11–12, Don Everly Dep. Ex. 2.) In a 1984 television interview, the brothers seemed to corroborate that version of events. (Doc. No. 37.) In a booklet for the Everly Brothers' 1994 box set *Heartaches and Harmonies*, Phil is reported to have similarly stated: "Donald had the chorus for ["Cathy's Clown"]. I went over to his house, because we lived across the street [from each other] at that time, and wrote the verses—although my name's not on it any longer." (Doc. No. 41-1, at 11.) The defendants also allege that Phil continued to privately maintain that he was a co-author of the song. (*See, e.g.*, Doc. No. 19-3, Jason Everly Dep. 67; Doc. No. 19-4, J. Paige Dep. 14.) Nonetheless, from June 10, 1980, when the 1980 Release was executed, until his death in 2014, Phil Everly never brought a legal action to challenge Don Everly's claim of sole authorship of "Cathy's Clown" or the enforceability of the 1980 Release. (Doc. No. 19-2, Patti Everly Dep. 30.)

In January 1988, Acuff-Rose, as the "duly authorized agent of Don Everly," renewed the copyright to "Cathy's Clown." (Doc. No. 1-5.) Don Everly is the sole renewal claimant and the sole "author" of the words and music to "Cathy's Clown" identified on the Certificate of Renewal Registration. (*Id.* at 2.)

In 2011, Don Everly engaged counsel to exercise his United States copyright termination rights with respect to "Cathy's Clown" by filing a notice to terminate the 1960 Grant pursuant to 17 U.S.C. § 304(c)[3] and recapture 100% of the United States copyright in "Cathy's Clown," effective April 14, 2016 and recorded in the U.S. Copyright Office effective July 15, 2011 (the "2011 Don Everly Notice of Termination"). (Doc. No. 1-6, at 4–5; Doc. No. 19-12 ¶ 12; Doc. No. 19-1 ¶ 21.) As a result of the exercise of his termination rights, Don Everly claims exclusive copyright ownership in "Cathy's Clown."

***3** Also in 2011, Don authorized his attorney to file paperwork in the U.S. Copyright Office to remove Phil's name as author of "Cathy's Clown" on the original 1960 copyright registration. (Doc. No. 19-12 ¶ 13.) In response to that directive, Don's attorney filed forms with the U.S. Copyright Office stating, "Corrected Information: Delete Phil Everly," and further explaining, "Copyright claimant/publisher, Acuff-Rose Publications, mistakenly listed Phil Everly as co-author, however, Don Everly is the sole author as confirmed by the agreement signed by Phil Everly ...." (Doc. No. 19-12, at 26–27, 30–31, 42–43.) The U.S. Copyright Office rejected the forms, explaining that corrections to pre-1978 copyright registrations had to be filed within 28 years of the initial registration. (*Id.* ¶ 13.)

In 2007, Phil Everly engaged Lewis Anderson to file notices of termination, that is, to exercise his termination rights, with respect to three specific songs, but not for "Cathy's Clown." (Doc. No. 19-7, L. Anderson Dep. 19, 22–23, 28.) In 2012, Phil engaged Copyright Recapture to assist him in exercising his termination rights with respect to twenty-two additional songs. "Cathy's Clown" was not among these songs and was not listed on any of the notices of termination prepared by Copyright Recapture. (Doc. No. 19-13, at 9–25.)

Following Phil's death in early 2014, Patti Everly and Jason Everly filed their own notice purporting to terminate the 1960 Grant and the extended renewal term of the copyright for "Cathy's Clown," effective November 14, 2016 (the "2014 Notice of Termination"), pursuant to 17 U.S.C. § 304(c). (Doc. No. 1-7, at 4–9.) In 2016, Patti and Jason served on Don Everly a Notice of Termination (the "2016 Notice of Termination"), purporting to terminate all rights granted by Phil to Don Everly in the 1980 Release, pursuant to 17 U.S.C. § 203(a). (Doc. No. 1-8.)

II. PROCEDURAL BACKGROUND

Plaintiff Don Everly filed his Complaint for Declaratory Judgment (Doc. No. 1) on November 8, 2017, against Patti Everly, Jason Everly, and Chris Everly as the statutory successors to Phil Everly's termination rights under the United States Copyright Act ("Copyright Act"), specifically 17 U.S.C. §§ 304(c) and 203(a), and against the Phillip Everly Family Trust ("Trust") and Everly and Sons Music (BMI) (alleged to be an assumed name for the Trust (Doc. No. 1 ¶ 8)), as a legal owner or successor to Phil Everly's rights or as a legal owner of the statutory successors' rights (collectively "defendants"). The Complaint contains three "Counts," each seeking a judicial declaration. Count 1 seeks a declaration that Phil Everly is not an "author" of "Cathy's Clown" and, therefore, that the defendants are not the statutory successors of an "author" with respect to "Cathy's Clown" and are estopped from exercising any rights granted to "authors" of copyrighted works, including the filing of a Notice to Terminate the 1960 Grant. Count 2 seeks a declaration that the 1980 Release is not a grant of a transfer or license of copyright or of any right under a copyright and, therefore, is not subject to termination pursuant to 17 U.S.C. § 203(a), thus invalidating the 2016 Notice of Termination of the 1980 Release served on the plaintiff by the defendants. And Count 3 seeks a declaration that Don Everly owns 100% of the U.S. copyright in "Cathy's Clown" and 100% of the songwriter royalties derived from that work. (Doc. No. 1, at 12–13.)

The defendants filed an Answer, Affirmative Defenses, and Counterclaim (Doc. No. 5) on November 29, 2017. Their Counterclaim seeks declarations that Phil Everly is an author of "Cathy's Clown" "pursuant to 17 U.S.C. § 203"; that the defendants' Notices of Termination were valid under 17 U.S.C. §§ 304(c) and 203(a); and that the defendants are entitled to half of the income derived from the exploitation of "Cathy's Clown." (Doc. No. 5, at 7.)

***4** The court issued an order granting summary judgment to plaintiff Don Everly on November 6, 2018. (Doc. No. 27.) In the accompanying Memorandum, the court found that Don's 2011 Notice of Termination, considered in conjunction with all of the events that had taken place before it, constituted a plain and express repudiation of Phil's authorship of "Cathy's Clown" and, therefore, that the defendants' Counterclaim for a declaration that Phil is an author of that song was barred by the three-year statute of limitations in 17 U.S.C. § 507(b), applicable to authorship claims. (*See* Doc. No. 26, at 17.) The court also found that the defendants' identical defense to the plaintiff's sole claim of authorship was time-barred and that the plaintiff was entitled to judgment in his favor on Counts I and III of the Complaint.

Notably, for purposes of the present motions, the court did not reach the plaintiff's alternative basis for relief set forth in Count II of the Complaint. In addition, the court subsequently denied the defendants' Rule 59(e) motion and declined to consider the new arguments raised therein, specifically the defendants' claim that the statute of limitations cannot be used to bar an affirmative or factual defense—as opposed to an affirmative claim for relief—and that the court erred as a matter of law in concluding that the defendants' rights to claim co-ownership of the copyright were waived before their termination rights even accrued. (Doc. No. 43.)

The Sixth Circuit reversed and remanded, finding that a material factual dispute existed as to whether Don had expressly repudiated Phil's authorship of "Cathy's Clown." *Everly v. Everly*, 958 F.3d 442 (6th Cir. 2020).[4] This court has construed the scope of the remand as general rather than limited, as a result of which "all claims at issue in the Complaint and Counterclaim remain pending, effectively without limitation." (Doc. No. 65, at 4.)[5] As the court explained in addressing a motion by the defendants to clarify the scope of the remand, besides sending Counts I and III back to the starting line, the general remand also means that the plaintiff's Count II, which the court dismissed as moot, is reinstated and that the defendants are not barred from asserting the arguments initially raised in their Rule 59(e) motion.

Recognizing that the resolution of certain questions of law that have never been considered on the merits might narrow and simplify the trial of this matter, now scheduled to begin November 3, 2020, the court granted the parties' request that they be allowed to file the motions that are now before the court. The defendants' Motion for Judgment as a Matter of Law asks the court to rule as a matter of law that (1) the statute of limitations cannot operate to bar the defendants' defenses to the plaintiff's affirmative claims, even if it might, arguably, bar the defendants' Counterclaims; and (2) the proper accrual date for a copyright termination claim is the effective date of termination. (Doc. No. 69.) With regard to the latter claim, the defendants argue that, as "newfound claimants" to the copyright rights accruing after termination, they should be permitted to "proceed without prejudice to what may have occurred during the original term." (Doc. No. 69, at 2.) The plaintiff has filed a Response in Opposition (Doc. No. 75), and the defendants filed a Reply (Doc. No. 76).

***5** The plaintiff, for his part, filed the Motion for Partial Summary Judgment asking the court to rule on Count II of the Complaint and issue a judicial declaration that the 1980 Release is not subject to termination under 17 U.S.C. § 203(a), because it is not a "grant of a transfer or license of copyright or of any right under a copyright." (*See* Doc. No. 70.) His supporting memorandum (Doc. No. 71) incorporates by reference the arguments made in the original Memorandum in Support of Summary Judgment (Doc. No. 21) as well as the Statement of Undisputed Material Facts and Response filed by the defendants (Doc. No. 23) in conjunction with their response to the first Motion for Summary Judgment. The defendants filed a Response (Doc. No. 72), a Statement of Additional Disputed Material Facts (Doc. No. 73), and a Supplemental Response to Plaintiff's Statement of Undisputed Material Facts in Support of His Motion for Partial Summary Judgment (Doc. No. 74), supplementing the defendants' original responses to two of the statements in the original Statement of Undisputed Material Facts (Doc. No. 23). The plaintiff filed a Reply (Doc. No. 77), a Response to Defendants' Statement of Additional Disputed Material Facts (Doc. No. 78), and Response to Defendants' Supplemental Response to [Plaintiff's] Statement of Undisputed Material Facts (Doc. No. 79).

III. LEGAL STANDARD

The court deems a pretrial motion for judgment as a matter of law as effectively equivalent to a motion for summary judgment under Rule 56, except that such a motion presumes the absence of material factual disputes and seeks resolution of purely legal issues. Under Rule 56(c), "summary judgment is appropriate when: (1) there is no genuine issue as to any material fact; (2) the moving party is entitled to judgment as a matter of law; and (3) reasonable minds can come to but one conclusion, and that conclusion is adverse to the party against whom the motion for summary judgment is made, who is entitled to have the evidence construed most strongly in his favor." *Mengelkamp v. Lake Metro. Hous. Auth.*, 549 F. App'x 323, 329 (6th Cir. 2013). Summary judgment will be entered against a party who fails "to establish the existence of an element essential to that party's case and on which that party bears the burden of proof at trial." *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986).

While a moving party *without* the burden of proof need only show that the opponent cannot sustain his burden at trial, *Minadeo v. ICI Paints*, 398 F.3d 751, 761 (6th Cir. 2005), a moving party *with* the burden of proof faces a "substantially higher hurdle." *Cockrel v. Shelby Cty. Sch. Dist.*, 270 F.3d 1036, 1056 (6th Cir. 2001). "Where the moving party has the burden—the plaintiff on a claim for relief or the defendant on an affirmative defense—his showing must be sufficient for the court to hold that no reasonable trier of fact could find other than for the moving party." *Calderone v. United States*, 799 F.2d 254, 259 (6th Cir. 1986) (quoting W. Schwarzer, Summary Judgment Under the Federal Rules: Defining Genuine Issues of Material Fact, 99 F.R.D. 465, 487– 88 (1984)). Accordingly, summary judgment in favor of the party with the burden of persuasion is not appropriate "when the evidence is susceptible of different interpretations or inferences by the trier of fact." *Hunt v. Cromartie*, 526 U.S. 541, 553 (1999).

IV. ANALYSIS

A. The Plaintiff's Motion for Partial Summary Judgment: Whether the 1980 Release May Be Terminated Under 17 U.SC. § 203(a)

Congress amended the Copyright Act in 1976 to create a "termination right"; that is, it authorized the author of a work (or his successors) "to undo a prior transfer of his copyright and recapture all interests in the copyright for himself." *Brumley v. Albert E. Brumley & Sons, Inc.*, 822 F.3d 926, 928 (6th Cir. 2016). For works transferred on or after January 1, 1978, the author (or his successors, as defined by the statute) could terminate the transfer between thirty-five and forty years after the date the copyright was assigned to a third party. 17 U.S.C. § 203(a)(3). If the work was copyrighted and transferred before 1978, however, the author (or his successors as provided by the Act) could terminate between fifty-six and sixty-one years after the work was copyrighted, or for a period of five years after January 1, 1978, whichever was later. *Id.* § 304(c)(3). *See Brumley*, 822 F.3d at 928. [6]

***6** These revisions were "expressly intended" to "protect authors against unremunerative transfers." H.R. Rep. No. 94-1476, at 124 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5740; *see Mills Music, Inc. v. Snyder*, 469 U.S. 153, 172–73 (1985) (noting that Congress's intent to "relieve authors of the consequences of ill-advised and unremunerative grants that had been made before the author had a fair opportunity to appreciate the true value of his work product ... is plainly defined in the legislative history and, indeed, is fairly inferable from the text of § 304 itself"). Both § 203 and § 304 provide that termination of a prior grant "may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant." 17 U.S.C. § 203(a)(5); *id.* § 304(c)(5). Based on this language, the termination rights created by §§ 203 and 304 have repeatedly been characterized as "inalienable." *See, e.g.*, *N.Y. Times Co. v. Tasini*, 533 U.S. 483, 497 (2001); *Stewart v. Abend*, 495 U.S. 207, 230 (1990).

As relevant here, Section 203(a) authorizes, under certain conditions, the termination of "the exclusive or nonexclusive grant of a transfer or license of copyright or of any right under a copyright, executed by the author on or after January 1, 1978, otherwise than by will." The ability of the defendants to "terminate" the 1980 Release under this provision, according to its terms, depends on the resolution of two questions. (1) Is Phil Everly an "author" of "Cathy's Clown"? (2) Does the 1980 Release qualify as a "grant of a transfer or license of copyright or of any right under a copyright"?

Irrespective of the answer to the first question, Count 2 of the Complaint seeks a determination that the 1980 Release is not subject to termination under § 203(a) solely because it is not a "grant of a transfer or license of copyright or of any right under a copyright" and, therefore, that the defendants' 2016 Notice of Termination, purporting to terminate the 1980 Release, is invalid. (Doc. No. 1 ¶ 44.) Don Everly also moves for summary judgment on this issue on the basis that the defendants have "already conceded" that Acuff-Rose "owned 100% of the worldwide copyright and all rights under copyright" in "Cathy's Clown" in 1980 when Phil Everly executed the Release. (*Id.*) As a result, the plaintiff claims, Phil had no copyright rights to convey at that time. Instead, Don argues, Phil conveyed only contractual rights to royalties, which are not among the rights under copyright recognized by the Copyright Act, 17 U.S.C. § 106. The plaintiff points out that the defendants, in previous filings, have repeatedly acknowledged that the 1980 Release relates "only to issues of money and public credit—not ownership of the copyright (which had been conveyed to Acuff-Rose as publisher)." (Doc. No. 71, at 5 (quoting Doc. No. 22, at 2, 4, 6).)

In response, the defendants contend that it is the plaintiff who has changed his posture as to this issue, having previously insisted that, by executing the 1980 Release, Phil "surrendered ... his status as an 'author' of ['Cathy's Clown'] along with the copyright protections available to authors," which "nullified Phil's ability to invoke the termination rights granted to 'authors' under 17 U.S.C. § 203(a)." (Doc. No. 72, at 1 (quoting Doc. No. 41-1, at 19 (10/6/17 letter from pl.'s counsel to defs.' counsel)).) The defendants also posit that neither Phil nor Don transferred "all rights under the copyright" in "Cathy's Clown" to Acuff-Rose, because, as authors, they retained their statutory termination rights, which are "right[s] under copyright." (*Id.* at 5 (citing 17 U.S.C. § 203(a)).) [7]

***7** Otherwise, however, the defendants agree that, because authorship status and termination rights are non-transferable, the 1980 Release conveyed only Phil's then existing right to receive royalties, "as distinguished from any royalty rights Defendants may acquire upon successful termination of the original grant in the 1960 [Grant] or otherwise." (Doc. No. 72, at 5.) They argue, however, that because *Don* has insisted on characterizing the 1980 Release as a "surrender" of Phil's authorship status and concomitant termination rights, "it was proper for Defendants to serve a termination notice with respect to the 1980 Release and Assignment to protect their rights." (*Id.* at 5–6.)

In his Reply, the plaintiff reiterates his claim that he is entitled to judgment in his favor on this issue, because it is effectively undisputed, as the defendants' Response makes clear, that "the only rights that Phil could have transferred to Don in the 1980 Release and Assignment were his then-existing right[s] to receive royalties." (Doc. No. 77, at 1 (quoting Doc. No. 72, at 5).) The plaintiff also agrees that authorship status and termination rights are inalienable under the Copyright Act. (*Id.* at 3.)

The law is clear, as both parties concede, that termination rights are non-transferable, "notwithstanding any agreement to the contrary." *See* 17 U.S.C. § 203(a)(5); *Tasini*, 533 U.S. at 497. The law is also clear that assignments conveying the right to receive royalties do not "transfer any interest in a copyright or in any of the exclusive rights comprised in a copyright." *Broad. Music, Inc. v. Hirsch*, 104 F.3d 1163, 1166 (9th Cir. 1997); *accord Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 457 (6th Cir. 2001) (observing that the "remedies available under copyright law do not include damages for the reasonable value of the defendants' use of the work" and holding that "a state law breach of contract claim based upon a promise to pay for the use of the work is not preempted" by the Copyright Act (citing 1 *Nimmer on Copyright* § 1.01[B][1][a])); *Rodrigue v. Rodrigue*, 218 F.3d 432, 439–40 (5th Cir. 2000) ("Notably absent from the Copyright Act's exclusive sub-bundle of five rights is the right to enjoy the earnings and profits of the copyright."); *Big E. Entm't, Inc. v. Zomba Enters., Inc*, 453 F. Supp. 2d 788, 798 (S.D.N.Y. 2006) ("[A]n agreement concerning royalties does not constitute a 'transfer of copyright ownership' within the meaning of [the Copyright Act]." (citation omitted)), *aff'd*, 259 F. App'x 413 (2d Cir. 2008).

Moreover, as the discussion above reflects, the effect of the 1980 Release is apparently undisputed: the Release conveyed, and could only convey, the royalty and credit rights that Phil possessed at the time he executed the Release. Because these are not copyright rights under 17 U.S.C. § 106, the plaintiff is entitled to judgment in his favor on Count 2 in the form of a "determination" that the 1980 Release is not a "grant of a transfer ... of any right under a copyright" and, therefore, does not fall within the scope of, and is not subject to termination pursuant to, § 203(a). As a result, the 2016 Notice of Termination, purporting to terminate the 1980 Release, is invalid. It is entirely unclear, however, what effect—if any—this determination will have on the remainder of the plaintiff's (or defendants') claims.

B. The Defendants' Motion: Can the Plaintiff Can Deploy the Statute of Limitations to Bar a Defense?

1. The Parties' Positions

In their Motion for Judgment as a Matter of Law, the defendants assert, first, that it is a well established general rule that the statute of limitations "cannot be used to cut off the consideration of a defense" and that this general rule applies in the copyright context. (Doc. No. 69, at 7.) They also argue that they "asserted Phil's co-authorship of *Cathy's Clown* as a defense to Don's Complaint seeking a declaration of sole authorship." (*Id.* at 8.) They contend that the statute of limitations cannot be used to bar this factual defense, regardless of whether the statute of limitations might be used to bar their affirmative counterclaims. Anticipating that Don will respond that the statute of limitations may bar their defense because they are actually in an "offensive" position, they maintain that only from Don's perspective could they be deemed the "aggressors" and that, regardless, they are on the defensive side with respect to his affirmative claims. (*Id.*) They also propose that their Counterclaim "should be construed as a defense to avoid injustice." (*Id.* at 10 (citing Fed. R. Civ. P. 8(c)(2)).)

***8** In response, the plaintiff indeed argues that the defendants are not merely in a "defensive" posture. Substantively, however, he focuses entirely on the demands for relief in the Counterclaim itself, arguing that the defendants' claims that depend on authorship are barred by the statute of limitations, regardless of whether they are characterized as "defensive counterclaims." (Doc. No. 75, at 6; *see id.* at 8 ("Defendants never explain why Don should be penalized for actively pursuing his rights to *Cathy's Clown* while they should be allowed to avoid the consequences of Phil's decades-long inaction by pretending that their counterclaim is anything other than what it is.").) He insists that the defendants' reliance on the cases they cite, in particular *Estate of Hogarth v. Edgar Rice Burroughs, Inc.*, 342 F.3d 149 (2d Cir. 2003), is misplaced and that *Ritchie v. Williams*, 395 F.3d 283 (6th Cir. 2005), "on the other hand, is both on point and controlling." (Doc. No. 75, at 9.)

In their Reply, the defendants insist that the plaintiff sidesteps the actual argument put forth in their motion: "whether a defendant can be time-barred from asserting a factual defense irrespective of whether the statute of limitations may bar a claim for affirmative relief"—*i.e.*, including one set forth in a counterclaim—"based upon the same underlying facts." (Doc. No. 76, at 1.)

2. Discussion

The Copyright Act's three-year statute of limitations applies to any civil action "maintained under the provisions of this title." 17 U.S.C. § 507(b). A copyright infringement claim accrues, and the limitations period begins to run, with each "new infringing act." *Roger Miller Music, Inc. v. Sony/ATV Publ'g, LLC*, 477 F.3d 383, 390 (6th Cir. 2007) (quoting *Ritchie*, 395 F.3d at 288 n.5). A copyright ownership claim, on the other hand, "accrues only once, and if an action is not brought within three years of accrual, it is forever barred." *Id.* (quoting *Zuill v. Shanahan*, 80 F.3d 1366, 1369 (9th Cir. 1996)); *see also* *Everly v. Everly*, 958 F.3d 442, 450 (6th Cir. 2020). "[T]the statutory period for any action to establish ownership begins to run whenever there is a 'plain and express repudiation' of ownership by one party as against the other." *Everly*, 958 F.3d at 450 (quoting *Ritchie*, 395 F.3d at 288 n.5). In *Everly*, the Sixth Circuit acknowledged that ownership and authorship claims, while not identical, are similar, and it held that the "express repudiation" test applies to a claim for a declaration of authorship rights as well. *Id.* at 452.

It is clear, first, that the claims set forth in the defendants' Counterclaim qualify as affirmative claims for relief. Insofar as the defendants appear to be arguing that their counterclaims should be construed and treated as mere defenses under Rule 8(c)(2), the court rejects that proposition. As discussed further below, their counterclaims seek affirmative relief and could have been filed in a stand-alone complaint and "adjudicated separately," even if the plaintiff had not filed suit first. *See* *Reiter v. Cooper*, 507 U.S. 258, 265 (1993) ("A defense cannot possibly be adjudicated separately from the plaintiff's claim to which it applies; a counterclaim can be."). Thus, the plaintiff/counter-defendant was free to raise the statute of limitations as an affirmative defense in his Answer to the Counterclaims. (Doc. No. 7, at 3–4.) And, if proven, the statute of limitations may bar the defendants' Counterclaim. [8]

***9** However, it has long been the general rule that a statute of limitations does not bar mere *defenses* as distinct from counterclaims. *See, e.g.*, *United States v. W. Pac. R.R. Co.*, 352 U.S. 59, 72 (1956) ("To use the statute of limitations to cut off the consideration of a particular defense in the case is quite foreign to the policy of preventing the commencement of stale litigation."); *Luckenbach Steamship Co. v. United States*, 312 F.2d 545, 548–51, 552 n.3 (2d Cir. 1963) ("The law is well settled that limitations do not normally run against a defense."); *accord* *RL BB Acquisition, LLC v. Bridgemill Commons Dev. Grp., LLC*, 754 F.3d 380, 387 (6th Cir. 2014) (noting that " 'it would be incongruous to hold that once a lawsuit is properly before the court, decision must be made without consideration of all the issues in the case and without the benefit of all the applicable law' " (quoting *W. Pac. R.R.*, 352 U.S. at 72)).

This long-standing principle has been applied in the copyright context as well. *See, e.g.*, *TD Bank N.A. v. Hill*, 928 F.3d 259 (3d Cir. 2019) (rejecting the plaintiff's contention that the Copyright Act's statute of limitations barred the defendant's co-ownership defense to the plaintiff's copyright infringement claims and noting that the rule "holds true even if the defendant also brings an untimely ownership counterclaim"); *Est. of* *Hogarth v. Edgar Rice Burroughs, Inc.*, 342 F.3d 149, 163 (2d Cir. 2003) (holding that the defendant's factual "work for hire" defense to the plaintiff's renewal rights claim based on authorship was not time-barred, noting that the defendant had not "made a claim" or asserted a counterclaim). [9]

The rule that a statute of limitations will not bar defenses, like most rules, is subject to an exception. Several courts, albeit not yet the Sixth Circuit, have held that an exception to the rule prohibits parties from "skirting" statutes of limitation by "bringing time-barred claims as affirmative defenses." *Heartland Materials, Inc. v. Warren Paving, Inc.*, No. 5:16-CV-00146-TBR, 2018 WL 2324075, at *5 (W.D. Ky. May 22, 2018) (citing *City of Saint Paul v. Evans*, 344 F.3d 1029, 1031 (9th Cir. 2003)), *aff'd*, No. 19-5510, 2020 WL 3432942 (6th Cir. June 23, 2020).

In *Evans*, the plaintiff City brought suit challenging the validity of a settlement agreement, and the defendant filed counterclaims to reaffirm the agreement. The district court found that the City's claims were barred by the six-year statute of limitations, but it "permitted the City to raise the identical allegations as defenses to [the defendants'] counterclaims. *Evans*, 344 F.3d at 1031. The district court then ruled on the merits of the defenses and entered judgment in favor of the defendants. On appeal, the Ninth Circuit affirmed on the basis that "the City's affirmative defenses are likewise barred by the statute of limitations," without reaching the merits of the defenses. It concluded that "[t]o hold otherwise would permit plaintiffs, through a sort of jurisdictional jujitsu, to evade the limitations statutes by bringing a time-barred declaratory judgment action, waiting for the defendant to assert its interests in the form of a counterclaim, and then raising the identical time-barred claims as defenses." *Id.* In reaching that conclusion, the Ninth Circuit acknowledged the rule that parties are generally permitted to raise defenses that would be time-barred if they were raised instead as affirmative claims for relief. *Id.* at 1033–34 (citing *W. Pac. R.R.*, 352 U.S. at 72; *Luckenbach S.S. Co.*, 312 F.2d at 548–49). The court noted, however, that "[a] common thread running through these cases [in which time-barred claims have been permitted to be raised as defenses] is the emphasis on the respective roles of the parties in the litigation as a whole." *Id.* at 1035. Specifically, "[i]t is important that *the party asserting the defense is not, simultaneously or in parallel litigation, seeking affirmative recovery on an identical claim.*" *Id*. (emphasis added). That is, "whether affirmative defenses are exempt from statutes of limitations largely hinges on a realistic assessment of the parties' litigation posture." *Id.*

***10** Applying that principle to the case before it, the Ninth Circuit found that the City was clearly the "aggressor," as the lawsuit boiled down to its attempt to invalidate an agreement. And the City's defenses to the defendants' counterclaims were "mirror images of its time-barred claims." *Id.* at 1035. As such, however denominated, the defenses were "simply time-barred claims masquerading as defenses" and, thus, "likewise subject to the statute of limitations bar." *Id.* at 1035–36; *see also* *Agnew v. United Leasing Corp.*, 680 F. App'x 149, 151 (4th Cir. 2017) ("[W]hether affirmative defenses are exempt from statutes of limitations largely hinges on a realistic assessment of the parties' litigation posture." (quoting *Evans*, 344 F.3d at 1035)); *Heartland Materials, Inc.*, 2018 WL 2324075, at *6–7 (holding that the defendants were the true "aggressors" in the case and that their affirmative defenses, which had been raised in prior litigation as affirmative claims and had been dismissed as time-barred, were likewise barred when raised as defenses, relying on *Evans*); [10] *Davis v. 24 Hour Fitness Worldwide, Inc.*, 75 F. Supp. 3d 635, 639 (D. Del. 2014) (finding that the defendant was the "initial aggressor ... despite being the defendant in litigation" and that its affirmative defenses, which "mirror[ed] the time-barred counterclaims," were likewise time-barred (citing *Evans*, 344 F.3d at 1035–36)).

The principle that "limitations do not normally run against a defense ... has often been expressed in the figure of speech that the statute is available only as a shield, and not as a sword." *Luckenbach S. S. Co.*, 312 F.2d at 549 n.3 (citations omitted). The defendants rely on this figure of speech in support of their ability to raise their factual defenses to Don's claims, even if their counterclaims are ultimately found to be time-barred—that is, they deny that they are the "aggressors" or that they seek affirmative relief. The court is unpersuaded. The underlying facts indicate that the defendants served notice upon Don on August 1, 2016 that they were "terminating" the 1980 Release (*see* Doc. No. 41-1, at 16), and they also sought to terminate the 1960 Grant as successors to an author. On November 6, 2017, counsel for the defendants sent counsel for the plaintiff a letter stating that the defendants had been informed by Sony/ATV (the successor in interest to Acuff-Rose) that Don Everly had "reclaimed all copyright termination rights in connection with ['Cathy's Clown']" and giving notice of their contention that "Don Everly has misappropriated the [defendants'] portion of those rights and monies since the effective date of the termination of transfers" by the defendants. (Doc. No. 41-1, at 26.) The letter demanded that the plaintiff "confirm to [the defendants their] share of the ownership in the copyrights and to pay to [them] the associated monetary compensation to which [they are] entitled" and threatened to "pursue all legal remedies available to enforce [their] rights" if he did not. (*Id.*)

In other words, the defendants seek to topple the status quo under which Don Everly has been operating for forty years. In response to the defendants' threat of litigation, Don Everly filed suit two days later, in an essentially defensive posture, seeking a declaration that Phil is *not* an author of "Cathy's Clown" and, therefore, that the 2014 and 2016 Notices of Termination are invalid and that the defendants are "estopped" from making any claims in connection with the composition. (Doc. No. 1.) In their Answer, the defendants deny the factual allegations in the Complaint, asserting that Phil *is* an author; they set forth a counterclaim affirmatively alleging that Phil is an author, that they are the statutory successors to Phil Everly's rights under 17 U.S.C. §§ 304(c) and 203(a), that the 1980 Release is unenforceable, and that the defendants, as Phil's successors "are entitled to one-half of the income earned from the exploitation of the Composition. (Doc. No. 5, at 7.) They demand a declaration to that effect. The defendants are the "aggressors" in this dispute.

***11** This is not a situation in which Don is claiming copyright infringement or seeking damages from the defendants, in response to which the defendants assert co-ownership or co-authorship as an affirmative defense. The defendants, instead, make an authorship claim on behalf of Phil, which may or may not be time-barred. And, in response to the plaintiff's preemptive claims, they assert a defense based on Phil's authorship. In other words, applying *Evans* to the facts here, although nominally defendants, the defendants clearly seek affirmative relief, and their grounds for relief effectively mirror their defense to Don's claims.

Under these circumstances, the court finds, based on *Evans*, that, if the defendants' authorship claim is time-barred, their defenses based on authorship, which mirror their affirmative claim, will also be time-barred. The court reaches this conclusion based in part on the fact that application of the general rule—that the statute of limitations does not operate to bar affirmative defenses—could potentially lead to an absurd and circular result in this case. As matters stand, there is a factual dispute as to whether (and when) "Don expressly repudiated Phil's authorship of *Cathy's Clown*." *Everly*, 958 F.3d at 459. If, hypothetically, Don were able at trial to defend against the defendants' counterclaims by establishing that he plainly and expressly repudiated Phil's claim of authorship more than three years before the defendants filed their counterclaim seeking a declaration as to Phil's co-authorship status, then the court would have to conclude that the defendants' counterclaim for a declaration that Phil Everly *is* an author of "Cathy's Clown" was time-barred by the three-year statute of limitations, and, likewise, that their Notice of Termination of the 1960 Grant, premised upon their claim that Phil is a co-author, is invalid. However, under the *Western Pacific Railroad* rule, their factual defense to Don's request for an affirmative declaration that Phil is *not* an author would *not* be barred by the statute of limitations. As a result, the court could also (still hypothetically) find as a factual matter that Phil *is* an author and thus deny the plaintiff's request for a declaration to the contrary, leaving the parties, and the resolution of this case, completely in limbo. "Put simply, to allow an affirmative defense to be put forth despite a statute of limitations having run is one thing; to expand the period within which a claimant may prove its [authorship] rights outright is an entirely different matter. Since in this case [the defendants] seek[ ] the latter, the statute of limitations applies and provides yet another reason that [the defendants] cannot make out [their] affirmative defense of joint-[authorship] [of] the Work." *Complex Sys. v. ABN AMBRO Bank N.V.*, 979 F. Supp. 2d 456, 474 (S.D.N.Y. 2013).

C. What Is the Accrual Date for a Copyright Termination Claim?

The defendants assert that their termination rights claim could only accrue as of the effective date of their 2014 Notice of Termination of the 1960 Grant, or November 14, 2016. They seek judgment as a matter of law that the claim is timely because their Counterclaim was filed within three years of that date, irrespective of what might have happened between Phil and Don before that date. More precisely, the defendants insist that, as "newfound claimants" to rights accruing upon termination, they should be permitted to "proceed without prejudice to what may have occurred during the original term." (Doc. No. 69, at 2.) Although the defendants frame their motion as asking for judgment as to the timeliness of their termination claim, the court understands their argument to be that their termination claim, if timely, should not be barred, even if the claim that Phil is an author is time-barred.

***12** In support of this proposition, the defendants rely, first, on *Siegel v. Warner Brothers Entertainment, Inc.*, 542 F. Supp. 2d 1098, *rev'd in part sub nom. Larson v. Warner Bros. Entm't*, 504 F. App'x 586 (9th Cir. 2013). In *Siegel*, the heirs of a co-creator of the "Superman" comic book character brought claims under the Copyright Act, seeking a declaration that they had successfully terminated the original grant of copyright and recaptured their decedent's half of the copyright. *Id.* at 1102. The defendant in *Siegel* argued that the termination action was untimely based on a 1997 letter it characterized as repudiating the plaintiffs' ownership rights. The court noted that, "although couched in terms of terminating" the original grant of copyright, the action was "in effect one for co-ownership of the copyright in the Superman material" at issue. *Id.* at 1034. The court noted that claims of co-ownership accrue "when there is a 'plain and express repudiation of co-ownership ... communicated to the claimant.' " *Id.* (quoting *Zuill v. Shanahan*, 80 F.3d 1366, 1369 (9th Cir. 1996)). Although the court questioned whether the plaintiffs' claims in that case should be deemed to have accrued, instead, on the effective date of the notice of termination, the effective date of the notice occurred exactly one day after the plaintiffs received a 1999 letter from the defendant that clearly and unambiguously put the plaintiffs "on notice that [the defendant] reject[ed] both the validity and scope of the Notices." *Id.* at 1135. Because the lawsuit was timely using either event as the date on which the claims accrued, the court did not have to resolve which was the appropriate marker.

Nonetheless, the court explained in a footnote why the effective date of a notice of termination should be deemed the accrual date in a "case involving the right to terminate a grant." *Id.* at 1134 n.7. The court's discussion, however, is not favorable to the defendants in the case at bar, because it expressly distinguished between claims in which authorship, as opposed to technical ownership, is disputed. The court stated:

> One could quibble with whether any date other than the termination effective date itself can serve as the accrual date in a case involving the right to termination of a grant. Much like having to await a judicial determination whether one is a[n] heir (as opposed to instances when an ownership claim is based on whether or not someone is a creator) has been held to be the earliest instant for an accrual date, *see* *Stone v. Williams*, 970 F.2d 1043 (2nd Cir.1992) (Hank Williams' putative daughter's claim to be an owner had to await judicial determination that she was in fact his daughter and heir, thus accrual date was not triggered when Hank Williams first contested her putative status but instead when state court made determination that she was his heir), so too a claim of ownership by way of termination of a grant cannot be realized unless and until after the termination's effective date. *Stated another way, a party's status as a creator is a factual question subject to being challenged by the other putative co-owner at any time, and hence, the accrual date for the same would begin at that instant.* The same, however, is not true of a putative co-owner by way of termination. *Their status as co-owner is not predicated upon a pre-existing factual scenario, like whether they were involved in jointly creating the material per se.* Instead, their status as a co-owner is predicated upon a legal mechanism—the exercise of a new statutory right revoking an earlier transfer in the copyright in question, be it one they solely or jointly created—that takes place at a certain defined point in time. Unless and until that legal triggering point is passed, there is nothing for the other co-owner to reject or challenge. This is particularly the case given that termination notices can be served up to ten years before the effective termination date. Defendants' position would, as a matter of logic, countenance scenarios where due to an early "rejection" of the termination notice, the passage of the limitations period would occur well before the termination effective date even arrived (and with it the putative co-owner's rights even vested).

Id. at 1134 n.7 (emphasis added).

This court reads *Siegel* as implicitly recognizing that, when a termination claim by a putative co-owner is subject to a "pre-existing factual scenario, like whether they were involved in jointly creating the material per se," *id.*, application of the rule fixing accrual from the date of the "plain and express repudiation" of co-authorship would still apply. Viewed thus, *Siegel* does not aid the defendants here.

***13** In the second case on which the defendants rely, *Wilson v. Dynatone Publishing Co.*, 892 F.3d 112 (2d Cir.), *reh'g denied*, 908 F.3d 843 (2d Cir. 2018), the plaintiffs, former members of a band known as "Sly Slick & Wicked," claimed authorship of, and ownership of the renewal term copyrights in, the musical composition and sound recording of a song entitled "Sho' Nuff." *Id.* at 115. The district court granted the defendants' Rule 12(b)(6) motion to dismiss the claims as untimely. The district court found that the defendants had repudiated the plaintiffs' copyright ownership claims much earlier, "during the initial copyright terms," and "that a repudiation of Plaintiffs' claims with respect to the original terms constitutes a repudiation of the renewal terms." *Id.* The plaintiffs' actual authorship was not at issue, but the district court found that the plaintiffs were on notice during the 1970s that the defendants had "repudiated Plaintiffs' ownership of the original term copyrights, and '[t]his state of affairs persisted past the start of the renewal term in 2001 ....' " *Id.* at 118 (quoting district court decision).

On appeal, the Second Circuit concluded that, viewed in the light most favorable to the plaintiffs, the facts as alleged in the complaint showed that the defendants' copyright registrations in 1974 "may have repudiated Plaintiffs' claims to the initial [copyright] terms," but they "did not repudiate Plaintiffs' ownership of the renewal terms." *Id.* at 118. Notably, the defendants' copyright registrations did not necessarily repudiate the plaintiffs' authorship claims. Thus, "[i]f Plaintiffs were the authors of the Sho' Nuff composition and sound recording, as alleged, they were entitled under § 304 to the renewal terms regardless of whether they abandoned their rights to the initial terms, and the renewal terms vested automatically with them." *Id.* at 118. The court found that the fact that the plaintiffs did not receive royalty payments during the original term did not imply repudiation of the renewal term, because "failure to pay royalties during the original terms 'is irrelevant, as it would be merely consistent' with the assignment of the initial copyright terms." *Id.* at 119 (quoting *Gary Friedrich Enters., LLC v. Marvel Characters, Inc.*, 716 F.3d 302, 318 n.15 (2d Cir. 2013)). The court also held that the defendants' registration of a renewal term with the Copyright Office did not amount to repudiation of the plaintiffs' claim, stating: "If mere registration of a copyright without more sufficed to trigger the accrual of an ownership claim, then rightful owners would be forced to maintain constant vigil over new registrations. Such a requirement would be vastly more burdensome than the obligations that a reasonably diligent plaintiff would undertake. Authors would regularly lose their rights merely by virtue of failing to monitor." *Id.* at 119 (internal citation and quotation marks omitted).

Wilson, like *Siegel*, does not come to the defendants' aid in the case before this court, because the facts and legal principles at stake are simply inapposite. This case does not involve mere copyright ownership and renewal rights but authorship and the rights that accompany it. There is no dispute in this case that Acuff-Rose, as the agent of Don Everly, renewed the copyright to "Cathy's Clown" in 1988 and that Don Everly is the sole renewal claimant listed on, and the sole author of the words and music to "Cathy's Clown" identified in, the Renewal Registration. ((Doc. No. 1-5.)

More to the point, the defendants' termination claim in this case is entirely derivative of their authorship claim. Because termination rights can be exercised only by authors or their successors, 17 U.S.C. § 304(c), (a)(1)(C), the defendants' ability as Phil's successors to exercise termination rights depends on their being able to establish that Phil is a co-author of the work in question. In other words, authorship (or being the successor of an author) is a necessary element of a termination claim. If the defendants' ability to claim Phil's status as co-author is found to be time-barred, then their termination claim will necessarily fail, not due to the statute of limitations *per se*, but because they will be unable to establish an essential element of the termination claim. *See* *Everly*, 958 F.3d at 450 ("But, for Phil to have any right to termination, he must be an 'author' of *Cathy's Clown*." (citing 17 U.S.C. §§ 203(a), 304(c))).

***14** On the other hand, if their authorship claim is not time-barred and it is determined that Phil is a co-author of "Cathy's Clown," then the termination rights granted by 17 U.S.C. § 304 would automatically vest in the defendants as statutory successors to Phil. In that event, the defendants' Notice of Termination of the 1960 Grant, filed in early 2014 and effective November 14, 2016 (Doc. No. 1-7, at 4–9), will clearly be timely pursuant to 17 U.S.C. § 304(c).

In sum, the court accepts that the defendants are likely correct that a termination claim would ordinarily accrue on the effective date of the notice of termination. Regardless, the effective date of the 2014 Notice of Termination does not operate to reset the statute of limitations on the defendants' authorship claim. The viability of the termination claim in this case is entirely dependent upon the defendants' ability to prove their claim that Phil Everly is a co-author of

"Cathy's Clown." which, itself, may or may not be time-barred. Because the defendants are putting the cart before the horse, insofar as they contend that their termination rights accrued in 2016 regardless of whether their authorship claim is time-barred, the court will deny their Motion for Judgment as a Matter of Law on this issue as well.

V. CONCLUSION

For the reasons set forth herein, the plaintiff's Motion for Partial Summary Judgment will be granted, but the court is unsure what that means for the parties' other claims. The defendants' Motion for Judgment as a Matter of Law will be denied.

This opinion should not be construed as signaling that the court has prejudged in any way the questions of whether and, if so, when the plaintiff plainly and expressly repudiated Phil Everly's claim of co-authorship of "Cathy's Clown" and, thus, whether the defendants' co-authorship counterclaim—or the affirmative defense that mirrors that claim—is barred by the statute of limitations.

An appropriate Order is filed herewith.

All Citations

Slip Copy, 2020 WL 5642359, 2020 Copr.L.Dec. P 31,735

Footnotes

1 The facts set forth herein are undisputed, except as otherwise noted.

2 The deposition transcripts filed by the parties are condensed versions, containing four pages of the original transcript on each page. Some of the transcripts are excerpts rather than complete copies. The page numbers provided herein are those assigned to the original deposition transcript.

3 Section 304(c) provides that an author's "exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978" may be terminated under certain conditions. Section 203(a) similarly provides for the termination of copyright grants, but it applies to grants executed by the author "on or after January 1, 1978."

4 The Sixth Circuit, like this court, declined to reach the issues the defendants had not raised until their Rule 59 motion.

5 The exception to the general remand is that this court also awarded summary judgment to the plaintiff as to the authorship of two other compositions. Because the defendants did not appeal that portion of this court's judgment, the Sixth Circuit affirmed that portion of the original judgment, which therefore remains in effect.

See *Everly v. Everly*, 958 F.3d 442, 448 n.6 (6th Cir. 2020) (finding that the defendants had "forfeited any argument" regarding these two compositions and affirming summary judgment for the plaintiff on the claims related to them).

6 The Copyright Act was amended in 1998 to increase the length of the copyright term and to provide an additional term during which the author may terminate: between seventy-five and eighty years after the copyright was obtained. 17 U.S.C. § 304(d)(2). *See* *Brumley*, 822 F.3d at 928–29.

7 Alternatively, they contend that, to the extent the 1980 Release purported to convey termination rights, it is unenforceable under 17 U.S.C. § 203(a)(5). (Doc. No. 72, at 5 n.3.)

8 The plaintiff's reliance on *Ritchie* is misplaced, insofar as he claims that the case stands for the proposition that the statute of limitations can be deployed to bar untimely counterclaims. In fact, although this is not made entirely clear by the Sixth Circuit's opinion, the underlying briefing shows that *Ritchie* involved two

consolidated cases: a lead case, *Robert J. Ritchie et al. v. Alvin Williams et al.* ("the Ritchie Action"), filed in the U.S. District Court for the Eastern District of Michigan, asserting claims under the Lanham Act, and a second suit, "*EB-Bran Productions et al v. Robert Ritchie et al.*," filed in the Circuit Court for Wayne County, Michigan, which was removed by the defendants and consolidated with the Ritchie Action. *See* *Ritchie v. Williams*, No. 03-1279, 2004 WL 5458347, at *1 (6th Cir. Mar. 8, 2004) (Final Brief of Appellants). The appellants sought review of the district court's conclusion that the claims in their removed state court action were entirely preempted by the Copyright Act and barred by the Copyright Act's statute of limitations. *Id.* at *3; *see also* *Ritchie*, 395 F.3d at 287 ("The District Court correctly concluded that all of the Williams group's state law claims are time-barred."). This is actually immaterial, because the defendants expressly concede that the plaintiff has a legal right to assert a statute-of-limitations defense to their counterclaims.

9 The court in *Hogarth* did state, in dictum, that, "even if [the defendant] had filed a time- barred counterclaim, the statute of limitations would not have prevented [it] from asserting its affirmative defense to the [plaintiffs'] claim." *Hogarth*, 342 F.3d at 164.

10 The district court also found, in the alternative, that the claims were barred by issue preclusion. The Sixth Circuit affirmed on issue preclusion grounds, noting that it had not yet addressed the specific issue raised in *Evans* and that, although the district court's analysis was "well reasoned and persuasive," it did not reach the question there because the case "fit[ ] squarely within the doctrine of issue preclusion." *Heartland Materials, Inc. v Warren Paving, Inc.*, No. 19- 5510, ––– F. App'x ––––, 2020 WL 3432942, at *6 (6th Cir. June 23, 2020).

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2001 WL 1589999
United States District Court, S.D. New York.

UNITED STATES, Plaintiff
v.
AMERICAN SOCIETY OF COMPOSERS,
Authors and Publishers, Defendants-Appellants.

No. 41-1395 (WCC).
|
June 11, 2001.

Attorneys and Law Firms

For plaintiff: Hadrian R. Katz of Arnold & Porter, New York, N.Y.

For defendants: Jonathan M. Rich of Morgan, Lewis & Bockius, Washington, D.C., Philip H. Schaeffer of White & Case, New York, N.Y. , and Richard H. Reimer, New York, N.Y.

SECOND AMENDED FINAL JUDGMENT

CONNER, D.J.

***1** Plaintiff having filed its complaint herein on February 26, 1941, the original defendants having appeared and filed their answer to the complaint denying the substantive allegations thereof, all parties having consented, without trial or adjudication of any issue of fact or law therein, to the entry of a Civil Decree and Judgment, filed March 4, 1941 [1940-1943 TRADE CASES ¶ 56,104],1940-1943 TRADE CASES ¶ 56,104], to the entry of an Amended Final Judgment on March 14, 1950 [1950-1951 TRADE CASES ¶ 62,595],1950-1951 TRADE CASES ¶ 62,595], as subsequently amended and modified and to the entry of an Order thereunder issued on January 7, 1960 [1960 TRADE CASES ¶ 69,612],1960 TRADE CASES ¶ 69,612], as subsequently amended and modified;

The parties having moved the Court to amend the Amended Final Judgment,

NOW, THEREFORE, before the taking of any testimony, and without trial or adjudication of any issue of fact or law herein, without admission by the defendant American Society of Composers, Authors and Publishers with respect to any such issue, and upon consent of all remaining parties hereto, it is hereby

ORDERED, ADJUDGED, AND DECREED that the Amended Final Judgment be amended as follows:

I. Jurisdiction. This Court has jurisdiction of the subject matter hereof and of all parties hereto. The complaint states a claim upon which relief may be granted against ASCAP under Section 1 of the Sherman Act, 15 U.S.C. § 1.

II. Definitions. As used in this Second Amended Final Judgment:

(A) "ASCAP" means the American Society of Composers, Authors and Publishers;

(B) "ASCAP music" means any work in the ASCAP repertory;

(C) "ASCAP repertory" means those works the right of public performance of which ASCAP has or hereafter shall have the right to license at the relevant point in time;

(D) "Background/foreground music service" means a person that transmits performances of music to subscribers and that furnishes to those subscribers equipment not otherwise available to the general public that enables subscribers to make the transmitted performances on their premises. A background/foreground music service does not include radio or television stations or networks, cable television networks or systems, persons that transmit renditions of music to private homes, apartments, or hotel or motel guest rooms, or persons that transmit renditions of music to subscribers that charge admission;

(E) "Blanket License" means a non-exclusive license that authorizes a music user to perform ASCAP music, the fee for which does not vary depending on the extent to which the music user in fact performs ASCAP music;

(F) "Broadcaster" means any person who transmits audio or audio-visual content substantially similar to content that is transmitted by over-the-air or cable radio or television stations or networks as they existed on the date of entry of this Second Amended Final Judgment or that transmits the signal of another broadcaster: (1) over the air, (2) via cable television or direct broadcast satellite, or (3) via other existing or yet-to-be-developed transmission technologies, to audiences using radios, television sets, computers, or other receiving or playing devices;

***2** (G) "Music user" means any person that (1) owns or operates an establishment or enterprise where copyrighted musical compositions are performed publicly, or (2) is otherwise directly engaged in giving public performances of copyrighted musical compositions;

(H) "On-line music user" means a person that publicly performs works in the ASCAP repertory via the Internet or similar transmission facility including any succeeding transmission technologies developed after entry of this Second Amended Final Judgment;

(I) "Performing rights organization" means an association or corporation, such as ASCAP, Broadcast Music, Inc., or SESAC, Inc., that collectively licenses rights of public performance on behalf of numerous copyright owners;

(J) "Per-program license" means a non-exclusive license that authorizes a broadcaster to perform ASCAP music in all of the broadcaster's programs, the fee for which varies depending upon which programs contain ASCAP music not otherwise licensed for public performance;

(K) "Per-segment license" means a non-exclusive license that authorizes a music user to perform any or all works in the ASCAP repertory in all segments of the music user's activities in a single industry, the fee for which varies depending upon which segments contain ASCAP music not otherwise licensed for public performance;

(L) "Person" means an individual, partnership, firm, association, corporation or other business or legal entity;

(M) "Program" means either a discrete program exhibited by a broadcaster or on-line music user or, if such broadcaster or on-line music user does not exhibit discrete programs, such other portion of the transmissions made by the broadcaster or on-line music user as shall be agreed to by ASCAP and the broadcaster or on-line music user or as shall be determined by the Court in a proceeding conducted under Section IX of this Second Amended Final Judgment;

(N) "Public list" means such records that indicate the title, date of U.S. copyright registration, if any, writer and current publisher or other copyright owner of all works in the ASCAP repertory, including, but not limited to, the public electronic list;

(O) "Public electronic list" means separate databases of: (1) works in the ASCAP repertory that have been registered with ASCAP since January 1, 1991, or identified in ASCAP's surveys of performed works since January 1, 1978, identifying the title, writer, and current publisher or other copyright owner of each work; and (2) current ASCAP members;

(P) "Representative music user" means a music user whose frequency, intensity and type of music usage is typical of a group of similarly situated music users;

(Q) "Right of public performance" means, and "perform" refers to, the right to perform a work publicly in a nondramatic manner, sometimes referred to as the "small performing right," and any equivalent rights under foreign copyright law, including, but not limited to, rights known as the rights of transmission, retransmission, communication, diffusion and rediffusion;

***3** (R) "Similarly situated" means music users or licensees in the same industry that perform ASCAP music and that operate similar businesses and use music in similar ways and with similar frequency; factors relevant to determining whether music users or licensees are similarly situated include, but are not limited to, the nature and frequency of musical performances, ASCAP's cost of administering licenses, whether the music users or licensees compete with one another, and the amount and source of the music users' revenue;

(S) "Through-to-the-Audience License" means a license that authorizes the simultaneous or so-called "delayed" performances of ASCAP music that are contained in content transmitted or delivered by a music user to another music user with whom the licensee has an economic relationship relating to that content;

(T) "Total license, fee" means the sum of all fees paid by the music user in connection with the license, including any fee for ambient or incidental uses but excluding the administrative charges authorized by Section VII(B) of this Second Amended Final Judgment;

(U) "Work" means any copyrighted musical composition; and

(V) "Writer" means a person who has written the music or lyrics of a work.

III. Applicability. The provisions of this Second Amended Final Judgment shall apply to ASCAP, its successors and assigns, and to each of its officers, directors, agents, employees, and to all other persons in active concert or participation with any of them who shall have received actual notice of this Second Amended Final Judgment by personal service or otherwise. Except as provided in Sections IV(A) and (B) of this Second Amended Final Judgment, none of the injunctions or requirements herein imposed upon ASCAP shall apply to the acquisition or licensing of the right to perform musical compositions publicly solely outside the United States of America, its territories or possessions.

IV. Prohibited Conduct. ASCAP is hereby enjoined and restrained from:

(A) Holding, acquiring, licensing, enforcing, or negotiating concerning any foreign or domestic rights in copyrighted musical compositions other than rights of public performance on a non-exclusive basis; provided, however, that ASCAP may collect and distribute royalties for home recording devices and media to the extent such royalty collection is required or authorized by statute;

(B) Limiting, restricting, or interfering with the right of any member to issue, directly or through an agent other than a performing rights organization, non-exclusive licenses to music users for rights of public performance;

(C) Entering into, recognizing, enforcing or claiming any rights under any license for rights of public performance which discriminates in license fees or other terms and conditions between licensees similarly situated;

(D) Granting any license to any music user for rights of public performance in excess of five years' duration;

***4** (E) Granting to, enforcing against, collecting any monies from, or negotiating with any motion picture theater exhibitor concerning the right of public performance for music synchronized with motion pictures;

(F) Asserting or exercising any right or power to restrict from public performance by any licensee of ASCAP any work in order to exact additional consideration for the performance thereof, or for the purpose of permitting the fixing or regulating of fees for the recording or transcribing of such work; nothing in this Section IV(F) shall be construed to prevent ASCAP, when so directed by the member in interest in respect of a work, from restricting performances of a work in order reasonably to protect the work against indiscriminate performances, or the value of the public performance rights therein, or the dramatic or "grand" performing rights therein, or to prevent ASCAP from restricting performances of a work so far as may be reasonably necessary in connection with any claim or litigation involving the performing rights in any such work;

(G) Instituting, threatening to institute, maintaining, continuing, sponsoring, funding or providing any legal services for any suit or proceeding against any motion picture theater exhibitor for copyright infringement relating to the nondramatic public performance of any work contained in a motion picture, provided, however, that nothing in this Section IV(G) shall preclude ASCAP from pursuing its own *bona fide* independent interest in any such suit or proceeding; and

(H) Issuing to any broadcaster any license the fee for which is based upon a percentage of the income received by the licensee from programs that include no ASCAP music unless the broadcaster to whom such license shall be issued shall desire a license on such a basis; provided, however, that this Section IV(H) shall not limit the discretion of the Court in a proceeding conducted under Section IX of this Second Amended Final Judgment to determine a license fee on any appropriate basis.

V. Through-to-the-Audience Licenses. ASCAP is hereby ordered and directed to issue, upon request, a through-to-the-audience license to a broadcaster, an on-line user, a background/foreground music service, and an operator of any yet-to-be-developed technology that transmits content to other music users with whom it has an economic relationship relating to that content; provided, however, that, in accordance with Section III of this Second Amended Final Judgment, ASCAP shall not be required to issue a through-to-the-audience license to perform ASCAP music outside the United States. The fee for a through-to-the-audience license shall take into account the value of all performances made pursuant to the license.

VI. Licensing. ASCAP is hereby ordered and directed to grant to any music user making a written request therefor a non-exclusive license to perform all of the works in the ASCAP repertory; provided, however, that ASCAP shall not be required to issue a license to any music user that is in material breach or default of any license agreement by failing to pay to ASCAP any license fee that is indisputably owed to ASCAP. ASCAP shall not grant to any music user a license to perform one or more specified works in the ASCAP repertory, unless both the music user and member or members in interest shall have requested ASCAP in writing to do so, or unless ASCAP, at the written request of the prospective music user shall have sent a written notice of the prospective music user's request for a license to each such member at the member's last known address, and such member shall have failed to reply within thirty (30) days thereafter.

***5** VII. Per-Program and Per-Segment Licenses.

(A) ASCAP is ordered and directed to offer, upon written request:

(1) To a broadcaster, a per-program license that shall, in addition, cover ambient and incidental uses and shall not require any record-keeping or monitoring of ambient and incidental uses; and

(2) To a background/foreground music service or to an on-line music user, a per-segment license if (a) the music user's performances of music can be tracked and monitored to determine with reasonable accuracy which segments of the music user's activity are subject to an ASCAP license fee; (b) the music user's performances of music can be attributed to segments commonly recognized within the music user's industry for which a license fee can be assessed; and (c) administration of the license will not impose an unreasonable burden on ASCAP; the per-segment license shall, in addition, cover ambient and incidental uses without any record-keeping or monitoring of those uses if that is reasonably necessary to afford a genuine choice among the various types of licenses offered, or of the benefits of any of those types of licenses; if a portion of any on-line music user's transmissions consists of programs substantially similar to those transmitted by over-the-air or cable radio or television stations or networks as they existed on the date of entry of this Second Amended Final Judgment, or is a retransmission of any broadcaster's programs, it shall be presumed that each individual program shall constitute a segment and for those segments the on-line music user need not meet the requirements of subsections (a), (b) and (c) of this section.

(B) ASCAP may charge any music user that selects a per-program license or a per-segment license a fee to recover its reasonable cost of administering the license.

(C) Nothing in this Second Amended Final Judgment shall prevent ASCAP and any music user from agreeing on any other form of license.

(D) The fee for a per-program license and for any per-segment license issued to an on-line user shall be at the option of ASCAP either:

(1) Expressed in terms of dollars, requiring the payment of a specified amount for each program or segment that contains works in the ASCAP repertory not otherwise licensed for public performance, or

(2) Expressed as a percentage of the music users' revenue attributable to each program or segment that contains works in the ASCAP repertory not otherwise licensed for public performance.

VIII. Genuine Choice.

(A) ASCAP shall use its best efforts to avoid any discrimination among the various types of licenses offered to any group of similarly situated music users that would deprive those music users of a genuine choice among the various types of licenses offered, or of the benefits of any of those types of licenses.

(B) For a representative music user, the total license fee for a per-program or per-segment license shall, at the time the license fee is established, approximate the fee for a blanket license; for the purpose of making that approximation, it shall be assumed for the purposes of this Section VIII(B) that all of the music user's programs or segments that contain performances of ASCAP music are subject to an ASCAP fee.

***6** (C) ASCAP shall maintain an up-to-date system for tracking music use by per-program and per-segment licensees; ASCAP shall not be required to incur any unreasonable costs in maintaining such system; ASCAP may require its members and such licensees to provide ASCAP with all information reasonably necessary to administer the per-program or per-segment license including, but not limited to:

(1) cue sheets or music logs;

(2) the date of performance of a work and identification of the program or other segment of the music user's activities that contained the performance;

(3) the title of the work performed; and

(4) the writer, publisher or performing artist;

such requirements shall be designed to avoid unreasonable burdens on ASCAP, ASCAP members and licensees.

(D) The terms and requirements of any license shall be designed to avoid imposing any unreasonable burdens or costs on licensees or ASCAP.

IX. Determination of Reasonable Fees.

(A) ASCAP shall, upon receipt of a written request for a license for the right of public performance of any, some or all of the works in the ASCAP repertory, advise the music user in writing of the fee that it deems reasonable for the license requested or the information that it reasonably requires in order to quote a reasonable fee. In the event ASCAP requires such additional information, it shall so advise the music user in writing, and shall advise the music user in writing of the fee that it deems reasonable within sixty (60) days of receiving such information. If the parties are unable to reach agreement within sixty (60) days from the date when the request for a license is received by ASCAP, or within sixty (60) days of ASCAP's request for information, whichever is later, the music user may apply to the Court for a determination of a reasonable fee retroactive to the date of the written request for a license, and ASCAP shall, upon receipt of notice of the filing of such request, promptly give notice of the filing to the Assistant Attorney General in charge of the Antitrust Division. If the parties are unable to agree upon a reasonable fee within ninety (90) days from the date when ASCAP advises the music user of the fee that it deems reasonable or requests additional information from the music user, and if the music user has not applied to the Court for a determination of a reasonable fee, ASCAP may apply to the Court for the determination of a reasonable fee retroactive to the date of a written request for a license and ASCAP shall upon filing such application promptly give notice of the filing to the Assistant Attorney General in charge of the Antitrust Division.

(B) In any such proceeding, the burden of proof shall be on ASCAP to establish the reasonableness of the fee it seeks except that, where a music user seeks a per-segment license, the music user shall have the burden of demonstrating that its performances of music can be tracked and monitored to determine with reasonable accuracy which segments of the music user's activity are subject to an ASCAP fee and of demonstrating that the music user's performances of music can be attributed to segments commonly recognized within the music user's industry for which a license fee can be assessed.

***7** (C) The fees negotiated by ASCAP and any music user during the first five years that ASCAP licenses music users in that industry shall not be evidence of the reasonableness of any fees (other than an interim fee as provided in Section IX(F) of this Second Amended Final Judgment) for any license in any proceeding under this Section IX.

(D) Should ASCAP not establish that the fee it requested is reasonable, then the Court shall determine a reasonable fee based upon all the evidence.

(E) The parties shall have the matter ready for trial by the Court within one year of the filing of the application unless ASCAP and at least one music user request that the Court delay the trial for an additional period not to exceed one year. No other delay shall be granted unless good cause is shown for extending such schedule Pending the completion of any such negotiations or proceedings, the music user shall have the right to perform any, some or all of the works in the ASCAP repertory to which its application pertains, without payment of any fee or other compensation, but subject to the provisions of Section IX(F) of this Second Amended Final Judgment, and to the final order or judgment entered by the Court in such proceeding.

(F) When a music user has the right to perform works in the ASCAP repertory pending the completion of any negotiations or pending proceedings provided for in Section IX(A) of this Second Amended Final Judgment, either the music user or ASCAP may apply to the Court to fix an interim fee pending final determination or negotiation of a reasonable fee. The Court shall then fix an interim fee within ninety (90) days of such application for an interim fee retroactive to the date of the written request for a license, allowing only such limited discovery, if any, that the Court deems necessary to the fixing of such interim fee. In fixing such interim fee, there shall be a presumption that the last existing license (if any) between the music user and ASCAP, or between licensees similarly situated to the music user and ASCAP, sets forth the appropriate interim fee. If the Court fixes such interim fee, ASCAP shall then issue and the music user shall accept a license providing for the payment of a fee at such interim rate from the date of the request by such music user for a license pursuant to Section IX(A) of this Second Amended Final Judgment. If the music user fails to accept such a license or fails to pay the interim fee in accordance therewith, such failure shall be ground for the dismissal of its application for a reasonable fee, if any.

(G) When a reasonable fee has been determined by the Court, ASCAP shall be required to offer a license at a comparable fee to all other similarly situated music users who shall thereafter request a license of ASCAP; provided, however, that any license agreement that has been executed between ASCAP and another similarly situated music user prior to such determination by the Court shall not be deemed to be in any way affected or altered by such determination for the term of such license agreement.

***8** (H) Nothing in this Section IX shall prevent any applicant or licensee from attacking in the aforesaid proceedings or in any other controversy the validity of the copyright of any of the compositions in the ASCAP repertory, nor shall this Second Amended Final Judgment be construed as importing any validity or value to any of said copyrights.

(I) Pursuant to its responsibility to monitor and ensure compliance with this Second Amended Final Judgment, the United States may participate fully in any proceeding brought under this Section IX. Any order or agreement governing the confidentiality of documents or other products of discovery in any such proceeding shall contain the following provisions:

(1) The Department of Justice (the "Department") may make a written request for copies of any documents, deposition transcripts or other products of discovery ("products of discovery") produced in the proceeding. If the Department makes such a request to a party other than the party who produced the materials in the proceeding or to a deponent ("the producing party"), the Department and the party to whom it directed the request shall provide a copy of the request to the producing party. The producing party must file any objection to the request with the Court within thirty days of receiving the request; if the producing party does not file such an objection, the person to whom the Department directed its request shall provide the materials to the Department promptly;

(2) Any party to the proceeding may provide the Department with copies of any products of discovery produced in the proceeding. Any party who provides the Department with copies of any product of discovery shall inform the other parties to the proceeding within fifteen days of providing such materials to the Department. The producing party must file any objection to the production within fifteen days of receiving such notice; and

(3) The Department shall not disclose any products of discovery that it obtains under this order that have been designated as "confidential" in good faith or as otherwise protectable under Fed.R.Civ.P. 26(c)(7) to any third party without the consent of the producing party, except as provided in the Antitrust Civil Process Act, 15 U.S.C. § 1313(c)-(d), or as otherwise required by law.

X. Public Lists.

(A) Within 90 days of entry of this Second Amended Final Judgment, ASCAP shall, upon written request from any music user or prospective music user:

(1) Inform that person whether any work identified by title and writer is in the ASCAP repertory; or

(2) Make a good faith effort to do so if identifying information other than title and writer is provided.

(B) Within 90 days of entry of this Second Amended Final Judgment, ASCAP shall:

(1) Make the public list available for inspection at ASCAP's offices during regular business hours, maintain it thereafter, and update it annually; and

(2) Make the public electronic list available through on-line computer access (*e.g.,* the Internet), update it weekly, make copies of it available in a machine-readable format (*e.g.,* CD-ROM) for the cost of

reproduction, and update the machine-readable copies semiannually.

***9** (C) Beginning 90 days after entry of this Second Amended Final Judgment, the first written offer of a license that ASCAP makes to a music user or prospective music user shall describe how to gain access to the public list and public electronic list and describe the variety of works in the ASCAP repertory, including, but not limited to, a list of writers, genres of music and works that illustrates that variety.

(D) After the date on which ASCAP makes the public electronic list available pursuant to Section X(B)(2) of this Second Amended Final Judgment, ASCAP shall not institute- or threaten to institute, maintain, continue, sponsor, fund (wholly or partially, directly or indirectly) or provide any legal services for, any suit or proceeding against any music user for copyright infringement relating to the right of nondramatic public performance of any work in the ASCAP repertory that is not, at the time of the alleged infringement, identified on the public electronic list; provided, however, that nothing in this Section X shall preclude ASCAP from pursuing its own *bona fide* independent interest in any such suit or proceeding. This Section X(D) shall not apply to any such suit or proceeding pending on the date of entry of this Second Amended Final Judgment.

XI. Membership.

A. ASCAP is hereby ordered and directed to admit to membership, non-participating or otherwise:

(1) Any writer who shall have had at least one work regularly published, whether or not performance of the work has been recorded in an ASCAP survey; or

(2) Any person actively engaged in the music publishing business, whose musical publications have been used or distributed on a commercial scale for at least one year, and who assumes the financial risk involved in the normal publication of musical works.

B. (1) ASCAP shall distribute to its members the monies received by licensing rights of public performance, less its costs, primarily on the basis of performances of its members' works (excluding those works licensed by the member directly) as indicated by objective surveys of performances periodically made by or for ASCAP, provided, however, that ASCAP may make special awards of its distributable revenues to writers and publishers whose works have a unique prestige value, or which make a significant contribution to the ASCAP repertory. Distribution of ASCAP's distributable revenue based on such objective surveys shall reflect the value to ASCAP of performances in the various media, and the method or formula for such distribution shall be fully and clearly disclosed to all members. Upon written request of any member, ASCAP shall disclose information sufficient for that member to determine exactly how that member's payment was calculated by ASCAP.

(2) Where feasible, ASCAP shall conduct, or cause to have conducted, a census or a scientific, randomly selected sample of the performances of the works of its members. Such census or sample shall be designed to reflect accurately the number and identification of performances and the revenue attributable to those performances, made in accordance with a design made and periodically reviewed by an independent and qualified person.

***10** (3) ASCAP shall not restrict the right of any member to withdraw from membership in ASCAP at the end of any calendar year upon giving three months' advance written notice to ASCAP; provided, however, that any writer or publisher member who resigns from ASCAP and whose works continue to be licensed by ASCAP by reason of the continued membership of a co-writer, writer or publisher of any such works, may elect to continue receiving distribution for such works on the same basis and with the same elections as a member would have, so long as the resigning member does not license the works to any other performing rights licensing organization for performance in the United States. ASCAP may require a written acknowledgment from such resigning member that the works have not been so licensed.

(a) A resigning member shall receive distribution from ASCAP for performances occurring through the last day of the member's membership in ASCAP, regardless of the date the revenues are received.

(b) ASCAP shall not, in connection with any member's resignation, change the valuation of that member's works or the basis on which distribution is made to that member, unless such changes are part of similar changes applicable to all members in the resigning member's classification.

(c) Notwithstanding the foregoing, for any member who resigns from ASCAP, ASCAP is enjoined and restrained from requiring that member to agree that the withdrawal of such works be subject to any rights or obligations existing between ASCAP and its licensees, provided, however, that ASCAP may make withdrawal of any works from the ASCAP repertory subject to any license agreement between ASCAP and any licensee that is in effect on the date that this provision becomes effective.

C. Each provision of Section XI(B) of this Second Amended Final Judgment shall only be effective upon entry of an order in *United States v. Broadcast Music, Inc.,* No. 64 Civ. 3787 (S.D.N.Y.), that contains a substantially identical provision. Until the provisions of Section XI(B)(3) of this Second Amended Final Judgment become effective, ASCAP shall not enter into any contract with a writer or publisher requiring such writer or publisher to grant to ASCAP performing rights for a period in excess of five years.

D. Notwithstanding the provisions of Section XI (B)(3) and (C) of this Second Amended Final Judgment, a member who requests and receives an advance from ASCAP shall remain a member of ASCAP and shall not be entitled to exercise any right to resign until the advance has been fully recouped or repaid.

XII. Plaintiff's Access.

(A) For the purposes of determining or securing compliance with this Second Amended Final Judgment or determining whether this Second Amended Final Judgment should be modified or terminated, and subject to any legally recognized privilege, authorized representatives of the Antitrust Division of the United States Department of Justice, shall upon written request of the Assistant Attorney General in charge of the Antitrust Division and on reasonable notice to ASCAP, be permitted:

***11** (1) Access during regular business hours to inspect and copy all records and documents in the possession, custody, or under the control of ASCAP, which may have counsel present, relating to any matters contained in this Second Amended Final Judgment;

(2) To interview ASCAP's members, officers, directors, employees, agents, and representatives, who may have counsel present, concerning such matters; and

(3) To obtain written reports from ASCAP, under oath if requested, relating to any matters contained in this Second Amended Final Judgment.

(B) ASCAP shall have the right to be represented by counsel in any process under this Section.

(C) No information or documents obtained by the means provided in this Section shall be divulged by the plaintiff to any person other than duly authorized representatives of the Executive Branch of the United States, except in the course of legal proceedings to which the United States is a party (including grand jury proceedings), or for the purpose of securing compliance with this Second Amended Final Judgment, or as otherwise required by law.

(D) If, at the time information or documents are furnished by defendant to plaintiff, ASCAP represents and identifies, in writing, the material in any such information or documents to which a claim of protection may be asserted under Rule 26(c)(7) of the Federal Rules of Civil Procedure, and ASCAP marks each pertinent page of such material, "subject to claim of protection under Rule 26(c)(7) of the Federal Rules of Civil Procedure," then 10-days notice shall be given by plaintiff to ASCAP prior to divulging such material in any legal proceeding (other than a grand jury proceeding) to which ASCAP is not a party.

XIII. Dismissal of Individual Defendants. This action is dismissed with respect to Gene Buck, George Meyer and Gustave Schirmer and their estates.

XIV. Retention of Jurisdiction. Jurisdiction of this cause is retained for the purpose of enabling any of the parties to this Second Amended Final Judgment to make application to the Court for such further orders and directions as may be necessary or appropriate in relation to the construction of or carrying out of this Second Amended Final Judgment, for the modification thereof, for the enforcement of compliance therewith and for the punishment of violations thereof. It is expressly understood, in addition to the foregoing, that:

(A) The plaintiff may at any time after entry of this Second Amended Final Judgment, upon reasonable notice, apply to the Court for the vacation of said Judgment, or its modification in any respect, including the dissolution of ASCAP; and

(B) If, at any time after the entry of this Second Amended Final Judgment, a stipulated amended final judgment is entered in *United States v. Broadcast Music, Inc.,* No. 64 Civ. 3787 (S.D.N.Y.), ASCAP may move the Court, and the Court shall grant such motion, to substitute the relevant terms of that stipulated amended final judgment for those of this Second Amended Final Judgment.

***12** XV. Effective Date. This Second Amended Final Judgment shall become effective three months from the date of entry hereof whereupon the Amended Final Judgment entered on March 14, 1950, all modifications or amendments thereto, the Order entered thereunder on January 7, 1960, and all modifications and amendments thereto (collectively the "Amended Final Judgment") and the Final Judgment in *United States v. The American Society of Composers, Authors and Publishers,* (formerly Civ. No. 42-245 (S.D.N.Y.)) entered on March 14, 1950 and all modifications and amendments thereto (the "Foreign Decree") shall be vacated. This Second Amended Final Judgment shall not be construed to make proper or lawful or sanction any acts which occurred prior to the date hereof which were enjoined, restrained or prohibited by the Amended Final Judgment or the Foreign Decree.

All Citations

Not Reported in F.Supp.2d, 2001 WL 1589999, 2001-2 Trade Cases P 73,474, 2001 Copr.L.Dec. P 28,341

End of Document

United States Code Annotated
Title 17. Copyrights (Refs & Annos)
Chapter 1. Subject Matter and Scope of Copyright (Refs & Annos)

17 U.S.C.A. § 101

§ 101. Definitions

Effective: December 9, 2010
Currentness

Except as otherwise provided in this title, as used in this title, the following terms and their variant forms mean the following:

An "anonymous work" is a work on the copies or phonorecords of which no natural person is identified as author.

An "architectural work" is the design of a building as embodied in any tangible medium of expression, including a building, architectural plans, or drawings. The work includes the overall form as well as the arrangement and composition of spaces and elements in the design, but does not include individual standard features.

"Audiovisual works" are works that consist of a series of related images which are intrinsically intended to be shown by the use of machines, or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied.

The "Berne Convention" is the Convention for the Protection of Literary and Artistic Works, signed at Berne, Switzerland, on September 9, 1886, and all acts, protocols, and revisions thereto.

The "best edition" of a work is the edition, published in the United States at any time before the date of deposit, that the Library of Congress determines to be most suitable for its purposes.

A person's "children" are that person's immediate offspring, whether legitimate or not, and any children legally adopted by that person.

A "collective work" is a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole.

A "compilation" is a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship. The term "compilation" includes collective works.

A "computer program" is a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result.

"Copies" are material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term "copies" includes the material object, other than a phonorecord, in which the work is first fixed.

"Copyright owner", with respect to any one of the exclusive rights comprised in a copyright, refers to the owner of that particular right.

A "Copyright Royalty Judge" is a Copyright Royalty Judge appointed under section 802 of this title, and includes any individual serving as an interim Copyright Royalty Judge under such section.

A work is "created" when it is fixed in a copy or phonorecord for the first time; where a work is prepared over a period of time, the portion of it that has been fixed at any particular time constitutes the work as of that time, and where the work has been prepared in different versions, each version constitutes a separate work.

A "derivative work" is a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a "derivative work".

A "device", "machine", or "process" is one now known or later developed.

A "digital transmission" is a transmission in whole or in part in a digital or other non-analog format.

To "display" a work means to show a copy of it, either directly or by means of a film, slide, television image, or any other device or process or, in the case of a motion picture or other audiovisual work, to show individual images nonsequentially.

An "establishment" is a store, shop, or any similar place of business open to the general public for the primary purpose of selling goods or services in which the majority of the gross square feet of space that is nonresidential is used for that purpose, and in which nondramatic musical works are performed publicly.

The term "financial gain" includes receipt, or expectation of receipt, of anything of value, including the receipt of other copyrighted works.

A work is "fixed" in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration. A work consisting of sounds, images, or both, that are being transmitted, is "fixed" for purposes of this title if a fixation of the work is being made simultaneously with its transmission.

A "food service or drinking establishment" is a restaurant, inn, bar, tavern, or any other similar place of business in which the public or patrons assemble for the primary purpose of being served food or drink, in which the majority of the gross square feet of space that is nonresidential is used for that purpose, and in which nondramatic musical works are performed publicly.

The "Geneva Phonograms Convention" is the Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms, concluded at Geneva, Switzerland, on October 29, 1971.

The "gross square feet of space" of an establishment means the entire interior space of that establishment, and any adjoining outdoor space used to serve patrons, whether on a seasonal basis or otherwise.

The terms "including" and "such as" are illustrative and not limitative.

An "international agreement" is--

(1) the Universal Copyright Convention;

(2) the Geneva Phonograms Convention;

(3) the Berne Convention;

(4) the WTO Agreement;

(5) the WIPO Copyright Treaty;

(6) the WIPO Performances and Phonograms Treaty; and

(7) any other copyright treaty to which the United States is a party.

A "joint work" is a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole.

"Literary works" are works, other than audiovisual works, expressed in words, numbers, or other verbal or numerical symbols or indicia, regardless of the nature of the material objects, such as books, periodicals, manuscripts, phonorecords, film, tapes, disks, or cards, in which they are embodied.

The term "motion picture exhibition facility" means a movie theater, screening room, or other venue that is being used primarily for the exhibition of a copyrighted motion picture, if such exhibition is open to the public or is made to an assembled group of viewers outside of a normal circle of a family and its social acquaintances.

"Motion pictures" are audiovisual works consisting of a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any.

To "perform" a work means to recite, render, play, dance, or act it, either directly or by means of any device or process or, in the case of a motion picture or other audiovisual work, to show its images in any sequence or to make the sounds accompanying it audible.

A "performing rights society" is an association, corporation, or other entity that licenses the public performance of nondramatic musical works on behalf of copyright owners of such works, such as the American Society of Composers, Authors and Publishers (ASCAP), Broadcast Music, Inc. (BMI), and SESAC, Inc.

"Phonorecords" are material objects in which sounds, other than those accompanying a motion picture or other audiovisual work, are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term "phonorecords" includes the material object in which the sounds are first fixed.

"Pictorial, graphic, and sculptural works" include two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, diagrams, models, and technical drawings, including architectural plans. Such works shall include works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned; the design of a useful article, as defined in this section, shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.

For purposes of section 513, a "proprietor" is an individual, corporation, partnership, or other entity, as the case may be, that owns an establishment or a food service or drinking establishment, except that no owner or operator of a radio or television station licensed by the Federal Communications Commission, cable system or satellite carrier, cable or satellite carrier service or programmer, provider of online services or network access or the operator of facilities therefor, telecommunications company, or any other such audio or audiovisual service or programmer now known or as may be developed in the future, commercial subscription music service, or owner or operator of any other transmission service, shall under any circumstances be deemed to be a proprietor.

A "pseudonymous work" is a work on the copies or phonorecords of which the author is identified under a fictitious name.

"Publication" is the distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending. The offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication. A public performance or display of a work does not of itself constitute publication.

To perform or display a work "publicly" means--

(1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or

(2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.

"Registration", for purposes of sections 205(c)(2), 405, 406, 410(d), 411, 412, and 506(e), means a registration of a claim in the original or the renewed and extended term of copyright.

"Sound recordings" are works that result from the fixation of a series of musical, spoken, or other sounds, but not including the sounds accompanying a motion picture or other audiovisual work, regardless of the nature of the material objects, such as disks, tapes, or other phonorecords, in which they are embodied.

"State" includes the District of Columbia and the Commonwealth of Puerto Rico, and any territories to which this title is made applicable by an Act of Congress.

A "transfer of copyright ownership" is 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.

A "transmission program" is a body of material that, as an aggregate, has been produced for the sole purpose of transmission to the public in sequence and as a unit.

To "transmit" a performance or display is to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent.

A "treaty party" is a country or intergovernmental organization other than the United States that is a party to an international agreement.

The "United States", when used in a geographical sense, comprises the several States, the District of Columbia and the Commonwealth of Puerto Rico, and the organized territories under the jurisdiction of the United States Government.

For purposes of section 411, a work is a "United States work" only if--

(1) in the case of a published work, the work is first published--

(A) in the United States;

(B) simultaneously in the United States and another treaty party or parties, whose law grants a term of copyright protection that is the same as or longer than the term provided in the United States;

(C) simultaneously in the United States and a foreign nation that is not a treaty party; or

(D) in a foreign nation that is not a treaty party, and all of the authors of the work are nationals, domiciliaries, or habitual residents of, or in the case of an audiovisual work legal entities with headquarters in, the United States;

(2) in the case of an unpublished work, all the authors of the work are nationals, domiciliaries, or habitual residents of the United States, or, in the case of an unpublished audiovisual work, all the authors are legal entities with headquarters in the United States; or

(3) in the case of a pictorial, graphic, or sculptural work incorporated in a building or structure, the building or structure is located in the United States.

A “useful article” is an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information. An article that is normally a part of a useful article is considered a “useful article”.

The author's “widow” or “widower” is the author's surviving spouse under the law of the author's domicile at the time of his or her death, whether or not the spouse has later remarried.

The “WIPO Copyright Treaty” is the WIPO Copyright Treaty concluded at Geneva, Switzerland, on December 20, 1996.

The “WIPO Performances and Phonograms Treaty” is the WIPO Performances and Phonograms Treaty concluded at Geneva, Switzerland, on December 20, 1996.

A “work of visual art” is--

(1) a painting, drawing, print, or sculpture, existing in a single copy, in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author, or, in the case of a sculpture, in multiple cast, carved, or fabricated sculptures of 200 or fewer that are consecutively numbered by the author and bear the signature or other identifying mark of the author; or

(2) a still photographic image produced for exhibition purposes only, existing in a single copy that is signed by the author, or in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author.

A work of visual art does not include--

(A)(i) any poster, map, globe, chart, technical drawing, diagram, model, applied art, motion picture or other audiovisual work, book, magazine, newspaper, periodical, data base, electronic information service, electronic publication, or similar publication;

(ii) any merchandising item or advertising, promotional, descriptive, covering, or packaging material or container;

(iii) any portion or part of any item described in clause (i) or (ii);

(B) any work made for hire; or

(C) any work not subject to copyright protection under this title.

A "work of the United States Government" is a work prepared by an officer or employee of the United States Government as part of that person's official duties.

A "work made for hire" is--

(1) a work prepared by an employee within the scope of his or her employment; or

(2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. For the purpose of the foregoing sentence, a "supplementary work" is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work, such as forewords, afterwords, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, and indexes, and an "instructional text" is a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities.

In determining whether any work is eligible to be considered a work made for hire under paragraph (2), neither the amendment contained in section 1011(d) of the Intellectual Property and Communications Omnibus Reform Act of 1999, as enacted by section 1000(a)(9) of Public Law 106-113, nor the deletion of the words added by that amendment--

(A) shall be considered or otherwise given any legal significance, or

(B) shall be interpreted to indicate congressional approval or disapproval of, or acquiescence in, any judicial determination,

by the courts or the Copyright Office. Paragraph (2) shall be interpreted as if both section 2(a)(1) of the Work Made For Hire and Copyright Corrections Act of 2000 and section 1011(d) of the Intellectual Property and Communications Omnibus Reform Act of 1999, as enacted by section 1000(a)(9) of Public Law 106-113, were never enacted, and without regard to any inaction or awareness by the Congress at any time of any judicial determinations.

The terms "WTO Agreement" and "WTO member country" have the meanings given those terms in paragraphs (9) and (10), respectively, of section 2 of the Uruguay Round Agreements Act.

CREDIT(S)

(Pub.L. 94-553, Title I, § 101, Oct. 19, 1976, 90 Stat. 2541; Pub.L. 96-517, § 10(a), Dec. 12, 1980, 94 Stat. 3028; Pub.L. 100-568, § 4(a)(1), Oct. 31, 1988, 102 Stat. 2854; Pub.L. 101-650, Title VI, § 602, Title VII, § 702, Dec. 1, 1990, 104 Stat. 5128, 5133; Pub.L. 102-307, Title I, § 102(b)(2), June 26, 1992, 106 Stat. 266; Pub.L. 102-563, § 3(b), Oct. 28, 1992, 106 Stat. 4248; Pub.L. 104-39, § 5(a), Nov. 1, 1995, 109 Stat. 348; Pub.L. 105-80, § 12(a)(3), Nov. 13, 1997, 111 Stat. 1534; Pub.L. 105-147, § 2(a), Dec. 16, 1997, 111 Stat. 2678; Pub.L. 105-298, Title II, § 205, Oct. 27, 1998, 112 Stat. 2833; Pub.L. 105-304, Title I, § 102(a), Oct. 28, 1998, 112 Stat. 2861; Pub.L. 106-44, § 1(g)(1), Aug. 5, 1999, 113 Stat. 222; Pub.L. 106-113, Div. B, § 1000(a)(9) [Title I, § 1011(d)], Nov. 29, 1999, 113 Stat. 1536, 1501A-544; Pub.L. 106-379, § 2(a), Oct. 27, 2000, 114 Stat. 1444; Pub.L. 107-273, Div. C, Title III, § 13210(5), Nov. 2, 2002, 116 Stat. 1909; Pub.L. 108-419, § 4, Nov. 30, 2004, 118 Stat. 2361; Pub.L. 109-9, Title I, § 102(c), Apr. 27, 2005, 119 Stat. 220; Pub.L. 111-295, § 6(a), Dec. 9, 2010, 124 Stat. 3181.)

Notes of Decisions (456)

17 U.S.C.A. § 101, 17 USCA § 101
Current through P.L.118-6. Some statute sections may be more current, see credits for details.

End of Document

United States Code Annotated
Title 17. Copyrights (Refs & Annos)
Chapter 1. Subject Matter and Scope of Copyright (Refs & Annos)

17 U.S.C.A. § 106

§ 106. Exclusive rights in copyrighted works

Effective: November 2, 2002
Currentness

Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of 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 copyrighted 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.

CREDIT(S)

(Pub.L. 94-553, Title I, § 101, Oct. 19, 1976, 90 Stat. 2546; Pub.L. 101-318, § 3(d), July 3, 1990, 104 Stat. 288; Pub.L. 101-650, Title VII, § 704(b)(2), Dec. 1, 1990, 104 Stat. 5134; Pub.L. 104-39, § 2, Nov. 1, 1995, 109 Stat. 336; Pub.L. 106-44, § 1(g)(2), Aug. 5, 1999, 113 Stat. 222; Pub.L. 107-273, Div. C, Title III, § 13210(4)(A), Nov. 2, 2002, 116 Stat. 1909.)

Notes of Decisions (340)

17 U.S.C.A. § 106, 17 USCA § 106
Current through P.L.118-6. Some statute sections may be more current, see credits for details.

United States Code Annotated
Title 17. Copyrights (Refs & Annos)
Chapter 2. Copyright Ownership and Transfer (Refs & Annos)

17 U.S.C.A. § 201

§ 201. Ownership of copyright

Currentness

(a) Initial Ownership.--Copyright in a work protected under this title vests initially in the author or authors of the work. The authors of a joint work are coowners of copyright in the work.

(b) Works Made for Hire.--In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.

(c) Contributions to Collective Works.--Copyright in each separate contribution to a collective work is distinct from copyright in the collective work as a whole, and vests initially in the author of the contribution. In the absence of an express transfer of the copyright or of any rights under it, the owner of copyright in the collective work is presumed to have acquired only the privilege of reproducing and distributing the contribution as part of that particular collective work, any revision of that collective work, and any later collective work in the same series.

(d) Transfer of Ownership.--

(1) The ownership of a copyright may be transferred in whole or in part by any means of conveyance or by operation of law, and may be bequeathed by will or pass as personal property by the applicable laws of intestate succession.

(2) Any of the exclusive rights comprised in a copyright, including any subdivision of any of the rights specified by section 106, may be transferred as provided by clause (1) and owned separately. 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.

(e) Involuntary Transfer.--When an individual author's ownership of a copyright, or of any of the exclusive rights under a copyright, has not previously been transferred voluntarily by that individual author, no action by any governmental body or other official or organization purporting to seize, expropriate, transfer, or exercise rights of ownership with respect to the copyright, or any of the exclusive rights under a copyright, shall be given effect under this title, except as provided under title 11.

CREDIT(S)

(Pub.L. 94-553, Title I, § 101, Oct. 19, 1976, 90 Stat. 2568; Pub.L. 95-598, Title III, § 313, Nov. 6, 1978, 92 Stat. 2676.)

Notes of Decisions (240)

17 U.S.C.A. § 201, 17 USCA § 201
Current through P.L.118-7. Some statute sections may be more current, see credits for details.

End of Document

United States Code Annotated
Title 17. Copyrights (Refs & Annos)
Chapter 3. Duration of Copyright (Refs & Annos)

17 U.S.C.A. § 304

§ 304. Duration of copyright: Subsisting copyrights

Effective: November 2, 2002
Currentness

(a) Copyrights in Their First Term on January 1, 1978.--(1)(A) Any copyright, the first term of which is subsisting on January 1, 1978, shall endure for 28 years from the date it was originally secured.

(B) In the case of--

(i) any posthumous work or of any periodical, cyclopedic, or other composite work upon which the copyright was originally secured by the proprietor thereof, or

(ii) any work copyrighted by a corporate body (otherwise than as assignee or licensee of the individual author) or by an employer for whom such work is made for hire,

the proprietor of such copyright shall be entitled to a renewal and extension of the copyright in such work for the further term of 67 years.

(C) In the case of any other copyrighted work, including a contribution by an individual author to a periodical or to a cyclopedic or other composite work--

(i) the author of such work, if the author is still living,

(ii) the widow, widower, or children of the author, if the author is not living,

(iii) the author's executors, if such author, widow, widower, or children are not living, or

(iv) the author's next of kin, in the absence of a will of the author,

shall be entitled to a renewal and extension of the copyright in such work for a further term of 67 years.

(2)(A) At the expiration of the original term of copyright in a work specified in paragraph (1)(B) of this subsection, the copyright shall endure for a renewed and extended further term of 67 years, which--

(i) if an application to register a claim to such further term has been made to the Copyright Office within 1 year before the expiration of the original term of copyright, and the claim is registered, shall vest, upon the beginning of such further term, in the proprietor of the copyright who is entitled to claim the renewal of copyright at the time the application is made; or

(ii) if no such application is made or the claim pursuant to such application is not registered, shall vest, upon the beginning of such further term, in the person or entity that was the proprietor of the copyright as of the last day of the original term of copyright.

(B) At the expiration of the original term of copyright in a work specified in paragraph (1)(C) of this subsection, the copyright shall endure for a renewed and extended further term of 67 years, which--

(i) if an application to register a claim to such further term has been made to the Copyright Office within 1 year before the expiration of the original term of copyright, and the claim is registered, shall vest, upon the beginning of such further term, in any person who is entitled under paragraph (1)(C) to the renewal and extension of the copyright at the time the application is made; or

(ii) if no such application is made or the claim pursuant to such application is not registered, shall vest, upon the beginning of such further term, in any person entitled under paragraph (1)(C), as of the last day of the original term of copyright, to the renewal and extension of the copyright.

(3)(A) An application to register a claim to the renewed and extended term of copyright in a work may be made to the Copyright Office--

(i) within 1 year before the expiration of the original term of copyright by any person entitled under paragraph (1)(B) or (C) to such further term of 67 years; and

(ii) at any time during the renewed and extended term by any person in whom such further term vested, under paragraph (2)(A) or (B), or by any successor or assign of such person, if the application is made in the name of such person.

(B) Such an application is not a condition of the renewal and extension of the copyright in a work for a further term of 67 years.

(4)(A) If an application to register a claim to the renewed and extended term of copyright in a work is not made within 1 year before the expiration of the original term of copyright in a work, or if the claim pursuant to such application is not registered, then a derivative work prepared under authority of a grant of a transfer or license of the copyright that is made before the expiration of the original term of copyright may continue to be used under the terms of the grant during the renewed and extended term of copyright without infringing the copyright, except that such use does not extend to the preparation during such renewed and extended term of other derivative works based upon the copyrighted work covered by such grant.

(B) If an application to register a claim to the renewed and extended term of copyright in a work is made within 1 year before its expiration, and the claim is registered, the certificate of such registration shall constitute prima facie evidence as to the validity of the copyright during its renewed and extended term and of the facts stated in the certificate. The evidentiary weight to be accorded the certificates of a registration of a renewed and extended term of copyright made after the end of that 1-year period shall be within the discretion of the court.

(b) Copyrights in their renewal term at the time of the effective date of the Sonny Bono Copyright Term Extension Act.--Any copyright still in its renewal term at the time that the Sonny Bono Copyright Term Extension Act becomes effective shall have a copyright term of 95 years from the date copyright was originally secured.

(c) Termination of Transfers and Licenses Covering Extended Renewal Term.--In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, other than a copyright in a work made for hire, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by any of the persons designated by subsection (a)(1)(C) of this section, otherwise than by will, is subject to termination under the following conditions:

(1) In the case of a grant executed by a person or persons other than the author, termination of the grant may be effected by the surviving person or persons who executed it. In the case of a grant executed by one or more of the authors of the work, termination of the grant may be effected, to the extent of a particular author's share in the ownership of the renewal copyright, by the author who executed it or, if such author is dead, by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's termination interest.

(2) Where an author is dead, his or her termination interest is owned, and may be exercised, as follows:

(A) The widow or widower owns the author's entire termination interest unless there are any surviving children or grandchildren of the author, in which case the widow or widower owns one-half of the author's interest.

(B) The author's surviving children, and the surviving children of any dead child of the author, own the author's entire termination interest unless there is a widow or widower, in which case the ownership of one-half of the author's interest is divided among them.

(C) The rights of the author's children and grandchildren are in all cases divided among them and exercised on a per stirpes basis according to the number of such author's children represented; the share of the children of a dead child in a termination interest can be exercised only by the action of a majority of them.

(D) In the event that the author's widow or widower, children, and grandchildren are not living, the author's executor, administrator, personal representative, or trustee shall own the author's entire termination interest.

(3) Termination of the grant may be effected at any time during a period of five years beginning at the end of fifty-six years from the date copyright was originally secured, or beginning on January 1, 1978, whichever is later.

(4) The termination shall be effected by serving an advance notice in writing upon the grantee or the grantee's successor in title. In the case of a grant executed by a person or persons other than the author, the notice shall be signed by all of those entitled to terminate the grant under clause (1) of this subsection, or by their duly authorized agents. In the case of a grant executed by one or more of the authors of the work, the notice as to any one author's share shall be signed by that author or his or her duly authorized agent or, if that author is dead, by the number and proportion of the owners of his or her termination interest required under clauses (1) and (2) of this subsection, or by their duly authorized agents.

(A) The notice shall state the effective date of the termination, which shall fall within the five-year period specified by clause (3) of this subsection, or, in the case of a termination under subsection (d), within the five-year period specified by subsection (d)(2), and the notice shall be served not less than two or more than ten years before that date. A copy of the notice shall be recorded in the Copyright Office before the effective date of termination, as a condition to its taking effect.

(B) The notice shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation.

(5) Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.

(6) In the case of a grant executed by a person or persons other than the author, all rights under this title that were covered by the terminated grant revert, upon the effective date of termination, to all of those entitled to terminate the grant under clause (1) of this subsection. In the case of a grant executed by one or more of the authors of the work, all of a particular author's rights under this title that were covered by the terminated grant revert, upon the effective date of termination, to that author or, if that author is dead, to the persons owning his or her termination interest under clause (2) of this subsection, including those owners who did not join in signing the notice of termination under clause (4) of this subsection. In all cases the reversion of rights is subject to the following limitations:

(A) A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.

(B) The future rights that will revert upon termination of the grant become vested on the date the notice of termination has been served as provided by clause (4) of this subsection.

(C) Where the author's rights revert to two or more persons under clause (2) of this subsection, they shall vest in those persons in the proportionate shares provided by that clause. In such a case, and subject to the provisions of subclause (D) of this clause, a further grant, or agreement to make a further grant, of a particular author's share with respect to any right covered by a terminated grant is valid only if it is signed by the same number and proportion of the owners, in whom the right has vested under this clause, as are required to terminate the grant under clause (2) of this subsection. Such further grant or agreement is effective with respect to all of the persons in whom the right it covers has vested under this subclause, including those who did not join in signing it. If any person dies after rights under a terminated grant have vested in him or her, that person's legal representatives, legatees, or heirs at law represent him or her for purposes of this subclause.

(D) A further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is made after the effective date of the termination. As an exception, however, an agreement for such a further grant may be made between the author or any of the persons provided by the first sentence of clause (6) of this subsection, or between the persons provided by subclause (C) of this clause, and the original grantee or such grantee's successor in title, after the notice of termination has been served as provided by clause (4) of this subsection.

(E) Termination of a grant under this subsection affects only those rights covered by the grant that arise under this title, and in no way affects rights arising under any other Federal, State, or foreign laws.

(F) Unless and until termination is effected under this subsection, the grant, if it does not provide otherwise, continues in effect for the remainder of the extended renewal term.

(d) Termination rights provided in subsection (c) which have expired on or before the effective date of the Sonny Bono Copyright Term Extension Act.--In the case of any copyright other than a work made for hire, subsisting in its renewal term on the effective date of the Sonny Bono Copyright Term Extension Act for which the termination right provided in subsection (c) has expired by such date, where the author or owner of the termination right has not previously exercised such termination right, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by any of the persons designated in subsection (a)(1)(C) of this section, other than by will, is subject to termination under the following conditions:

(1) The conditions specified in subsections (c)(1), (2), (4), (5), and (6) of this section apply to terminations of the last 20 years of copyright term as provided by the amendments made by the Sonny Bono Copyright Term Extension Act.

(2) Termination of the grant may be effected at any time during a period of 5 years beginning at the end of 75 years from the date copyright was originally secured.

CREDIT(S)

(Pub.L. 94-553, Title I, § 101, Oct. 19, 1976, 90 Stat. 2573; Pub.L. 102-307, Title I, § 102(a), (d), June 26, 1992, 106 Stat. 264, 266; Pub.L. 105-80, § 12(a)(9), Nov. 13, 1997, 111 Stat. 1535; Pub.L. 105-298, Title I, §§ 102(d)(1), 103, Oct. 27, 1998, 112 Stat. 2827, 2829; Pub.L. 107-273, Div. C, Title III, § 13210(10), Nov. 2, 2002, 116 Stat. 1910.)

Notes of Decisions (91)

17 U.S.C.A. § 304, 17 USCA § 304
Current through P.L.118-6. Some statute sections may be more current, see credits for details.

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