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# Couch Potatoes Beware: The Ninth Circuit's Exclusion of Videocassette Exhibition Rights from Licenses Granting Television Exhibition Rights May Decrease the Availability of Rental Films

Lisa Marie Agrusa

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## COUCH POTATOES BEWARE: THE NINTH CIRCUIT'S EXCLUSION OF VIDEOCASSETTE EXHIBITION RIGHTS FROM LICENSES GRANTING TELEVISION EXHIBITION RIGHTS MAY DECREASE THE AVAILABILITY OF RENTABLE FILMS

Society's fascination with electronic forms of entertainment began with the development of the motion picture in the late 1890s.<sup>1</sup> With the advent of radio, people no longer had to leave their homes to be entertained. The popularity of home entertainment continued with the invention of television. The development of the videocassette recorder added a new dimension to home entertainment. Videocassette recorders gave people the opportunity to watch current movies on their own television sets without leaving the comfort of home. The popularity of this new form of entertainment resulted in a booming videocassette rental business for motion picture producers and retailers alike. As a result, numerous copyright controversies arose concerning contracts failing to encompass these technological advances because they were not anticipated by the parties at the time of the contract. One copyright controversy that developed regarded whether licenses granting rights to exhibit copyrighted works in theatres and on television extended to videocassette reproduction as well. The Ninth Circuit Court of Appeals confronted this problem in *Cohen v. Paramount Pictures Corp.*<sup>2</sup> In *Cohen*, the court held that a license conferring the right to exhibit a film by means of television did not include the right to distribute videocassettes of the film.<sup>3</sup>

### FACTS: HOW AMBIGUOUS LICENSE LANGUAGE CREATED A COPYRIGHT CONTROVERSY

In 1969, Herbert Cohen, copyright owner of the musical composition "Merry-Go-Round," granted H & J Pictures ("H & J") a synchronization license to use the song in the film *Medium Cool* (H & J Pictures 1968) for exhibition in theatres and on television.<sup>4</sup> The license granted H & J "authority . . . to record, in any manner, medium, form or language, the words and music of the musical composition . . . with [*Medium Cool*], all in accordance with the terms, conditions, and limitations here-

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1. A. SCHLESINGER, JR., *THE ALMANAC OF AMERICAN HISTORY* 372 (1983).

2. 845 F.2d 851 (9th Cir. 1988).

3. *Id.* at 852.

4. *Id.*

inafter set forth . . . .”<sup>5</sup> Paragraph four of the agreement stated:

The . . . license herein granted to perform . . . said musical composition is granted for: (a) The exhibition of said motion picture . . . to audiences in motion picture theatres and other places of public entertainment where motion pictures are customarily exhibited . . . (b) The exhibition of said motion picture . . . *by means of television* . . . , including ‘pay television’, ‘subscription television’ and ‘closed circuit into homes’ television . . . .<sup>6</sup>

Paragraph six limited the grant by reserving to the grantor “all rights and uses in and to said musical composition, except those herein granted to the Licensee . . . .”<sup>7</sup> H & J then assigned all of its rights, title and interest in *Medium Cool*, including the license with Cohen, to Paramount Pictures (“Paramount”).<sup>8</sup>

Later, Paramount reproduced the film *Medium Cool* on videocassettes. Each cassette included a recording of “Merry-Go-Round.” Approximately 2,725 videocassettes were sold by Paramount with revenues totalling \$69,024.26.<sup>9</sup>

Consequently, Cohen filed suit in the United States District Court for the Central District of California against Paramount alleging copyright infringement of the musical composition “Merry-Go-Round.” The district court granted summary judgment for the defendant Paramount.<sup>10</sup> Cohen appealed the district court’s decision.

#### THE NINTH CIRCUIT LIMITED ITS ANALYSIS TO AN INTERPRETATION OF THE CONTRACT LANGUAGE

The court of appeals reversed the district court’s decision, concluding that a license conferring “exhibition by means of television” did not include the right to reproduce and distribute the film on videocassettes.<sup>11</sup> In reaching this conclusion, the Ninth Circuit addressed five separate issues to justify relying solely on the contract language to resolve the dispute.

First, the court distinguished television from videocassette display.<sup>12</sup>

5. *Id.* at 853.

6. *Cohen v. Paramount Pictures Corp.*, 7 U.S.P.Q. 2d 1570, 1571 (9th Cir. 1988).

7. *Cohen*, 845 F.2d at 853.

8. *Id.* at 852.

9. *Id.*

10. *Id.*

11. *Id.* at 854.

12. *Cohen*, 845 F.2d at 854.

The court disagreed with Paramount's contention that it had the right to reproduce the copyrighted song on videocassettes pursuant to the license language "in any manner, medium, form, or language."<sup>13</sup> The court found that the broad grant of power was expressly limited by the license language to two mediums, motion picture theatres and television.<sup>14</sup> As a result, Paramount argued videocassette display was indistinguishable from "exhibition . . . by means of television."<sup>15</sup> The Ninth Circuit rejected this argument as well. The court concluded that a fundamental difference existed between exhibition by means of television and exhibition by means of a videocassette recorder.<sup>16</sup> This difference centered around the control of the display. Although both forms of exhibition are displayed on a television set, the court found that the ability to control television displays was considerably less than with videocassette productions.<sup>17</sup>

Second, the court concluded that because videocassettes had not been invented for home use at the time of the grant in 1969, the contracting parties could not have anticipated videocassette display as a form of exhibition by means of television.<sup>18</sup> Thus, Cohen could not have contracted that right to H & J.<sup>19</sup> As a result, the court found that the reservation language in paragraph six of the contract precluded rights to uses not then known or contemplated by the parties at the time of the grant.<sup>20</sup>

In reaching its conclusion, the Ninth Circuit Court of Appeals also considered which license interpretation coincided with the purpose of the Federal Copyright Act of 1909 ("Act"). The court of appeals disagreed with the district court's decision granting Paramount rights to a previ-

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13. *Id.* at 853.

14. *Id.* Paragraph four stated, "The . . . license herein granted to perform . . . said musical composition is granted for: (a) The exhibition of said motion picture . . . to audiences in motion picture theatres . . . (b) The exhibition of said motion picture . . . by means of television . . ."

15. *Id.*

16. *Id.* at 854.

17. *Cohen*, 845 F.2d at 853-54. The court gave numerous examples of control differences between the two mediums. One example included the fact that while a consumer's choice of entertainment on television is limited by what is provided by the controlling networks on the various channels, with the videocassette medium the consumer has complete discretion regarding what to watch. Another example given was that with videocassettes the consumer has the ability to stop and start the program at will, whereas with television the consumer is powerless to stop the program or replay it. *Id.*

18. *Id.* at 854.

19. *Id.*

20. *Id.* Paragraph six reserved to the grantor "all rights and uses in and to said musical composition, except those herein granted to the licensee . . ."

ously unknown medium because the district court's decision circumvented the Act's purpose.<sup>21</sup> The court relied on *Washingtonian Publishing Co. v. Pearson*,<sup>22</sup> *Scott v. WKJG, Inc.*<sup>23</sup> and *Jondra Music Publishing Co. v. Melody Recording, Inc.*<sup>24</sup> to illustrate the Act's purpose.

In *Washingtonian*, the United States Supreme Court stated that "[t]he Act of 1909 is . . . intended definitely to grant valuable, enforceable rights to authors, publishers, etc., without burdensome requirements; 'to afford greater encouragement to the protection of literary works of lasting benefit to the world.'"<sup>25</sup> The courts in *Scott*<sup>26</sup> and *Jondra*<sup>27</sup> also expounded similar notions. Thus, the courts in each case reiterated the general theme behind copyright law as set forth in Article I, Section 8, Clause 8 of the United States Constitution: "The Congress shall have power . . . to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." Based on the rationale of those cases, the *Cohen* court held that interpreting the license broadly to encompass a medium unknown at the time of the grant undercut the Act's purpose by denying the author profit from the use of his work.<sup>28</sup>

Fourth, the court distinguished the *Cohen* license language from similar licenses found in cases Paramount relied on. The *Cohen* court found *Platinum Record Co. v. Lucasfilm, Ltd.*<sup>29</sup> and *Rooney v. Columbia*

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21. *Id.*

22. 306 U.S. 30 (1939).

23. 376 F.2d 467 (7th Cir. 1967).

24. 506 F.2d 392 (3d Cir. 1974).

25. *Washingtonian*, 306 U.S. at 400. *Washingtonian* was also quoted in *Mazer v. Stein*, 347 U.S. 201 (1954), where the United States Supreme Court extended the *Washingtonian* rationale to economics in concluding that the economic policy behind giving Congress the power to grant copyrights was that "encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in '[s]cience and useful [a]rts.'" *Mazer*, 347 U.S. at 201, 219 (1954).

26. The court stated that "[a] copyright is intended to protect authorship. The essence of a copyright protection is the protection of originality rather than novelty or invention." *Scott*, 376 F.2d at 469.

27. The court stated that "The copyright law is enacted for the benefit of the composer in accordance with the constitutional grant of Art. I, § 8, cl. 8 . . ." *Jondra*, 506 F.2d at 395.

28. *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851, 854 (9th Cir. 1988).

29. 566 F. Supp. 226 (D.N.J. 1983). In *Platinum*, the plaintiff copyright owner granted Lucasfilm the right to use "master recordings" or "matrixes" of four popular songs on the *American Graffiti* (Universal 1973) soundtrack. The agreement stated that Lucasfilm had the right to "exhibit, distribute, exploit, market and perform said motion picture, its air, screen and television trailers, perpetually throughout the world by any means or methods now or hereafter known." *Id.* at 227. When *American Graffiti* was released for sale and rental to the public on videocassettes and videodiscs in 1980, the plaintiff sued alleging the license did not grant Lucasfilm rights to distribute *American Graffiti* with the copyrighted songs on videocassettes and videodiscs. While the *Platinum* court found the contract language sufficiently broad

*Pictures Industries, Inc.*<sup>30</sup> distinguishable because the licenses in those cases explicitly granted exhibition rights in all mediums known or unknown.<sup>31</sup> This language was absent in the Cohen license. In so holding, the Ninth Circuit Court of Appeals ignored Paramount's argument that both *Platinum* and *Rooney* also contained language equating exhibition by means of videocassette recorders to exhibition by means of television.<sup>32</sup>

Finally, the Ninth Circuit in its amended opinion considered the definition of to perform or display a work "publicly" in section 101<sup>33</sup> and the exclusive rights of the copyright owner in section 106<sup>34</sup> of the Federal Copyright Act.<sup>35</sup> Paramount argued that the only rights available to the

to encompass videocassettes, the court also noted the decision was based on the decision in *Rooney v. Columbia Pictures Indus. Inc.*, 538 F. Supp. 211, 228 (S.D.N.Y. 1982), that exhibition by means of television and exhibition by means of a videocassette recorder were indistinguishable. *Id.*

30. In *Rooney*, actor Mickey Rooney brought suit against eight motion picture producers and distributors. Rooney claimed that pursuant to their contract, the producers and distributors had no right to exhibit films containing his performances in any markets other than theatres. The court concluded Rooney had no right to question the defendants' reproduction and distribution of his films on videocassettes for two reasons. First, the court held that because the contracts granted the motion picture company producers rights of exploitation to media developed thereafter, Rooney could not argue that the exploitation provisions excluded developments not foreseen at the time of the agreement. Conceding this issue, Rooney then argued the television exhibition rights did not extend to videocassette sales of the films. However, the court held that regardless of "whether the exhibition apparatus is a home videocassette player or a television station's broadcast transmitter, the films are 'exhibited' as images on home television screens." *Id.* at 212, 228-29.

31. *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851, 855 (9th Cir. 1988).

32. *Id.* at 855 n.3.

33. 17 U.S.C. § 101 (1986). Section 101 provides the definition for the public performance or display of a work as follows:

- (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.

34. 17 U.S.C. § 106 (1986) provides:

[T]he 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; . . .
- (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. . . .

Section 106 in its entirety lists the only rights the copyright owner possesses under the Act.

35. *Cohen v. Paramount Pictures Corp.*, 7 U.S.P.Q. 2d 1570, 1571 (9th Cir. 1988).

grantee in performance or exhibition licenses were those of public performance.<sup>36</sup> Thus, the only limitations grantors could affix to performance licenses were limitations on public performances of their work.<sup>37</sup> Because in-home videocassette performances are not considered public performances under the Act,<sup>38</sup> and thus are not protected by copyright law, their exclusion from the contract was inappropriate.<sup>39</sup>

Once again the Ninth Circuit Court of Appeals disagreed with Paramount. While acknowledging the license permitted the recording and copying of the movie in any manner, medium, or form, the court found no language authorizing distribution of those copies to the public by sale or rental.<sup>40</sup> Because distribution is a separate right in section 106<sup>41</sup> of the Act, the court concluded that the distribution right had to be expressly granted in the license, otherwise the right remained with the grantor pursuant to the specific contract language.<sup>42</sup> The court also refused to include the distribution right within the right to perform the work by means of television.<sup>43</sup>

#### HISTORICAL PERSPECTIVE

Historically, courts have been open to expansive interpretations of contract language when that language involves exhibition rights to copyrighted works in known mediums but remains silent as to mediums not envisioned at the time of the agreement. The development of this trend can be traced to *L.C. Page & Co. v. Fox Film Corp.*<sup>44</sup> In that case, the Second Circuit Court of Appeals held that a grant for "exclusive moving picture rights" included both motion picture rights known at the time of the grant and rights in technological improvements of motion pictures

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36. Brief for Appellee at 1, *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851 (9th Cir. 1988).

37. *Id.*

38. *See infra* notes 109-21 and accompanying text.

39. Brief for Appellee at 2, *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851 (9th Cir. 1988).

40. *Cohen v. Paramount Pictures Corp.*, 7 U.S.P.Q. 2d 1570, 1571 (9th Cir. 1988).

41. *See supra* note 34.

42. *Cohen*, 7 U.S.P.Q. 2d at 1571.

43. *Id.* at 1572. The court stated that

[p]aragraph 4(b) grants to Paramount the limited right to authorize broadcasters and cable television companies to broadcast the movie over the airwaves or to transmit it by cable, microwave, or some such means from a central location. The words of that paragraph must be tortured to expand the limited right granted by that section to an entirely different means of making that film available to the general public — the distribution of individual videocassettes [sic] to the general public for private "performances" in their homes.

*Id.*

44. 83 F.2d 196 (2d Cir. 1936).

(i.e., "talkies") not known or within the contemplation of the parties at the time of the grant.<sup>45</sup> In *L. C. Page*, the plaintiff obtained the exclusive moving picture rights in a novel.<sup>46</sup> The plaintiff subsequently granted Principal Pictures Corporation all the movie picture rights to the novel excluding rights to motion pictures with spoken words.<sup>47</sup> The defendant, Fox Film Corporation ("Fox"), then purchased the silent rights from Principal Pictures and obtained a quitclaim conveyance from the novelist.<sup>48</sup> The plaintiff sued when Fox produced a talking motion picture of the novel.<sup>49</sup> The court found that although "talkies" were not commercially known in 1923, inventors had been experimenting with the idea as evidenced by L.C. Page's agreement with Principal Pictures Corporation.<sup>50</sup> Thus, "talkies" were only a species of the genus motion picture as both were exhibited in the same theaters, seen by the same audiences, and exploited in the same area, thereby negating any contract violation.<sup>51</sup>

In *Bartsch v. Metro-Goldwyn-Mayer, Inc.*,<sup>52</sup> the question arose whether the grant of motion picture rights extended to television rights. The Second Circuit Court of Appeals held that the grant included the right to license a broadcaster to exhibit the motion picture on television.<sup>53</sup> In that case, the authors, composers, and publishers of a German musical play assigned Hans Bartsch the motion picture rights to the play.<sup>54</sup> The grant included the rights "[t]o project, transmit, and otherwise reproduce the said work or any adaptation or version thereof, visually or audibly by the art of cinematography or any process analogous thereto, and to copyright, vend, license and exhibit such motion picture photoplays throughout the world . . ."<sup>55</sup> Bartsch assigned his rights in the musical to Warner Brothers who in turn assigned its rights to Metro-Goldwyn-Mayer ("MGM").<sup>56</sup> MGM then made, distributed, and exhibited a motion picture called *Maytime* (Metro-Goldwyn-Mayer 1937)

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45. *Id.* at 199. This holding was affirmed by the Ninth Circuit Court of Appeals in *Murphy v. Warner Bros. Pictures, Inc.*, 112 F.2d 746 (9th Cir. 1940). In that case, the court held that the language "complete and entire motion picture rights" included the right to produce films with dialogue. *Murphy*, 112 F.2d at 748.

46. *Id.* at 198. *L.C. Page & Co., Inc.* obtained the rights to the novel "Captain January," written by Laura E. Richards. *Id.* at 197.

47. *Id.*

48. *Id.*

49. *L.C. Page*, 83 F.2d at 197.

50. *Id.* at 198-99.

51. *Id.* at 199.

52. 391 F.2d 150 (2d Cir. 1968).

53. *Id.* at 155.

54. *Id.* at 151.

55. *Id.*

56. *Id.* at 152.



based on the German musical.<sup>57</sup> When MGM licensed the motion picture for television, Bartsch's widow sued for copyright infringement alleging that the original assignment of rights did not include television transmissions.<sup>58</sup>

As a result of this allegation, the Second Circuit Court of Appeals was confronted with the issue of whether a broad assignment of the right "to copyright, vend, license and exhibit such motion picture photoplays throughout the world" included the right to exhibit the copyrighted motion picture on television.<sup>59</sup> The court looked to Professor Nimmer's "The Law of Copyright" as authority on this issue.<sup>60</sup> Nimmer suggested two alternative approaches courts could adopt when attempting to find meaning in language that probably had none.<sup>61</sup> Nimmer stated that courts could either conclude that

a license of rights in a given medium (e.g., "motion picture rights") includes only such uses as fall within the unambiguous core meaning of the term (e.g., exhibition of motion picture film in motion picture theaters) and exclude any uses which lie within the ambiguous penumbra (e.g., exhibition of motion picture film on television). . . . or determine [t]hat the licensee may properly pursue any uses which may reasonably be said to fall within the medium as described in the license.<sup>62</sup>

Professor Nimmer preferred the latter "ambiguous penumbra" approach, which the *Bartsch* court ultimately adopted.<sup>63</sup> As a result, the court found that television exhibition rights reasonably fell within the medium of motion picture exhibition rights and thus were included in the grant.<sup>64</sup>

In *Landon v. 20th Century-Fox Film Corp.*,<sup>65</sup> the court dealt with another variation of the problem concerning contract language which was silent as to television rights, but which expressly granted motion picture rights. *Landon* applied the same approach adopted in *Bartsch* to conclude that television serial rights were included in the grant of motion picture rights.<sup>66</sup> In that case, the dispute was whether author Margaret

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57. *Bartsch*, 391 F.2d at 152.

58. *Id.*

59. *Id.*

60. *Id.* at 155.

61. *Id.*

62. 3 M. NIMMER, NIMMER ON COPYRIGHT § 10.10(B), at 10-85 - 10-86 (1988).

63. *Bartsch*, 391 F.2d at 155.

64. *Id.*

65. 384 F. Supp. 450 (S.D.N.Y. 1974).

66. *Id.* at 454-55.

Landon's agreement with 20th Century-Fox Film Corporation ("Fox"), granting motion picture rights to her novel "Anna and the King of Siam,"<sup>67</sup> authorized Fox to produce and exhibit a weekly television serial.<sup>68</sup> The contract provision gave Fox the "sole and exclusive motion picture rights and motion picture copyright throughout the world . . . ."<sup>69</sup> Additionally, clause (c) of the contract gave Fox "[t]he sole and exclusive right to make . . . and generally deal in . . . and . . . to adapt one or more versions of said literary property . . . ."<sup>70</sup> The court concluded that the broad grant of the "sole and exclusive right to broadcast on television any motion picture versions" included rights to broadcast a television series taken from Landon's book, because the television serial rights fell within the ambiguous penumbra of motion picture versions of the book.<sup>71</sup>

Another area where courts have extended contract language granting motion picture rights to television is in contracts where actors have granted motion picture companies the rights to use their likenesses in motion pictures. The Ninth Circuit Court of Appeals dealt with this situation in *Autry v. Republic Productions*.<sup>72</sup> In *Autry*, actor Gene Autry agreed in five different contracts to grant

the producer . . . the right to photograph and/or otherwise reproduce any and all of the acts, poses, plays, and appearances of the artist . . . including the right to use and exploit all or any part of the same in such manner as the producer may desire, and including, as well, the perpetual right to use name and likeness of artist and recordings and reproductions of his voice in connection with advertising and exploitation thereof.<sup>73</sup>

Autry sought to restrain the defendant's exhibition of motion pictures where he appeared in connection with television broadcasts on the theory that the contracts only applied to motion pictures.<sup>74</sup> In rejecting Autry's argument, the court held that contract language giving the producer the right to reproduce any "acts, poses, plays and appearances of the actor" gave the producer unlimited rights to the photoplays, including the right

67. M. LANDON, *ANNA AND THE KING OF SIAM* (1944).

68. *Landon*, 384 F. Supp. at 452. This suit centered around the 1972 CBS television series *Anna and the King*.

69. *Id.*

70. *Id.* Clause (f) also granted Fox television rights for any motion picture versions of the book while specifically reserving to Landon the right to broadcast the literary property by television direct from living actors. *Id.* at 453.

71. *Id.* at 454-55.

72. 213 F.2d 667 (9th Cir. 1954).

73. *Id.* at 668.

74. *Id.*

to license such films for exhibition on television.<sup>75</sup>

*Cases Extending Theatre And Television Exhibition Rights To The Videocassette Medium*

As technology continued to develop, courts were forced to continuously address issues involving interpretations of industry contracts encompassing technological advances not anticipated by the parties at the time of the contract. Two cases in which courts analyzed this problem in terms of extending television exhibition rights to videocassette displays were *Platinum*<sup>76</sup> and *Rooney*.<sup>77</sup> Both *Rooney* and *Platinum* embraced the approaches established by earlier cases forced to deal with developing technological advances. By construing the licenses broadly so as not to inhibit newly developed forms of exhibition, both courts adopted Nimmer's "ambiguous penumbra"<sup>78</sup> approach. Thus, the *Platinum* court extended the rights to exhibit *American Graffiti* in theatres and on television to exhibition on videocassettes. Similarly, the *Rooney* court also extended the rights to exhibit in theatres to exhibition in the videocassette market.

*Nimmer's "Ambiguous Penumbra" Approach As Adopted In Cases Advocating An Expansive Interpretation Of Contract Language To Encompass Newly Developed Technology*

As noted earlier, Nimmer suggested two alternative approaches courts could apply when interpreting contract language that is silent as to the parties' intent because the mediums now available for exploitation were not known at the time of the contract.<sup>79</sup> Nimmer favored the "ambiguous penumbra" approach.<sup>80</sup> That approach allows the licensee to pursue any uses which may reasonably be said to fall within the medium described in the license. First, Nimmer concluded courts were more equipped to determine which meanings were within reasonable limits when no specific intent of the parties was ascertainable because no intent probably ever existed.<sup>81</sup> Secondly, Nimmer felt this approach was less likely to prove unjust.<sup>82</sup> Nimmer explained that it was more unjust to

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75. *Id.* at 669.

76. *See supra* note 29 and accompanying text.

77. *See supra* note 30 and accompanying text.

78. *See supra* notes 61-62 and accompanying text.

79. *Id.*

80. 3 M. NIMMER, NIMMER ON COPYRIGHT § 10.10(B), at 10-85 - 10-86 (1988).

81. *Id.* at 10-86.

82. *Id.*

require that licensees should have obtained further clarifications of meanings already present than to hold that the licensor should have negated a meaning that the licensee might rely on in the future.<sup>83</sup>

The adoption of Nimmer's approach is apparent in many court decisions. The approach is consistent with *L. C. Page*, where that court held sound rights were within the ambiguous penumbra of motion picture rights.<sup>84</sup> The approach was also expressly adopted by the courts in *Bartsch*<sup>85</sup> and *Landon*.<sup>86</sup> Both courts extended motion picture exhibition rights to television exhibition rights because exhibition by means of television reasonably fell within the motion picture medium described in the license. Nimmer himself explicitly extended the analysis from television exhibition rights to videocassette reproductions in his treatise.<sup>87</sup> The *Platinum* holding directly coincides with this analysis. Commenting on *Platinum*, Nimmer stated that while exhibition by means of television in its unambiguous core meaning is limited to over-the-air broadcasts, in its ambiguous penumbra, it includes any means by which the work could be seen on television including cable television and videocassette uses.<sup>88</sup>

#### *Violating The Public Performance Right Constitutes Copyright Infringement*

The copyright owner of a particular work possesses certain exclusive rights to that work. The exclusive rights held by the copyright owner are contained in section 106 of the Copyright Act.<sup>89</sup> These rights are exclusive unless the copyright owner authorizes a second party to use the rights in connection with the copyrighted work. Thus, using a copyrighted work is not an infringement if the use is not within the scope of rights expressly granted to the copyright owner by section 106 of the Act.

Included within the section 106 rights is the right to perform a work publicly. A performance is public only if it satisfies either of the clauses set forth in section 101.<sup>90</sup> Therefore, to be considered a public performance under section 101, the performance or display must be either at a public place or any place where a substantial amount of people are gathered not including friends and relatives, or transmitted to the public by

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83. *Id.* at 10-87.

84. *Id.*

85. *See supra* notes 60-63 and accompanying text.

86. *See supra* note 66 and accompanying text.

87. 3 M. NIMMER, NIMMER ON COPYRIGHT § 10.10(B), at 10-87 (1988).

88. *Id.*

89. *See supra* note 34 for the text of 17 U.S.C. § 106 (1986).

90. *See supra* note 33 for the text of 17 U.S.C. § 101 (1986).

any device or process where the public is capable of receiving the performance at the same place, at different places, at the same time, or at different times.<sup>91</sup>

Although the rights granted the copyright owner in section 106 are exclusive, sections 107-118 contain specific limitations on those rights. Section 110 of the Act sets forth specific acts which are not infringements of the exclusive right to publicly perform a work under section 106. Such noninfringing acts include performances by teachers or students in the course of face-to-face teaching activities in nonprofit schools, performances of religious nondramatic literary or musical works performed in the course of religious services, performances of nondramatic literary or musical works not performed for profit or transmitted to the public, and communication of transmissions embodying performances by public reception of the transmission on receivers commonly used in private homes provided there is no direct public charge and the transmission received is not transmitted further. The codification of section 110<sup>92</sup> resulted from the decision by the United States Supreme Court in *Twentieth Century Music Corp. v. Aiken*.<sup>93</sup> In *Aiken*, the Court held that a restaurant owner's radio reception of plaintiffs' copyrighted songs publicly for profit did not constitute a performance of the songs because the owner was a mere listener.<sup>94</sup>

As a result of the *Aiken* decision and its codification into section 110 of the Act, the issue of whether videocassette exhibition constitutes a public performance has been resolved by the Court. In *Columbia Pictures Industries, Inc. v. Redd Horne, Inc.*,<sup>95</sup> the Third Circuit stated in dicta that the sale or rental of videocassettes to consumers for home viewing, although a performance, was not a public performance constituting copyright infringement.<sup>96</sup> In *Redd Horne*, the defendants were in

91. *Id.*

92. 17 U.S.C. § 110 (1986). Notwithstanding the provisions of § 106, the following are not infringements of copyright:

...  
 (5) communication of a transmission embodying a performance or display of a work by the public reception of the transmission on a single receiving apparatus of a kind commonly used in private homes, unless —

(A) a direct charge is made to see or hear the transmission; or

(B) the transmission thus received is further transmitted to the public; . . . .

93. 422 U.S. 151 (1975).

94. *Id.* at 164.

95. 749 F.2d 154 (3d Cir. 1984).

96. *Id.* at 157. In *Columbia Pictures Indus., Inc. v. Aveco, Inc.*, 800 F.2d 59, 61 (3d Cir. 1986), the Third Circuit Court of Appeals affirmed its decision that the rental of videocassettes for home viewing was not the type of public performance that resulted in a violation of the Copyright Act. The facts in *Aveco* were essentially identical to those in *Redd Horne* except

the business of selling and renting videocassette recorders and movies.<sup>97</sup> In addition, the video stores exhibited films through an "in store rental" system whereby customers chose a film and paid admission in return for a private viewing room and free popcorn and soda.<sup>98</sup> The copyright owners of the films objected to the exhibition and sued the video stores on the theory that the defendants' activities constituted a public performance of plaintiffs' motion pictures in violation of section 106 of the Act.<sup>99</sup> The plaintiffs did not contend that videocassettes sold or rented for in-home use were infringements of their exclusive rights.<sup>100</sup> The court applied section 101 to classify the video stores' activities as public performances.<sup>101</sup> The court found the exhibitions open to the public and indistinguishable from conventional movie theatres.<sup>102</sup> Thus, the operation was a public performance constituting copyright infringement.

ANALYSIS: ALTHOUGH A CONTRACT INTERPRETATION IS THE  
SAFEST WAY TO ANALYZE THE CASE, IT IS NOT THE  
BEST ANALYSIS FOR THIS COPYRIGHT  
CONTROVERSY

The Ninth Circuit's decision relied solely on contract language and ignored the copyright issues. Although that may be a legitimate approach to the problem, it is not the only approach. By relying on a strict interpretation of the contract language, the court found a way to avoid consideration of abundant case law and the suggested approach of a noted authority on copyright. This point is apparent in footnote three of the *Cohen* opinion.<sup>103</sup> In that footnote the court acknowledged Paramount's reliance on *Rooney* and *Platinum's* conclusions that exhibition by means of a videocassette recorder is equivalent to television exhibition, but simply rejected those findings without any explanation.<sup>104</sup> Other approaches the *Cohen* court could have pursued include reading the contract language expansively as earlier courts have done, construing the contract in a manner consistent with Nimmer's suggested approach,

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that in *Aveco* the customers operated the videocassette machines in private booths as opposed to video store employees controlling the machines from a central location. *Id.* at 61.

97. *Redd Horne*, 749 F.2d at 156.

98. *Id.* at 157.

99. *Id.*

100. *Id.*

101. *Id.* at 158-59.

102. *Redd Horne*, 749 F.2d at 159.

103. *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851, 855 n.3 (9th Cir. 1988).

104. *Id.* "To the extent those courts may have equated exhibition by means of television with home video display, we reject their conclusions." *Id.*

or by using the Copyright Act to conclude no public performance occurred resulting in no infringement.

*The Cohen Case Is Similar To Other Cases That Adopted Expansive Interpretations Of Contract Language*

Comparing the *Cohen* case to other cases which have interpreted contract language broadly by including newly developed mediums illustrates how the Ninth Circuit's decision is inconsistent with these earlier decisions. The courts in these cases interpreted contract language expansively so as not to hinder the Copyright Act. As in *L.C. Page*,<sup>105</sup> *Cohen* involved an exhibition agreement that failed to mention the technological improvements at issue because the improvements were not within the contemplation of the parties at the time of the grant. While videocassette recorders for home use were not commercially known at the time of the *Cohen* grant, they were being experimented with just as talking motion pictures were being experimented with at the time of the *L.C. Page* grant.<sup>106</sup> Moreover, the *L.C. Page* rationale extends to *Cohen* because videocassette display is a species of the genus television as both are exhibited on the same monitors, seen by the same audiences and exploited in the same area, private homes.

*Cohen* is also analogous to *Bartsch* and *Landon*. As in *Bartsch*, *Cohen* involved a license which was silent as to the contracting parties' intent. The *Cohen* license also included virtually unlimited television exhibition rights as did the *Landon* license. Applying Professor Nimmer's "ambiguous penumbra" approach adopted in *Bartsch* and *Landon*, Paramount should be allowed to exhibit *Medium Cool* on videocassettes for public distribution because that use reasonably falls within the television exhibition medium described in the license.

While *L.C. Page*, *Bartsch*, and *Landon* are Second Circuit Court of Appeals decisions not binding on the Ninth Circuit Court of Appeals, the factual similarities indicate that a similar approach is appropriate. *Autry*, however, is a Ninth Circuit Court of Appeals decision binding on the *Cohen* court. The licenses in both *Autry* and *Cohen* included nonrestrictive language with regard to the disputed medium. The *Cohen* contract also gave Paramount the right to reproduce the song "by means of television" without any restrictions. The *Cohen* license included a nonexclusive list of reproductions included within the "by means of television" grant not excluding videocassette display. Thus, the *Cohen* court should

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105. See *supra* notes 44-51 and accompanying text.

106. Comment, *Past Copyright Licenses And The New Video Software Medium*, 29 U.C.L.A. L. REV. 1160, 1171 (1982).

*Remick* rationale by concluding that the Court must not limit its inquiry of the 1909 Act to its literal meaning and legislative history because the Act was adopted years before the electronic devices at issue were developed.<sup>115</sup> Thus, the Act had to be read in light of those technological advances.<sup>116</sup> Applying this reasoning, the Court held that cable television operators are analogous to viewers and not performers of the programs they receive and carry.<sup>117</sup>

More recently, the United States Supreme Court in *Sony Corp. v. Universal City Studios*<sup>118</sup> accepted *J.H. Remick* by concluding that the law of copyright develops as technology develops.<sup>119</sup> The Court stated that in those cases where Congress has not spoken it had to construe potentially new rights in accordance with those already implemented by the legislature.<sup>120</sup> Therefore, the Supreme Court held that one of the purposes of the private performance exemption from section 106(4) of the Act was to permit the home viewing of lawfully made videotapes.<sup>121</sup>

*The Performance in Cohen Falls Under The Section 110 Limitation On  
The Exclusive Right To Publicly Perform A Work*

As noted earlier, section 110 of the Copyright Act sets forth specific acts which are not infringements of the exclusive right to publicly perform a work under section 106 of the Act. *Redd Horne* illustrated the Third Circuit Court of Appeals interpretation of section 110. *Redd Horne* is similar to *Cohen* because both cases address the issue of whether in-home videocassette use constitutes a public performance in violation of the Act. In *Redd Horne*, the Third Circuit Court of Appeals stated that selling or renting videocassettes to consumers for home viewing did not involve copyright infringement because no public performance takes place. In *Cohen*, the court specifically excluded in-home videocassette use from the contract because the parties had no intent to bargain for that unknown right at the time of the grant. However, the Third Circuit Court of Appeals' conclusion that in-home videocassette use is not a public performance implies that the Ninth Circuit Court of Appeals' exclusion of this same use did not come under copyright law and thus should not have been excluded from the contract.

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115. *Id.* at 395-96.

116. *Id.* at 396.

117. *Id.* at 400-01.

118. 104 S. Ct. 774 (1984).

119. *Id.* at 782.

120. *Id.* at 783.

121. *Id.* at 802 n.19.



Therefore, the Ninth Circuit Court of Appeals' decision, which equated public performances by broadcast or cable transmissions to consumers and private performances entirely within control of the consumer, is erroneous.<sup>122</sup> In reality, the two types of performances are entirely different. While public performances by broadcast or cable transmissions to consumers are protected by the Act, private performances of videocassettes within the control of the consumer are not protected by the Act. Thus, the *Cohen* court's reasoning that videocassette display rights could not be granted by the contract because the form of exhibition was unknown at the time of the agreement is irrelevant. There were no rights to grant because copyright owners only possess exclusive rights to public performances of their works. Thus Cohen, as the copyright owner, had no exclusive right to the private videocassette displays at issue.

#### SIGNIFICANCE AND IMPLICATIONS OF THE CASE

The Ninth Circuit Court of Appeals ignored the significance of the *Cohen* case by choosing to rule solely on the contractual provisions. Videocassette recorders are just one of the many technological advances that have emerged as the entertainment industry has grown. That is evidenced by the many cases encountering a variety of technological developments unknown at the time of the contract. Thus, the court's decision regarding contract language silent to the parties intent at the time of the agreement, will likely have an impact on future actions involving developments unknown at the time of the agreement. It is therefore important for courts to remain consistent in decisions regarding technological advances made in the entertainment industry. Unfortunately, the Ninth Circuit Court of Appeals' decision ignores the majority of case law dealing with this issue. By disregarding cases advocating a broad interpretation of contract language silent to the parties' intent, and equating videocassette display to television exhibition, the court has regressed rather than progressed with the times.

The necessity for consistent decisions in cases involving previously unknown technological advances arises from the nature of the entertainment industry itself. Inconsistent decisions will retard technological development by discouraging the contracting between parties because of the fear that future developments will not be included within the original grant. Thus, less creativity will result from the lack of agreements made between copyright owners and producers. This is inconsistent with the

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122. See *supra* note 107 and accompanying text.

Copyright Act's purpose to encourage technological development and creativity.<sup>123</sup> Thus, the industry must grow as technology further develops. To do this, courts must play a pivotal role in finding a consistent way to deal with the problems of silent contract language. Courts should look to prior case law, any applicable statutes, and treatise material.

Finally, from an economic standpoint, the Ninth Circuit Court of Appeals' decision was unfair to the defendant Paramount. Ultimately the issue boils down to revenues. Cohen's allegations resulted from Paramount's receipt of revenues from the videocassette sales of *Medium Cool*. Therefore, the real issue concerns who is ultimately entitled to the revenues earned from the videocassette sales. Looking at the license language, it appears that those rights were granted to Paramount. Paramount was granted exhibition rights to theatres and by means of television. Included in the television exhibition rights were pay television, subscription television, and closed circuit home television. Each of these forms of exhibition by means of television is virtually indistinguishable from videocassette exhibition. Each requires the consumer to make a purchase of the copyrighted work whether it be from a video store or a cable television station. As a result of the purchase, the consumer obtains complete control. The consumer decides what to purchase and for the most part when to watch the program (i.e., on cable stations movies are shown numerous times). Therefore, the *Cohen* court's control argument disintegrates when comparing videocassette display to these types of television exhibitions explicitly granted by the Cohen license. Thus, it appears that Cohen as copyright owner already cut himself off from a significant amount of potential revenues. Because videocassette exhibition is analogous to the television exhibitions explicitly granted, it would be unjust to deny Paramount that source of revenue as well.

#### CONCLUSION

There are two distinct approaches to the problem of interpreting contract language silent to the parties intent because no intent existed at the time of the agreement. The "ambiguous penumbra" approach is the most just. This approach is advantageous to the entertainment industry and also remains true to the purpose of the Copyright Act. Therefore, the Ninth Circuit incorrectly held that a license granting the right to use a song in the television exhibition of a film did not include the right to distribute videocassettes of the film containing the song. If the court had applied the ambiguous penumbra approach, it would have been consis-

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123. See *supra* notes 21-27 and accompanying text.

tent with earlier case decisions encountering similar issues. The courts in those cases chose to adopt Nimmer's suggested approach because it coincided with the needs of the entertainment industry.

Regardless of what approach the Ninth Circuit Court of Appeals chose to apply, the *Cohen* issue could have been disposed of by a proper interpretation of the Copyright Act and subsequent case law construing the Act. If the Copyright Act had been applied properly, the court should have found that in-home videocassette display is not a public performance and thus does not fall under the Copyright Act. Thus, none of Cohen's rights under the Act or the contract were ever violated by Paramount.

*Lisa Marie Agrusa*