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### Copyright Licenses, New Technology and Default Rules: Converging Media, Diverging Courts

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# **COPYRIGHT LICENSES, NEW TECHNOLOGY AND DEFAULT RULES: CONVERGING MEDIA, DIVERGING COURTS?**

*Stacey M. Byrnes\**

## **PROLOGUE**

A 1986 copyright license granted the right to synchronize a musical composition with a film on videocassette and to distribute videocassettes of the film, reserving all other rights. The grantee distributes digital video copies on its internet web-site. Some customers will use set-top boxes with enough memory to store the entire film, offering a continuum of viewing choices from immediate viewing to later playback. Other customers will transfer copies of the movie to their home networks, playing incoming video frames on their televisions . . . .

A 1968 license granted the right to publish sheet music for another musical composition. The grantee publishes digitally scanned images of the sheet music on the Web in NIFF<sup>1</sup> or SDML<sup>2</sup> format. Customers' software players can read the digital format and play a synthesized audio performance of the music; the customers can download the software player and digital sheet music into their wireless internet-enabled Personal Digital Assistants . . . .

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1. Notation Interchange File Format
2. Standard Music Description Language

A 1951 license granted worldwide radio broadcast rights to a novel. A third party, a books-on-tape publisher, has posted the novel on the Internet (as potential customers may learn in their cars while surfing the Web by voice command, using internet-enabled navigation consoles). The audio book can be downloaded into consumers' cars and played back as they drive home . . . .

*Many lawyers are consulted.*

## I. INTRODUCTION

Although the Internet revolution has accelerated the pace of technological change, interpreting the scope of copyright licenses for the creation and dissemination of derivative works in new media has long bedeviled the courts. In 1920, the Supreme Court in *Manners v. Morosco*<sup>3</sup> entered the fray when it was called upon to determine whether an agreement granting the right to "perform and represent" a play included the right to make a motion picture based upon the play.<sup>4</sup> Over the years, the courts have repeatedly wrestled with new technology issues through the development of silent motion pictures, talking motion pictures, live television, filmed television, home video and on. During the last decade, the issue has emerged as hydra-headed, with the digitization of information spawning new combinations of technology and devices. The fundamental problem, however, is unchanged: how to determine whether a copyright license embraces new technology.

Courts have ostensibly taken different approaches to determining new use cases involving grants of rights for the creation and dissemination of derivative works.<sup>5</sup> Many, such as the Second Circuit, have apparently focused solely on traditional contract interpretation principles.<sup>6</sup> Other courts, notably the Ninth Circuit, have invoked copyright policy as well as contract principles in analyzing the breadth of licenses.<sup>7</sup> This Article analyzes the divergence between the Second and Ninth Circuit approaches and examines whether the courts have adopted or should adopt any default rules to decide close cases. The Article then considers whether copyright policy should play any role in interpreting the scope of copyright licenses.

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3. *Manners v. Morosco*, 252 U.S. 317, 325 (1920).

4. *See id.*

5. *See, e.g.*, *Boosey & Hawkes Music Pub. Ltd. v. Walt Disney Co.* 145 F.3d 481 (2d Cir. 1998); *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851 (9th Cir. 1988); *Bartsch v. Metro-Goldwyn-Mayer*, 391 F.2d 150 (2d Cir. 1968).

6. *See Bartsch*, 391 F.2d 150.

7. *See generally Cohen*, 845 F.2d 851.

Part II summarizes key factors courts generally consider in these cases. Part III examines the different judicial approaches to interpreting the scope of licenses involving derivative works and considers whether those differences are embodied in specialized default rules.<sup>8</sup> This section focuses on two influential decisions—the Second Circuit’s *Bartsch v. Metro-Goldwyn-Mayer*<sup>9</sup> and the Ninth Circuit’s *Cohen v. Paramount Pictures Corp.*<sup>10</sup>—as well as the Second Circuit’s recent interpretation and affirmation of *Bartsch* in *Boosey & Hawkes Music Pub. Ltd. v. Disney Co.*<sup>11</sup> Also considered is Nimmer’s identification of two judicial approaches to the new use analysis,<sup>12</sup> and the utility of that identification either as an explication of existing case law or as a factor in the decision-making process. The Article concludes that default rules have not been established and that the Nimmer categories, rather than aiding in the analysis, have contributed to the misperception that default rules exist. The Article also concludes that the divergence in the approaches of the Second and Ninth Circuits results primarily from their differing views on the significance of copyright policy in the new use analysis.

Part IV examines the nature of the Ninth Circuit’s invocation of copyright policy, analyzing whether it is better understood as a pro-grantor approach, grounded in the policy favoring certainty in copyright transfers and ownership, or as a pro-author approach, grounded in a belief that the aim of copyright is the protection of authors. This section then explores the importance of derivative works, and considers whether a default rule favoring an author of an underlying work over an author of a derivative work would be consistent with copyright policy. The Article examines the need to balance the rights of authors of underlying works and the rights of authors of derivative works, concluding that the benefit to the public from the creation and dissemination of derivative works militates against the establishment of a default rule or other interpretive rule automatically favoring authors of underlying works.

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8. The term “default” is generally used in this article to mean something akin to what commentators have referred to as an “untailored default,” which “provides the parties to all contracts with a single, off-the-rack standard that in some sense represents what the majority of contracting parties would want.” Ian Ayres & Robert Gertner, *Filling Gaps in Incomplete Contracts: An Economic Theory of Default Rules*, 99 YALE L.J. 87, 91 (1989). For potential default rules based on copyright policy, however, it may be more accurate to say that any rule would be intended to, in some sense, represent what Congress would want.

9. 391 F.2d 150.

10. 845 F.2d 851.

11. 145 F.3d 481.

12. See generally 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 10.10(A), at 10-86 (1999).

Part V considers the advisability of employing any default rule, whether pro-grantor or pro-grantee, in new use cases. The Article concludes that a default rule is unnecessary and points out an extant procedural alternative. Part VI goes beyond the issue of default rules to consider whether copyright policy should have any role in interpreting the scope of copyright licenses in the new use context. The Article concludes that it should, arguing that the purposes and policies of the Copyright Act support the development and application of a federal common law of contracts to interpret the scope of copyright grants. At a minimum, state rules of construction should be tested against copyright policy before those rules are employed, a step which the Ninth Circuit has taken.

## II. CASE LAW OVERVIEW

When interpreting the scope of a copyright license, all courts attempt to ascertain the intent of the parties, whether by construing the contract as a self-contained whole or by referring to extrinsic evidence. Courts consider the breadth of the granting language, including the existence and scope of any future technology clause and the presence or absence of specific or general reservations of rights clauses, as well as the general tenor of the contract.<sup>13</sup> Courts also consider industry practice,<sup>14</sup> the course of dealing of the parties, the parties' subsequent conduct,<sup>15</sup> the parties' contracts with third parties<sup>16</sup> and other expressions of the parties' actual intent. Courts

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13. A classic example is *Manners*, 252 U.S. 317. There, the Supreme Court addressed the question of whether a grant of "the sole and exclusive license and liberty to produce, perform and represent" the play *Peg O' My Heart* included the right to "represent" the play in motion pictures. *Id.* at 325. In concluding that it did not, the Court reasoned:

It may be assumed that those words might carry the right to represent the play in moving pictures if the other terms pointed that way, but to our mind they are inconsistent with any such intent. We need not discuss the abstract question whether in view of the fact that such a mode of representation was familiar, it was to be expected that it should be mentioned if it was to be granted or should be excluded if it was to be denied. Every detail shows that a representation by spoken drama alone is provided for.

*Id.* at 325-26. As demonstrated below, the courts may have been wise to continue to avoid addressing abstract questions in this area.

14. See *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, No. 91-56248, 1993 U.S. App. LEXIS 4068, at \*10 (9th Cir. Feb. 17, 1993) (considering evidence of parties' intentions reflected in reports of negotiators, course of negotiations, parties' subsequent conduct and industry custom); cf. *Goodis v. United Artists Television, Inc.*, 425 F.2d 397, 406 (2nd Cir. 1970); *Warner Bros. Pictures, Inc. v. Columbia Broad. Sys. Inc.*, 216 F.2d 945, 949 (9th Cir. 1954) (considering evidence of industry practice regarding character rights).

15. See *Filmvideo Releasing Corp. v. Hastings*, 446 F. Supp. 725, 728-29 (S.D.N.Y. 1978) (considering evidence of parties' subsequent actions in interpreting contracts).

16. See *Bartsch*, 391 F.2d 150. Based on the courts' responses to this type of evidence, its persuasiveness is open to doubt. In *Bartsch*, for example, evidence that Warner Bros., the

may also take into account the sophistication of the parties and the identity of the drafting party.<sup>17</sup>

The nature of the technology at issue and its foreseeability are generally considered as well. Some courts finding that copyright grants do not include new uses focus on technological distinctions between the enumerated media and the new media.<sup>18</sup> Other courts finding grants broad enough to encompass new media do so despite technical distinctions.<sup>19</sup>

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grantee, had often obtained express television rights did not impress the court:

[F]or all that appears Warner Brothers may have decided that, in dealing with Bartsch, it would be better tactics to rely on general words that were sufficiently broad rather than seek an express inclusion and perhaps end up with the opposite, or may have used a form regular in the industry without thinking very precisely about television, or perhaps most likely—may simply have parroted the language in the grant from Bartsch's assignors to him on the theory it would thus be getting all he had, whatever that might be.

*Id.* at 154–55; see also *Philadelphia Orchestra Ass'n v. Walt Disney Co.*, 821 F. Supp. 341, 347 (E.D. Pa. 1993) (rejecting plaintiff's comparison of agreement at issue to contemporaneous agreement between Disney and third party regarding same film, the court stated that "for obvious reasons [the third-party agreement] does not resolve the ambiguity that exists in the agreement" at issue); *Landon v. Twentieth Century Fox Film Corp.*, 384 F. Supp. 450, 456 (S.D.N.Y. 1974) ("[I]n any event, contracts made between Fox and other copyright owners have little probative value as to what Fox and Landon intended in their particular agreement.").

17. See *Rey v. Lafferty*, 990 F.2d 1379, 1391 (1st Cir. 1993) (noting that ambiguity there should be construed against the drafter-grantee, especially given the relative expertise and experience of the two parties); cf. *S.O.S. v. Payday*, 886 F.2d 1081, 1088 (9th Cir. 1989) (disapproving the presumption against drafter-grantor in context of construing scope of copyright license).

18. See *Rey*, 990 F.2d at 1389–90 (quoting *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851, at 53–54 (9th Cir. 1988)); *Cohen*, 845 F.2d at 853–54 (comparing videocassette and television); *Ettore v. Philco Television Broad. Corp.*, 229 F.2d 481 (3d Cir. 1956) (comparing projection and televising of motion picture); *Kirke La Shelle Co. v. Paul Armstrong Co.*, 188 N.E. 163, 165–66 (N.Y. 1933) (addressing motion pictures and talking pictures); *General Mills, Inc. v. Filmtel Int'l Corp.*, 599 N.Y.S.2d 820, 821 (N.Y. App. Div. 1993) (comparing television to videocassette and cable television); *Tele-Pac, Inc. v. Grainger*, 570 N.Y.S.2d 521, 523–25 (N.Y. App. Div. 1991) (comparing videocassette and television); cf. *Bartsch*, 391 F.2d at 153 (finding overall grant language broad enough to encompass exhibition of motion pictures on television, however, the court expressed grave doubt about the district court's conclusion that the right "to project, transmit and otherwise reproduce . . . by the art of cinematography or any process analogous thereto" included television, which the appellate court considered involved "nigh miraculous processes"); *Raine v. CBS, Inc.*, 25 F. Supp. 2d 434, 445 (S.D.N.Y. 1998) (addressing television broadcast, cable television and video); *Video-Cinema Films, Inc. v. Seaboard Surety Co.*, 625 N.Y.S.2d 195, 196 (N.Y. App. Div. 1995) (noting prior holdings that "the terms 'television and/or broadcasting' do not extend to or include videocassettes or videodiscs for home use").

19. See *Bourne v. Walt Disney Co.*, 68 F.3d 621, 630 (2nd Cir. 1995) (stating that "motion picture" is not necessarily limited to a series of images on celluloid, but rather is broad enough to include videocassette); *Bloom v. Hearst Entertainment, Inc.*, 33 F.3d 518, 523–25 (5th Cir. 1994) (finding that grant of both motion picture and television rights may encompass video); cf. *Kalem Co. v. Harper Bros.*, 222 U.S. 55, 61–62 (1911). In that vintage decision, the Supreme Court seemed unmoved by technical distinctions in determining that production of a "moving-picture

Courts have reached different conclusions regarding the foreseeability of the same technology, such as videocassettes<sup>20</sup> and television.<sup>21</sup> Some courts have arguably stretched to find new uses foreseeable.<sup>22</sup>

The presence of future technology clauses (e.g., “by any means now known or hereafter developed”) can be key considerations; many courts have enforced those clauses.<sup>23</sup> A future technology clause may modify the definition of either the product to be created (e.g., a photoplay),<sup>24</sup> the

film” violated the exclusive right of the writer of the book *Ben Hur* to “dramatize” his work. *Id.* The court stated:

The essence of the matter . . . is not the mechanism employed, but that we see the event or story lived. The motion pictures are only less vivid than reflections from a mirror. With the former or with the latter our visual impression—what we see—is caused by the real pantomime of real men through the medium of natural forces, although the machinery is different and more complex.

*Id.*; *Rooney v. Columbia Pictures Indus., Inc.*, 538 F. Supp. 211, 228 (S.D.N.Y. 1982) (“[W]hether 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.”); *Cinema Corp. of Am. v. De Mille*, 267 N.Y.S. 327, 328 (N.Y. Sup. Ct. 1933) (holding dramatic rights and silent motion picture rights together included talking motion picture rights).

20. *Compare Cohen*, 845 F.2d at 854 (“Perhaps the primary reason why the words ‘exhibition by means of television’ in the license cannot be construed as including the distribution of videocassettes for home viewing is that VCRs for home use were not invented or known in 1969, when the license was executed.”), and *Brown v. Twentieth Century Fox Film Corp.*, 799 F. Supp. 166, 171–72 (D.D.C. 1992) (acknowledging non-existence of videocassettes at time of 1964 agreement), with *Boosey & Hawkes Music Pub. Ltd. v. Walt Disney Co.*, 145 F.3d 481 (2d Cir. 1998), and *Bourne*, 68 F.3d 621.

21. *Compare Ettore*, 229 F.2d 481, with *Bartsch*, 391 F.2d at 154.

22. *See Boosey*, 145 F.3d at 486 (“Disney has proffered unrefuted evidence that a nascent market for home viewing of feature films existed by 1939.”); *Bourne*, 68 F.3d at 630 (holding that the use of videocassettes could have been within parties’ contemplation where evidence showed that in 1930s, “home viewing of motion pictures was within the contemplation of persons in the motion picture industry,” defendant made certain cartoons available for home viewing, and “non-celluloid methods of storing motion pictures . . . were under development”); *Philadelphia Orchestra*, 821 F. Supp at 346 (declining to take judicial notice that home videos were not in existence at the time of the 1939 contract, finding evidence that “home viewing devices” were contemplated). *See generally* Gayley Rosen, Note, *The Rights to Future Technologies: Should Bourne v. Disney Change the Rules?*, 24 *FORDHAM URB. L.J.* 617, 629–31 (1997) (criticizing the *Bourne* court’s conclusion regarding home viewing devices).

23. Commentators have offered different perspectives on the desirability from the author’s point of view of enforcing these clauses. *See, e.g.*, William Patry, *The Failure of the American Copyright System: Protecting the Idle Rich*, 72 *NOTRE DAME L. REV.* 907, 927–28 (1997) (suggesting that only technology expressly referred to in contract should be considered granted); Carolina Saez, *Enforcing Copyrights in the Age of Multimedia*, 20 *RUTGERS COMPUTER & TECH. L.J.* 351, 372 (1995) (observing that “future technology clauses in older contracts may not necessarily be as detrimental to an artist’s interests as they may initially appear”).

24. *See Muller v. Walt Disney Prods.*, 871 F. Supp. 678, 681 (S.D.N.Y. 1994) (holding that the right to exhibit film on video is encompassed by the broad definition of photoplay as “a motion picture produced and/or exhibited with or accompanied by sound and/or reproducing and/or transmitting devices, radio devices, television and all other improvements and devices

permissible methods of distribution or the media in which the product may be distributed.<sup>25</sup> The effect of a clause may, however, be limited by a narrow antecedent,<sup>26</sup> although one court saw “no point in quibbling” about whether the new technology fell within the antecedent clause where the thrust of the grant was to embrace future technology.<sup>27</sup> A specific reservation of rights may also limit a future technology clause.<sup>28</sup>

Although ordinarily sufficient, an expansive future technology clause is not necessarily required. Many courts have found grants lacking those clauses still broad enough to cover new uses.<sup>29</sup> Courts have also addressed the new technology issue in the context of actors’ agreements, with and without future technology clauses. Generally, courts have found grants of

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which are now or hereafter may be used in connection with the production, exhibition and/or transmission of any present or future kind of motion picture production”).

25. See *Platinum Record Co. v. Lucasfilm Ltd.*, 566 F. Supp. 226, 227–28 (D. N.J. 1983) (holding that the right to exhibit the film “by any means or methods now or hereafter known” included video distribution); *Wexley v. KTTV, Inc.*, 108 F. Supp. 558, 558 (S.D. Cal. 1952) (holding that film could be exhibited on television where grant conveyed “right to make, produce, adapt, sell, lease, license, sublicense, exhibit, exploit, perform, transmit and otherwise generally deal in motion picture versions of the said dramatic composition and the title thereof in any manner and method now or any time hereafter ever known or made available”); *Hellman v. Samuel Goldwyn Prods.*, 257 N.E.2d at 634, 634–35 (N.Y. 1970) (ruling that film could be exhibited on television where grant conveyed right to “make, exhibit and market everywhere motion pictures, trailers, sound records (in connection with motion pictures) and stills based upon or adapted from the Property, using any methods or devices for such purposes which are now or hereafter known or used”).

26. See *Tele-Pac*, 570 N.Y.S.2d at 523 (stating that video is not covered by clause granting right to broadcast over future devices similar to television); see also *Subafilms*, 1993 U.S. App. LEXIS 4068, at \*4 (finding that future technology clause applied only to rights granted, which evidence showed did not include video).

27. *Muller*, 871 F. Supp. at 682. The court found:

The definition of ‘photoplay’ clearly is intended to embrace new technology for the ‘production, exhibition and/or transmission’ of motion pictures. There is no point in quibbling about whether home video involves production, exhibition or transmission. The contractual language is clearly designed to embrace future means by which motion pictures can reach consumers, in public or in private.

*Id.*

28. See *Filmvideo*, 446 F. Supp. at 728–29 (stating that specific reservation of television and video rights superseded future technology clause).

29. See *Boosey*, 145 F.3d at 486; *Bourne*, 68 F.3d at 630; *Bloom*, 33 F.3d at 525; *Bartsch*, 391 F.2d at 154; *L.C. Page & Co. v. Fox Film Corp.*, 83 F.2d 196 (2nd Cir. 1936); *Philadelphia Orchestra*, 821 F. Supp. at 345; *Landon*, 384 F. Supp. at 454; *Cinema Corp.*, 267 N.Y.S. at 327; cf. *Maljack Prods., Inc., v. Goodtimes Home Video Corp.*, 81 F.3d 881, 885 (9th Cir. 1996) (holding that a grant of music rights—without a future technology clause but also without any reservation clause—conveyed synchronization rights for video).



rights to use actors' performances in films sufficiently broad to encompass distribution on television or videocassette.<sup>30</sup>

In interpreting the scope of a grant, courts lay different emphasis on general reservation of rights clauses. For example, the Ninth Circuit, in concluding that new media rights were not granted in *Cohen v. Paramount Pictures Corp.*, found that a general reservation indicated an intent to limit the grant.<sup>31</sup> Other courts, however, have disregarded general reservation clauses.<sup>32</sup> Courts have also expressed different views regarding the effectiveness of a general reservation accompanied by a specific reservation.<sup>33</sup> Finally, some courts have found that the inclusion of a specific reservation clause establishes that no general, broad reservation of rights is otherwise in effect. In other words, the identification of specific reserved rights indicates that all unenumerated rights were granted.<sup>34</sup>

30. See *Republic Pictures Corp. v. Rogers*, 213 F.2d 662, 665 (9th Cir. 1954); *Autry v. Republic Prods. Inc.*, 213 F.2d 667, 668 (9th Cir. 1954); *Rooney*, 538 F. Supp. at 212; see also *Brown*, 799 F. Supp. 166.

31. See *id.*; cf. *Maljack*, 81 F.3d at 885 (distinguishing *Cohen* in finding that a music grant without a general reservation clause included synchronization rights for video).

32. See, e.g., *Boosey*, 145 F.3d at 488; *Bartsch*, 391 F.2d at 154 n.1 (referring to general reservation clauses as "truism[s]"); *Hellman*, 257 N.E.2d at 685 (including a general reservation clause in quotation of agreement, but failing to address the clause in its discussion).

33. Compare *Trust Co. Bank v. MGM/UA Entertainment Co.*, 772 F.2d 740, 748 (11th Cir. 1985) (rejecting as "meritless" the argument that sequel rights were not reserved because not enumerated where a general reservation clause was followed by a sentence stating that the reserved rights "include, but are not limited to" enumerated rights), with *Bloom*, 33 F.3d at 524. The *Bloom* court, in finding that motion picture and television rights encompassed all elements of video, stated:

The rule of *ejusdem generis* applies where specific recitals in a contract are either preceded or followed by an omnibus clause that retains all rights not mentioned. In such circumstances, courts often apply the rule to limit the actual rights reserved to those specifically mentioned, or rights intimately analogous to those mentioned. As such, having chosen not to specifically reserve the video rights in their reservation clause, the appellants cannot prosper by this boilerplate, catch-all clause.

*Id.*

34. See *Landon*, 384 F. Supp. at 454. The *Landon* court stated:

[W]hen the parties sought to reserve to Landon certain rights, they did so carefully and specifically. Such reservations are themselves strong evidence that if Landon had intended to reserve the right to make televised versions of the property, she and her noted and experienced literary agents . . . knew how to do so.

*Id.*; cf. *Brown*, 799 F. Supp. at 171 (holding that the prohibition of the specific use of a singer's performance in film, given broad grant language, "indicates that all other uses not specifically prohibited are transferred to the grantee").

### III. THE COURTS' DIVERGENT VIEWS ON THE INTERPRETATION OF THE SCOPE OF COPYRIGHT LICENSES

Considerable confusion exists regarding whether the courts have either expressly or impliedly recognized any default rules in interpreting copyright licenses. A 1968 Second Circuit decision, *Bartsch v. Metro-Goldwyn-Mayer*,<sup>35</sup> was read as establishing a "tie goes to the grantee" rule.<sup>36</sup> The Ninth Circuit's subsequent decision in *Cohen v. Paramount Pictures Corp.*<sup>37</sup> was read as endorsing a "tie goes to the grantor" rule.<sup>38</sup> Thirty years after *Bartsch*, the Second Circuit in *Boosey & Hawkes Music Pub. Ltd. v. Walt Disney Co.*<sup>39</sup> stated that *Bartsch* had established no default rule but rather had followed a "neutral principles" approach to new use questions, which the Second Circuit reaffirmed.<sup>40</sup> The *Boosey* court contrasted the Ninth Circuit's approach, which it believed reflected a default rule in favor of the grantor/author.<sup>41</sup>

In *Boosey*, as in *Bartsch*, the Second Circuit invoked Nimmer's identification of two approaches to new use questions: the first, 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

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35. *Bartsch v. Metro-Goldwyn-Mayer*, 391 F.2d 150 (2d Cir. 1968).

36. See, e.g., *Trust Co. Bank v. MGM/UA Entertainment Co.*, 772 F.2d 740, 749 n.7 (11th Cir. 1985). The court stated:

[T]his is not to say that the evidence of intent was so convincing on both sides, or, alternatively, so meager, as to require application of the general construction rule that in doubtful cases a clause such as [para.] 7(a)(i)(2) should be construed as a restriction of a grant rather than a reservation in order to maximize the grant to the grantee.

*Id.* (citing *Bartsch*, 391 F.2d at 155); see also *Philadelphia Orchestra Ass'n v. Walt Disney Co.*, 821 F. Supp. 341, 346 (E.D. Pa. 1993) (citing *Bartsch*, 391 F.2d at 155) ("There is precedent for placing the burden of clarity upon the party granting rights...."); *Filmvideo Releasing Corp. v. Hastings*, 446 F. Supp. 725 (S.D.N.Y. 1978) ("[T]he words of the grant are to be construed against the grantor...."); cf. *Brown v. Twentieth Century Fox Film Corp.*, 799 F. Supp. 166, 171 (D.D.C. 1992) (interpreting scope of agreement regarding use of singer's performance in film, court, citing *Bartsch*, referred to "the well-established rule placing the burden on the grantor to establish a pertinent reservation of rights"). See Michael R. Fuller, *Hollywood Goes Interactive: Licensing Problems Associated With Re-Purposing Motion Pictures Into Interactive Multimedia Videogames*, 15 LOY. L.A. ENT. L.J. 599, 609-613 (1995) (discussing Nimmer's approaches, set out below, as pro-licensor and pro-licensee, and using *Cohen* and *Bartsch* as respective examples).

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

38. See *Boosey & Hawkes Music Publishers Ltd. v. Walt Disney Co.*, 145 F.3d 481, 487 (2d Cir. 1988); *Apple Computer, Inc. v. Microsoft Corp.*, 759 F. Supp. 1444, 1451 (N.D. Cal. 1991).

39. 145 F.3d 481.

40. See *Boosey*, 145 F.3d at 487.

41. See *id.*

in motion picture theaters) and exclude any uses which lie within the ambiguous penumbra (e.g., exhibition of motion picture film on television),<sup>42</sup>

and the second, pursuant to which “the licensee may properly pursue any uses that may reasonably be said to fall within the medium as described in the license.”<sup>43</sup> As discussed below, however, the Nimmer categories are seriously flawed. More importantly, the use of these categories,<sup>44</sup> along with the related quest for default rules, obscures the true and potentially critical difference between the Second and Ninth Circuits’ approaches to new use cases: the role of copyright policy in interpreting copyright licenses.

### A. Bartsch, Cohen *and* Boosey

#### 1. *Bartsch v. Metro-Goldwyn-Mayer*

In *Bartsch*, the Second Circuit addressed whether a grant of motion picture rights in a musical play encompassed the right to televise that play.<sup>45</sup> The grant in *Bartsch* of “the motion picture rights throughout the world” included the right “to project, transmit and otherwise reproduce the said musical play 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>46</sup> Plaintiff Bartsch reserved certain German language motion picture rights, with the proviso that “it is expressly understood and agreed that nothing herein contained shall in any way limit or restrict the absolute right of Purchaser to produce, release, distribute and/or exhibit the photoplay or photoplays produced hereunder.”<sup>47</sup> A general reservation clause was also included:

The rights which the [defendant] obtains from the Owner in [the play] are specifically limited to those granted herein. All other

42. *Boosey*, 145 F.3d at 486–87.

43. *Id.*

44. *See generally*, NIMMER & NIMMER, *supra* note 12. As one commentator has noted, “What began as Nimmer’s descriptive schema to detail the facts after the decision has been reached, seems to have developed into a conscious analytic tool used to examine the facts in the process of actually reaching that decision.” Barbara D. Griff, Note, *A New Use For an Old License: Who Owns The Right?*, 17 CARDOZO L. REV. 53, 76 (1995). Case law illustrates this point. *See, e.g.*, *Rey v. Lafferty*, 990 F.2d 1379, 1388 (1st Cir. 1993).

45. *See Bartsch*, 391 F.2d 150.

46. *Id.* at 151.

47. *Id.* at 152.

rights now in existence or which may hereafter come into existence shall always be reserved to the Owner and for his sole benefit, but nothing herein contained shall in any way limit or restrict the rights which Purchaser has acquired or shall hereafter acquire from any other person, firm or corporation in and to [the play].<sup>48</sup>

The court explicitly rejected reliance on the federal common law of contracts to interpret the license.<sup>49</sup> Applying New York law, the court found that Bartsch “had reason to know”<sup>50</sup> of television’s potential at the time of the grant and the court concluded that the broad assignment of the right “to copyright, vend, license and exhibit such motion picture photoplays throughout the world” included the right to televise the motion picture.<sup>51</sup> The court stated: “[t]he words of Bartsch’s assignment . . . were well designed to give the assignee the broadest rights with respect to *its* copyrighted property, to wit, the photoplay. ‘Exhibit’ means to ‘display’ or to ‘show’ by any method, and nothing in the rest of the grant sufficiently reveals a contrary intention.”<sup>52</sup> In reaching its conclusion, the court gave no weight to the general reservation clause, stating: “We cannot read this as standing for more than the truism that whatever Bartsch had not granted, he had retained.”<sup>53</sup>

In its reasoning, the court invoked the two interpretive approaches set out in Nimmer:

With Bartsch dead, his grantors apparently so, and the Warner Brothers lawyer understandably having no recollection of the negotiation, any effort to reconstruct what the parties actually intended nearly forty years ago is doomed to failure. In the end, decision must turn, as Professor Nimmer has suggested, . . . on a choice between two basic approaches more than on an attempt to distill decisive meaning out of language that very likely had none. As between an approach 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)”

48. *Id.*

49. *See id.* at 153–54.

50. *Id.* at 154.

51. *See Bartsch*, 391 F.2d at 151.

52. *Id.* at 154.

53. *Bartsch*, 391 F.2d at 154 n.1.

and another whereby “the licensee may properly pursue any uses which may reasonably be said to fall within the medium as described in the license,” he prefers the latter. So do we... If the words are broad enough to cover the new use, it seems fairer that the burden of framing and negotiating an exception should fall on the grantor; if Bartsch or his assignors had desired to limit “exhibition” of the motion picture to the conventional method where light is carried from a projector to a screen directly beheld by the viewer, they could have said so.<sup>54</sup>

The court went on to point out the benefit to the public of using Nimmer’s second approach in the case before it:

A further reason favoring the broader view in a case like this is that it provides a single person who can make the copyrighted work available to the public over the penumbral medium, whereas the narrower one involves the risk that a deadlock between the grantor and the grantee might prevent the work’s being shown over the new medium at all. Quite apart from the probable impracticality, the assignments are broad enough even on plaintiff’s view to prevent the copyright owners from licensing anyone else to make a photoplay for telecasting. The risk that some May might find the nation’s television screens bereft of the annual display of “Maytime,” interlarded with the usual liberal diet of commercials, is not one a court can take lightly.<sup>55</sup>

## 2. *Cohen v. Paramount Pictures Corp.*

In *Cohen*, the licensee was granted the right “to record, in any manner, medium, form or language” the musical composition at issue and “to make copies of such recordings and to perform said musical compositions everywhere, all in accordance with the terms, conditions and limitations hereinafter set forth.”<sup>56</sup> The contract stated that the license to perform the composition was granted for the exhibition of the motion picture: a) “to audiences in motion picture theatres and other places of public entertainment where motion pictures are customarily exhibited[;]” and b) “by ... means of television ... including ‘pay television,’ ‘subscription television’ and ‘closed circuit into homes’ television.”<sup>57</sup>

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54. *Id.* at 155 (citation omitted).

55. *Id.*

56. *Cohen*, 845 F.2d at 853 (emphasis omitted).

57. *Id.*

The defendant's primary argument was that distribution of videocassettes for home viewing was the equivalent of "exhibition by means of television."<sup>58</sup> The court found that the terms of the contract "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" and explicated at some length the differences between video and television.<sup>59</sup> The court then went on to say that "[p]erhaps the primary reason why the words 'exhibition by means of television' in the license cannot be construed as including the distribution of videocassettes for home viewing is that VCR's for home use were not invented or known in 1969 when the license was executed."<sup>60</sup> The court opined that "[t]he holder of the license should not now 'reap the entire windfall' associated with the new medium."<sup>61</sup> The court concluded that a clause in the contract reserving "all rights and uses in and to said musical composition except those herein granted" to the defendant operated "to preclude uses not then known to, or contemplated by the parties."<sup>62</sup> The court also stated:

Moreover, the license must be construed in accordance with the purpose underlying federal copyright law. Courts have repeatedly stated that the Copyright Act was "intended definitively to grant valuable, enforceable rights to authors, publishers, etc., . . . 'to afford greater encouragement to the production of literary works of lasting benefit to the world.'"<sup>63</sup>

The court concluded: "[W]e would frustrate the purposes of the Act were we to construe this license—with its limiting language—as granting a right in a medium that had not been introduced to the domestic market at the time the parties entered into the agreement."<sup>64</sup>

58. *Id.* at 854.

59. *Id.* at 853.

60. *Id.* at 854.

61. *Id.* (citing Neil R. Nagano, Comment, *Past Copyright Licenses and the New Video Software Medium*, 29 UCLA L. REV. 1160, 1184 (1982)). The court prefaced its statement with the following:

[I]n 1969—long before the market for videocassettes burgeoned—Cohen could not have assumed that the public would have free and virtually unlimited access to the film in which the composition was played; instead, he must have assumed that viewer access to the film . . . would be largely controlled by theatres and networks. By the same token, the original licensee could not have bargained for, or paid for, the rights associated with video reproduction.

*Id.*

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

63. *Id.* (quoting *Washingtonian Publ'g Co. v. Pearson*, 306 U.S. 30, 36 (1939)).

64. *Id.*

### 3. *Boosey & Hawkes Music Pub. v. Walt Disney Co.*

Following a self-described “neutral principles”<sup>65</sup> approach, the Second Circuit in *Boosey* found that film music could be included in videocassettes of a motion picture where the defendant was granted the right “to record [the composition] in any manner, medium or form” and to use the composition “in one motion picture.”<sup>66</sup> Relying on *Bartsch*, the court concluded that a general grant could be sufficient to convey the right at issue, at least where the new use was foreseeable.<sup>67</sup> Eschewing the interpretation of *Bartsch* as establishing a default rule in favor of the grantee in new use cases, the *Boosey* court stated that *Bartsch* had simply instructed courts to rely on the language of the license and basic principles of contract construction.<sup>68</sup>

In discussing “the capacity of a broad license to cover future developed markets resulting from new technologies,” the Second Circuit again invoked Nimmer’s description of the two primary approaches to the issue.<sup>69</sup> *Boosey* cited *Cohen* as following the approach that a license “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 excludes any uses that lie within the ambiguous penumbra (e.g., exhibition of motion pictures on television).”<sup>70</sup> The *Boosey* court opined that “[u]nder this approach, a license given in 1939 to ‘motion picture’ rights would include only the core uses of ‘motion picture’ as understood in 1939—presumably theatrical distribution—and would not include subsequently developed methods of distribution of a motion picture such as television videocassettes or laser disc.”<sup>71</sup> The Second Circuit reiterated its preference for Nimmer’s second approach, which would permit the licensee to “pursue any uses that may reasonably be said to fall within the medium as described in the license.”<sup>72</sup>

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65. *Boosey*, 145 F.3d at 487.

66. *Id.* at 484.

67. *See id.* at 486.

68. *See id.* at 487.

69. *See id.* at 486.

70. *Id.* at 486 (citing NIMMER & NIMMER, *supra* note 12, at 10–90).

71. *Boosey*, 145 F.3d at 486.

72. *Id.* at 486–87 (citing NIMMER & NIMMER, *supra* note 12, at 10–91). The court observed:

We acknowledge that a result which deprives the author-licensor of participation in the profits of new unforeseen channels of distribution is not an altogether happy solution. Nonetheless, we think it more fair and sensible than a result that would deprive a contracting party of the rights reasonably found in the terms of the contract it negotiated.

## B. Analyzing the Approaches

### 1. Nimmer's Categories

Nimmer's categories generate analytical confusion, as illustrated in the *Boosey* court's use of the categories. The first approach is an absolutist one, pursuant to which any ambiguity in the grant language means, in essence, no grant. The *Cohen* court did not take such an unqualified view, however. The *Boosey* court's implied, incorrectly, that *Cohen* exemplifies the first approach. Furthermore, by relying on Nimmer's second approach, as did the *Bartsch* court, the *Boosey* court suggested that uses within the "ambiguous penumbra" fall within the medium described in the license. In other words, the ambiguity is resolved in favor of the grantee.<sup>73</sup> The *Boosey* court thus fueled rather than refuted other courts' "misinterpretation" of *Bartsch* as creating a default rule in favor of the copyright licensee.<sup>74</sup>

In any event, whether intended to capture existing case law or to influence the direction of the decisions, the Nimmer categories are unsatisfactory and should be abandoned. The categories do not reflect the various factors that the courts consider in analyzing new use questions. Rather, the categories concentrate solely on the grant language. None of the courts, however, focuses their inquiry so narrowly. Furthermore, many factors figure into the construction of a contract, and the cases are so fact-specific, that the approaches are not reducible to two, even in broad strokes. As in any other area involving the interpretation of contracts, the decisions are multi-dimensional; they cannot be accurately represented by two points. Consequently, using limited categories suggests a starker contrast between the circuits than the cases warrant. The categories similarly fail as guides, for they force a choice between incomplete alternatives and, further, stack the deck by presenting one as the choice of courts following a rule of reason and the other as the choice only of doctrinaire courts.

A final, and more fundamental, reason to abandon the categories is that the premise upon which they are built is faulty. That categories are essentially grounded in the notion that a search for the parties' intent will generally be fruitless because the parties most likely will not have formed

*Id.* at 487. The court also noted that "the creation of exceptional principles of contract construction that place[] doubt on the capacity of a license to transfer new technologies is likely to harm licensors and licensees together." *Id.* at 488 n.4.

73. *See id.* at 487. This goes beyond a tie-breaking rule, for ambiguity's range extends at least from "probably yes" to "probably no."

74. *See id.* at 487 n.3.



an intent. This posits that the only relevant inquiry is whether the parties at the time of the contract specifically intended that the creator of a derivative work would be able to exploit that new work in a particular medium. Nothing compels this extraordinarily narrow inquiry, which also often underlies the courts' analyses, but so casting the question essentially requires a court to invoke a default rule or to engage in contortions regarding the foreseeability of the medium at issue.

## 2. *Bartsch, Cohen* and Default Rules

Freed from the artificial constraints of the Nimmer categories, reevaluation of the facts of *Cohen* and *Bartsch/Boosey* indicates not only that neither Circuit court established a default rule but that the courts' approaches do not diverge as radically as first appears.<sup>75</sup> A close reading of the cases suggests that each court, faced with the other's facts, may well have reached the same result. The language of *Cohen* does not suggest that the Ninth Circuit would take issue with the Second Circuit's desire to avoid "a result that would deprive a contracting party of the rights reasonably found in the terms of the contract it negotiates."<sup>76</sup> The *Cohen* court nowhere intimated that it considered video "reasonably found in the terms of the contract[;]" the contrary is true.<sup>77</sup>

The *Cohen* court viewed the grant language as specific, not general.<sup>78</sup> The license set out the two media in which the film with the song could be exhibited,<sup>79</sup> and the *Cohen* court decided that exhibition by videocassette is not the same as exhibition by television broadcasting.<sup>80</sup> Notably, the grants did not include any broad term, such as "distribute," "disseminate" or "exploit" and did not even indicate that the performance rights granted "included, without limitation," or even "included" the two media specified in the grant.<sup>81</sup> In opining that construing the grant at issue to encompass television would thwart copyright policy, the court emphasized the grant's "limiting language."<sup>82</sup> Faced with what it perceived as a narrow grant, with

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75. See generally *Boosey*, 145 F.3d 481; *Cohen*, 845 F.2d 851.

76. *Boosey*, 145 F.3d at 487.

77. See generally *Cohen*, 845 F.2d 851.

78. See *id.* at 854.

79. See *id.* at 853.

80. *Id.* at 854. Although one could argue that the court tilted the equation by narrowly defining the issue, the response would be that the grant language determines the breadth of the issue.

81. See generally *id.*

82. *Id.* at 854. The court also used the general reservation clause, which use may or may not have been independent of its invocation of copyright principles, to support its decision. See *id.*

specific technology addressed in definite terms, the court found a new technology not covered.<sup>83</sup> There is no reason to believe that the Second Circuit would have reached a different conclusion. Likewise, there is no reason to believe that the Ninth Circuit would have reached a different conclusion in either *Bartsch* or *Boosey* than did the Second Circuit. Both cases (particularly *Bartsch*) involved grants broader than the one in *Cohen*, with the technology of dissemination not addressed in specific terms. In sum, the Ninth Circuit had a limited grant and what it considered an unforeseeable use; the Second Circuit had broad grants and what it considered foreseeable uses. None of the decisions turned upon a default rule.

### 3. The Significance of Copyright Policy

Although the Ninth Circuit's willingness to explicitly consider copyright policy is an important point of distinction from the Second Circuit, interpreting *Cohen* as, through dicta, establishing a default rule based on that policy runs counter to the tenor of the decision and overstates the differences between the circuits' approaches. A fair reading of *Cohen* suggests that the court did not rely upon copyright policy, but rather reached its result by ascertaining the intent of the parties, and then found that result consonant with copyright policy. Similarly, although the Second Circuit ostensibly relied solely on state law contract interpretation principles to reach its conclusions in *Bartsch* and *Boosey*, the opinions reflect the implied consideration of copyright policy.<sup>84</sup> In any event, the circuit courts' views of the relevance of copyright policy to the new use questions were not critical to their decisions. The only outcome-

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Reference to that clause, however, apparently was not necessary, for the agreement was non-exclusive and in no way could have been interpreted as an all-rights grant. *See id.* (explaining that the agreement was not exclusive).

83. *See Cohen*, 845 F.2d at 854. The *Boosey* court's suggestion that the Ninth Circuit was creating "exceptional principles of contract construction that place[] doubt on the capacity of a license to transfer new technologies" seems unwarranted for similar reasons. *See Boosey*, 145 F.2d at 488 n.4. The *Cohen* court did indeed make sweeping, apparently generalized statements when referring to the benefits from new technology as a windfall and suggested that unforeseeable uses could not have been bargained for. *See Cohen*, 845 F.2d at 854. However, decisions, not dicta, are necessary to create "exceptional principles of contract construction." In *Cohen*, two specific media were included in the bargain. *Id.* at 852. The court found the new medium encompassed within neither, that is, the parties had not in fact bargained for the new medium. *Id.* Determining whether they could have done so was not necessary, and the Ninth Circuit is unlikely to read *Cohen* as having made that determination. *See infra* note 86.

84. *Compare Cohen*, 845 F.2d at 853-54, with *Bartsch*, 391 F.2d at 154-55. In *Bartsch*, the Second Circuit implicitly used copyright policy to buttress the conclusion that it reached using contract interpretation principles. *See Bartsch*, 391 F.2d at 154-55.

determinative differences between the two circuits, as so far expressed, appear to be the weight they place on a general reservation of rights clause and their views regarding when video became foreseeable.<sup>85</sup>

Nonetheless, regardless of whether the courts' opinions would diverge if faced with each other's facts, the decisions raise the issue of whether copyright policy should affect the interpretation of copyright transfers where a new use question involves a derivative work. The next section broadens the examination of the Ninth Circuit's use of copyright policy in new use cases and considers the importance of derivative works, as groundwork for the following section's discussion of whether a default rule or interpretive rule automatically favoring grantor/authors is appropriate.

#### IV. COPYRIGHT POLICY AND THE IMPORTANCE OF AUTHORS

##### A. *The Ninth Circuit's View*

Whether or not the Ninth Circuit's interpretation of the purposes of the Copyright Act affected the outcome of any of its new use decisions, the court has undeniably advanced an interpretive rule favoring the grantor in the context of a grant of specified rights.<sup>86</sup> Less clear is whether the Ninth Circuit's view is pro-grantor/owner or instead pro-grantor/author.

A year after *Cohen*, the Ninth Circuit, in *S.O.S., Inc. v. Payday, Inc.*,<sup>87</sup> considered whether a software license allowed the defendant to make copies of the plaintiff's series of programs. Stating that the "license must be construed in accordance with the purposes underlying federal copyright law,"<sup>88</sup> the court went on to find that the district court incorrectly interpreted the contract at issue against the drafter.<sup>89</sup> The court stated, "[t]his result is contrary to federal copyright policy. Copyright licenses are assumed to prohibit any use not authorized."<sup>90</sup> As in *Cohen*, the court's

85. Even that difference is not as great as it appears. The parties in *Cohen* had stipulated to the lack of foreseeability. See *Cohen*, 845 F.2d at 854.

86. The Ninth Circuit recently refused to apply such a rule to an all-rights grant. In *Maljack Prod., Inc. v. Goodtimes Home Video Corp.*, 81 F.3d 881, 885 (9th Cir. 1996), the court rejected plaintiff's reading of *Cohen* that "absent a future technologies clause, the author/grantor always reserves the right to exploit the work in new mediums." *Id.* After noting that *Cohen* had relied on a reservation clause, the *Maljack* court stated "[h]ere, the contract states without exception that all musical rights were granted." *Id.*

87. 866 F.2d 1081 (9th Cir. 1989).

88. *S.O.S., Inc. v. Payday, Inc.*, 866 F.2d 1081, 1088 (9th Cir. 1989).

89. *Id.*

90. *Id.* (citing 17 U.S.C. § 204(a) (1994); *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851,

assertions regarding copyright policy were unnecessary to its decision. *S.O.S.* turned on the following reasoning, “[t]he contract between *S.O.S.* and Payday states ‘This series of programs is the property of *SOS*, and Payday is acquiring the right of use, *SOS* retains all rights of ownership.’ This language is unambiguous.”<sup>91</sup> If the language was unambiguous, invocation of either copyright policy or the rule interpreting ambiguity against the drafter was unnecessary.

*Cohen* and *S.O.S.* were apparently based on the need for certainty in transfers of ownership without regard to the identity of the owner. In fact, *Cohen* discussed the Copyright Act’s intent to “grant valuable, enforceable rights to authors, *publishers*, etc. . . .”<sup>92</sup> Further, *S.O.S.* cited to § 204 of the 1976 Copyright Act,<sup>93</sup> which requires a writing for the transfer of a copyright interest, to support its statement that “copyright licenses are assumed to prohibit any use not authorized.”<sup>94</sup> The court thus did not limit its holding to the protection of authors.<sup>95</sup>

The Ninth Circuit has, however, articulated pro-author sentiment in related contexts. For example, in *Warner Bros. Pictures, Inc. v. Columbia Broadcasting System*,<sup>96</sup> the court considered whether a license to plaintiff Warner Bros. for rights in connection with the book entitled *The Maltese Falcon* precluded Dashiell Hammett and his publisher from granting third parties the right to use certain characters in the book.<sup>97</sup> The court,

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853 (9th Cir. 1988) (transfer of copyright ownership must be in writing)). At least one district court appeared to believe that the Ninth Circuit would not have found the principle contrary to copyright policy had the licensee been the drafter. *See Apple Computer, Inc. v. Microsoft Corp.*, 759 F. Supp. 1444, 1451 (N.D. Cal. 1991) (applying California law where ambiguities were to be interpreted against the drafter-licensee, while following *S.O.S.*’s perceived directive “to interpret copyright licenses narrowly”); *see also Warner Bros. Pictures, Inc. v. Columbia Broad. Sys.*, 216 F.2d 945, 949 (9th Cir. 1954). The *Warner Bros.* court stated:

The instruments under which Warner claims were prepared by Warner Bros. Corporation which is a large, experienced moving picture producer. It would seem proper, therefore, to construe the instruments under the assumption that the claimant knew what it wanted and that in defining the item in the instruments which it desired and intended to take, it included all of the items it was contracting to take.

*Id.* at 949.

91. *S.O.S.*, 886 F.2d at 1088.

92. *Cohen*, 845 F.2d at 854 (emphasis added) (quoting *Washington Publ’g Co. v. Pearson*, 306 U.S. 30 (1939)).

93. *See S.O.S.*, 866 F.2d at 1088.

94. *Id.* (emphasis omitted).

95. *But see Apple Computer*, 759 F. Supp. at 1451 (“[T]he Ninth Circuit has directed district courts to interpret copyright licenses narrowly, consistent with the federal copyright policy of providing incentives in the form of copyright protections to authors.”).

96. 216 F.2d 945.

97. *See id.* at 950.

apparently construing the agreement against Warner Bros. as the drafting party,<sup>98</sup> stated:

We are of the opinion that since the use of characters and character names are nowhere specifically mentioned in the agreements, but that other items, including the title, "The Maltese Falcon", and their use are specifically mentioned as being granted, that the character rights with the names cannot be held to be within the grants and that under the doctrine of *ejusdem generis*, general language cannot be held to include them. As was said[.]. . . "such doubt as there is should be resolved in favor of the composer. The clearest language is necessary to divest the author of the fruits of his labor. Such language is lacking here."<sup>99</sup>

Nonetheless, the Ninth Circuit has not injected a pro-author (or even pro-grantor) view into all contract disputes. In the 1996 *Maljack* case, the court rejected outright the plaintiff's argument that, under *Cohen*, a grant lacking a future technology clause reserved new media rights to the grantor even where the grant was of all rights in the work and included no reservation.<sup>100</sup> In another decision that year, *Yount v. Rose-Opryland*,<sup>101</sup> the court considered whether a joint composer's assignment of his interest in a song included the copyright renewal period where at the time of the assignment he had only a royalty interest to convey.<sup>102</sup> The plaintiff attempted to rely on the federal common law rule of construction pursuant to which an assignment of copyright is deemed to transfer rights in the renewal period only when it does so expressly. After rejecting that argument and finding that the issue was one of state law only,<sup>103</sup> the court addressed Yount's argument that the copyright laws were designed to protect authors. The court stated:

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98. *See id.*

99. *Id.* at 949 (citations omitted).

100. The *Maljack* court went further, relying on *Cohen* to support its decision. 81 F.3d at 885.

101. 103 F.3d 830 (9th Cir. 1996).

102. *See Yount v. Acuff Rose-Opryland*, 103 F.3d 830, 833 (9th Cir. 1996). Specifically, Yount and others entered into a publishing agreement for the song *Release Me* with a record company in 1949. *See id.* at 832. The grant included the right to secure the copyright and to hold it, "including any and all renewals of copyright to which the writer(s) may be entitled hereafter," in exchange for royalties. *See id.* Yount subsequently assigned to Stevenson "all of my rights, title and interest in and to the song entitled 'RELEASE ME.'" *Id.* Yount sued Stevenson's predecessor-in-interest for royalties during the renewal period. *See id.* at 833.

103. *See id.* at 832.

No doubt they were. However, that assertion does not significantly advance the analysis or indicate that contractual royalty interests have a protection separate from the protection afforded to renewal of the term of the copyright itself. Authors are not the only ones protected by the Copyright Act. Moreover, protection of authors may well come from laws that give them the freedom to contract at will rather than from laws, which prevent them “from realizing on their assets when they are most in need of funds.” Generally speaking, it is for Congress, not the courts, to decide just how much protection is needed and what form that protection should take. Congress has not declared a special rule regarding contractual royalties during the renewal term of copyright.<sup>104</sup>

The court concluded:

There can be little doubt that Yount made an assignment of his royalty rights to Stevenson. He now seeks to cast himself in the mold of a put-upon author, who should have the special protection of the Copyright Act to save him from his own lack of discretion. But authors are not “wards under guardianship of the law.” Indeed, we, along with the Supreme Court, assume that they would resent being treated as if they were. Congress and the courts have provided some protection for authors as far as the twenty-eight-year copyright renewal term is concerned, but that form of protection ends once the term has been explicitly transferred. Authors are free to deal with any ensuing contract rights, such as royalties, as they will, subject only to the provisions of state law.<sup>105</sup>

Although the Ninth Circuit may, when faced with the question, interpret *Cohen* as espousing a rule favoring grantor/authors, Ninth Circuit case law does not present the unidimensional view of copyright policy which might warrant predicting such a result.<sup>106</sup> In fact, as noted above, the court’s invocation of copyright policy in *Cohen* may well have been driven more by concerns about certainty than concerns about authors.<sup>107</sup> The court has perhaps not so neatly divided the two, however, and, whether seen as a

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104. *Id.* at 834 (quoting *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643, 657 (1943)).

105. *Id.* at 836–37 (quoting *Fred Fisher Music*, 318 U.S. at 657).

106. *See, e.g., id.* at 832.

107. *See infra* Part IV.B. This accords with the Ninth Circuit’s other strong statements about the significance of the 1976 Copyright Act’s writing requirement embodied in § 204. *See supra* notes 88–92 and accompanying text.

decision supporting a pro-grantor or a pro-author stance, *Cohen* raises the specter of the creation of a default rule that would disregard the importance of author/grantees in the derivative work context. As discussed below, such a rule would be contrary to the purposes of the Copyright Act.

*B. Underlying and Derivative Works: Two Authors*

Article I, section 8, clause 8 of the United States Constitution gives Congress the 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.”<sup>108</sup> The Supreme Court has stated that “[t]he clause thus describes both the objective which Congress may seek and the means to achieve it. The objective is to promote the progress of science and the arts . . . . To accomplish its purpose, Congress may grant to authors the exclusive right to the fruits of their respective works.”<sup>109</sup>

The term “author” is not limited to individual writers of original compositions, but includes “he to whom anything owes its origin.”<sup>110</sup> The Supreme Court has affirmed that “[t]he primary objective of copyright is not to reward the labor of authors, but to ‘promote the Progress of Science and the useful Arts.’”<sup>111</sup> The Court has also stated:

The limited scope of the copyright holder’s statutory monopoly, like the limited copyright duration required by the Constitution, reflects a balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad availability of literature, music, and the other arts. The immediate effect of our copyright law is to secure a fair return for an “author’s” creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good. “The sole interest of the United States and the primary object in conferring the monopoly,” this Court has said, “lie in the general benefits derived by the public from the labors of authors.” When technological change has rendered its literal

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108. U.S. CONST. art. I, § 8, cl. 8. “[C]opyright property under the Federal law is wholly statutory, and depends upon the right created under the acts of Congress passed in pursuance of the authority conferred under article 1, § 8 of the Federal Constitution.” *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 346 (1908).

109. *Goldstein v. California*, 412 U.S. 546, 555 (1973).

110. *Id.* at 561.

111. *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349 (1991) (quoting U.S. CONST. art. I, § 8, cl. 8).

terms ambiguous, the Copyright Act must be construed in light of this basic purpose.<sup>112</sup>

The public benefit derived from creating incentives for the preparation and dissemination of derivative works such as motion pictures has been widely recognized. The Supreme Court in *Goldstein v. California* stated that the 1909 Copyright Act's list of categories of protected works was "expanded specifically to include motion pictures," and quoted from the House Report on the 1912 amendment:

The occasion for this proposed amendment is the fact that the production of motion-picture photoplays and motion pictures other than photoplays has become a business of vast proportions. The money invested therein is so great and the property rights so valuable that the committee is of the opinion that the copyright

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112. *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 157 (1975) (footnote omitted) (quoting *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932)). The court also referred to an 1801 English decision, which in turn quoted Lord Mansfield:

[W]e must take care to guard against two extremes equally prejudicial; the one, that men of ability, who have employed their time for the service of the community, may not be deprived of their just merits, and the reward of their ingenuity and labour; the other, that the world may not be deprived of improvements, nor the progress of the arts be retarded.

*Id.* at 156 n.6; see also *Zacchini v. Scripps-Howard Broad. Co.*, 433 U.S. 562, 577 (1977) (stating that copyright and patent laws "perhaps regard the 'reward to the owner [as] a secondary consideration'" (quoting *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 158 (1948)), but that those laws were "'intended definitely to grant valuable, enforceable rights' in order to afford greater encouragement to the production of works of benefit to the public." (quoting *Washingtonian Publ'g Co. v. Pearson*, 306 U.S. 30, 36 (1939))); *Mazer v. Stein*, 347 U.S. 201 (1954). In *Mazer*, the court stated:

The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in "Science and useful Arts." Sacrificial days devoted to such creative activities deserve rewards commensurate with the services rendered.

*Id.* at 219. The Court has sometimes emphasized the reward to the author rather than the public good. See, e.g., *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539 (1985). The court stated:

The rights conferred by copyright are designed to assure contributors to the store of knowledge a fair return for their labors . . . . "[This] limited grant is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired."

*Id.* at 545-46 (citations omitted) (quoting *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984)). An interesting historical perspective on public and private interests in copyright is offered in Peter Jaszi, *When Works Collide: Derivative Motion Picture, Underlying Rights, and the Public Interest*, 28 UCLA L. REV. 715, 803-06 (1981).



laws ought to be amended as to give to them distinct and definite recognition and protection.<sup>113</sup>

Policy issues regarding the protection of derivative works were discussed in *Stewart v. Abend*<sup>114</sup> and *Rohauer v. Killiam Shows, Inc.*,<sup>115</sup> which considered whether, if an author of a copyrighted story does not survive to the renewal term and the heirs renew, a work derivative of the story may be exploited without the heirs' consent. In *Abend*, the Supreme Court affirmed the Ninth Circuit's conclusion that the motion picture could not be so exploited, thus effectively overruling the Second Circuit's contrary decision in *Rohauer*. A review of these two decisions, as well as the Ninth Circuit's decision in *Abend*, both brings home the equitable claims of authors of truly transformative works<sup>116</sup> and reflects the imprudence of establishing a single default rule that would affect the wide range of derivative works.

The Second Circuit in *Rohauer* focused on the 1909 Act's provision for derivative copyright, finding the statute's clear thrust the protection of derivative works as new works. In its discussion, the court set out the relevant policy considerations:

To such extent as it may be permissible to consider policy considerations, the equities lie preponderantly in favor of the proprietor of the derivative copyright. In contrast to the situation where an assignee or licensee has done nothing more than print, publicize and distribute a copyrighted story or novel, a person who with the consent of the author has created an opera or a motion picture film will often have made contributions literary, musical and economic as great as or greater than the original author.<sup>117</sup>

The Supreme Court both rejected the statutory argument and disagreed with the *Rohauer* court's policy views:

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113. *Goldstein*, 412 U.S. at 562 n.17 (quoting H.R. REP. NO. 756 at 1 (1912)).

114. *Stewart v. Abend*, 495 U.S. 207 (1990).

115. *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484 (2nd Cir. 1977).

116. See *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994). The Court, discussing the first factor of the fair use inquiry, stated:

The central purpose of the investigation is to see . . . whether the new work merely "supersede[s] the objects" of the original creation . . . or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; it asks, in other words, whether and to what extent the new work is "transformative." Although such transformative use is not absolutely necessary for a finding of fair use . . . the goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works.

*Id.* at 579.

117. *Rohauer*, 551 F.2d at 493.

The Court of Appeals in *Rohauer* . . . expressly implemented policy considerations as a means of reconciling what it viewed as the competing interest in that case. While the result in *Rohauer* might make some sense in some contexts, it makes no sense in others. In the case of a condensed book, for example, the contribution by the derivative author may be little, while the contribution by the original author is great. Yet, under the *Rohauer* “rule,” publication of the condensed book would not infringe the pre-existing work even though the derivative author has no license or valid grant of rights in the pre-existing work .... Thus, even if the *Rohauer* “rule” made sense in terms of policy in that case, it makes little sense when it is applied across the derivative works spectrum. Indeed, in the view of the commentators, *Rohauer* did not announce a “rule,” but rather an “interest-balancing approach.”<sup>118</sup>

The Court also rejected the claim that the rule would undermine one of the Copyright Act’s policies—the dissemination of creative works—either because the owner of the underlying work would wish to retire the work or would make exorbitant demands.<sup>119</sup> The Court responded by stating that “[t]hese arguments are better addressed by Congress than the courts” and observed, somewhat optimistically, that “an initially high asking price does not preclude bargaining.”<sup>120</sup> The Court also stated, “[m]oreover, although dissemination of creative works is a goal of the Copyright Act, the Act creates a balance between the artist’s right to control the work during the term of the copyright protection and the public’s need for access to creative works.”<sup>121</sup>

The Supreme Court’s policy view on the liability issue closely tracked the Ninth Circuit’s.<sup>122</sup> However, in a portion of the Ninth Circuit decision

118. *Abend*, 495 U.S. at 227 (citations omitted).

119. *See id.* at 228. Amici contended that *Abend* had demanded fifty percent of defendants’ gross proceeds over advertising expenses. *See id.*

120. *Id.* at 228.

121. *See id.* at 239. The Court apparently did not consider that those controlling a great many works, such as music publishers, might decide to keep an asking price high because the overall value of the works would be greater. *See id.* Also, in disregarding the possibility that works might be retired, the Court essentially ignored the possibility that non-economic factors may enter into the licensing process. *See id.*; *see also* *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 183–84 (1985) (White, J., dissenting) (listing films made under a first-term grant which were removed from circulation and others, such as *Gone With the Wind*, which remained in circulation because producers were willing to pay substantial sums to holders of copyrights in the underlying works (citing *Jaszi*, *supra* note 112, at 740)).

122. *See* *Abend v. MCA, Inc.*, 863 F.2d 1465, 1476–77 n.16 (9th Cir. 1988), *aff’d sub nom.* *Stewart v. Abend*, 495 U.S. 207 (1990).

which the Supreme Court did not address,<sup>123</sup> the Court of Appeals balanced the equities:

Our holding does not mean, however, that the equities of this case have no bearing on its outcome. We are mindful that this case presents compelling equitable considerations which should be taken into account by the district court in fashioning an appropriate remedy in the event defendants fail to establish any equitable defenses. Defendants invested substantial money, effort, and talent in creating the “Rear Window” film. Clearly the tremendous success of that venture initially and upon re-release is attributable in significant measure to, inter alia, the outstanding performances of its stars—Grace Kelly and James Stewart—and the brilliant directing of Alfred Hitchcock. The district court must recognize this contribution in determining Abend’s remedy.<sup>124</sup>

The appellate court opined that an award of damages or a continuing royalty rather than an injunction would be appropriate, stating:

The “Rear Window” film resulted from the collaborative efforts of many talented individuals other than Cornell Woolrich, the author of the underlying story. The success of the movie resulted in large part from factors completely unrelated to the underlying story, “It Had To Be Murder.” It would cause a great injustice for the owners of the film if the court enjoined them from further exhibition of the movie. An injunction would also effectively foreclose the defendants from enjoying legitimate profits derived from exploitation of the “new matter” comprising the derivative work, which is given express copyright protection by section 7 of the 1909 Act. Since the defendants could not possibly separate out the “new matter” from the underlying work, their right to enjoy renewal copyright *in the derivative work* would be rendered meaningless by the grant of an injunction. We also note that an injunction could cause public injury by denying the public the opportunity to view a classic film for many years to come.<sup>125</sup>

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123. The Court stated, “whether the derivative work may continue to be published is a matter of remedy, an issue which is not before us.” *Id.*

124. *Id.* at 1478.

125. *Id.* at 1479. The court concluded, “[b]ecause factors other than Woolrich’s story clearly contributed to “Rear Window’s” success, should the district court find that the defendants have failed to establish any affirmative defense to the infringement, the district court should

All of these courts, then, recognized the equitable claims of authors of truly transformative works, although the Supreme Court's acknowledgment was admittedly indirect and otherwise faint.

The value of derivative works has also been recognized in connection with the derivative works exception to the termination provisions of the 1976 Copyright Act.<sup>126</sup> Under this exception, if a grantor exercises the grantor's statutory right to terminate a grant, the grantee may continue to exploit pre-termination derivative works in accordance with the terms of the original grant.<sup>127</sup> The Second Circuit in *Rohauer* considered the derivative works exception "evidence of a belief on the part of Congress of the need for special protection for derivative works."<sup>128</sup> The Supreme Court in *Abend* dismissed this argument, viewing the termination provisions of the 1976 Act as the result of the "process of compromise between competing special interests" rather than expressive of any overarching Congressional policy for the protection of derivative works.<sup>129</sup> This seems an ineffective refutation, considering that the same could be said of legislation generally, and that the sentiment seems contrary to the tenor of a prior Supreme Court decision directly addressing the derivative works exception.<sup>130</sup> Notably, in a 1998 decision, the Second Circuit

award *Abend* actual damages and apportion profits between *Abend* and the defendants." *Id.* at 1480; see also *Campbell*, 510 U.S. at 578 (discussing *Abend*, 863 F.2d at 1479).

126. See 17 U.S.C. § 203 (1994); 17 U.S.C. § 304 (1994 & Supp. IV 1998).

127. See 17 U.S.C. § 203(b)(1) (1994).

128. *Rohauer*, 551 F.2d at 494 (citing S. REP. NO. 473, at 111 (1975)).

129. *Abend*, 495 U.S. at 226. In fact, in the Court's view, the exception evidenced Congressional recognition of the right of the author to sue for infringement absent the exception. See *id.*

130. See *Mills*, 469 U.S. 153. The court considered whether the termination, pursuant to § 304(c) of the Copyright Act, by a composer's heirs of a grant to a music publisher of rights to the 1923 musical composition *Who's Sorry Now* terminated the publisher's right to continue to share in royalties from previously licensed uses of the composition in sound recordings. *Id.* at 155-56. The court concluded that the answer was no, basing its decision on the exception from the termination provision of derivative works prepared pursuant to the grant. See *id.* at 154. The court stated: "[t]he legislative history also indicates that Congress intended the termination provisions to produce an accommodation and a balancing among various interests." *Id.* at 174 n.41 (citing to H.R. REP. NO. 94-1476, at 124, 140 (1976); S. REP. NO. 94-473, at 108 (1975)). The Court noted that the Second Circuit had "explained the need for the Exception as the interest in protecting the large investment that is required to produce a motion picture, and recognized that record companies similarly must also make a significant investment in compensating vocalists, musicians, arrangers, and recording engineers." *Id.* at 175. The court explained that "the termination right was expressly intended 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." *Id.* at 172-73. "The Exception in § 304 (c)(6)(A) was designed, however, to exclude a specific category of grants—even if they were manifestly unfair to the author—from that broad objective. The purpose of the Exception was to 'preserve the right of the owner of a derivative work to exploit it, notwithstanding the reversion.'" *Mills*,

reiterated its belief that the exception expressed Congressional intent.<sup>131</sup> The court stated that the purpose of the exception was “to protect public access to the derivative work as well as the rights of persons who have invested in creating the derivative work.”<sup>132</sup> Echoing an argument that the Supreme Court had rejected in *Abend*, the Second Circuit stated, “without the exception, the creator of a derivative work (and, indeed, the public at large) could be held hostage to the potentially exorbitant demands of the owner of the copyright in the underlying work.”<sup>133</sup>

Encouraging the creation and dissemination of derivative works inarguably advances the purposes of the Copyright Act just as the creation of underlying works does.<sup>134</sup> In fact, truly transformative derivative works

469 U.S. at 173 (quoting HOUSE COMM. ON JUDICIARY, 88TH CONG., 2D SESS., FURTHER DISCUSSIONS AND COMMENTS ON PRELIMINARY DRAFT FOR REVISED U.S. COPYRIGHT LAW 39 (Comm. Print 1964)). The Court went on to say, “[t]he House Report that accompanied the 1976 Act, certainly persuasive legislative history, affirmatively supports this view. Regarding § 203(b), § 304(c)’s counterpart, it stated: ‘This clause provides that, notwithstanding a termination, a derivative work prepared earlier may ‘continue to be utilized’ under the conditions of the terminated grant.’” *Id.* at 173 n.40.

131. See *Fred Ahlert Music Corp. v. Warner/Chappel Music, Inc.*, 155 F.3d 17 (2d Cir. 1998).

132. *Id.* at 19. See also Note, *The Errant Evolution of Termination of Transfer Rights and the Derivative Works Exception*, 48 OHIO ST. L.J. 897, 912 (1987).

133. *Fred Ahlert Music*, 155 F.3d at 22. Notably, the court made these comments while deciding against the derivative works holder. The court found that a record company whose rights in a musical composition had been terminated could not license new uses of its derivative recording, specifically, for use in a motion picture soundtrack and soundtrack album. See *id.*

134. Other commentators have addressed the importance of derivative works. See, e.g., Mark A. Lemley, *The Economics of Improvement in Intellectual Property Law*, 75 TEX. L. REV. 989 (1997). Lemley proposes that a “radical improver” of an original work retain rights in the added original expression, even though the use was unauthorized, which would, among other things, give the improver power in licensing negotiations. See *id.* at 998. Lemley states:

[I]ntellectual property law represents a ‘delicate balance’ between the rights of intellectual property owners and the rights of users, among them the next generation of owners. That balance does not reflect merely a legislative compromise between interest groups. Rather, it can be justified in economic terms by the need to ensure not only the creation of entirely new works of intellectual property, but also the creation of improvements to existing works.

*Id.* “It is not enough to say that intellectual property law favors ‘creators,’ for here we have creators on both sides of the equation, and the law must choose between them.” *Id.* See generally Jaszi, *supra* note 112 (discussing importance of derivative works in general and the need to distinguish between types of derivative works, focussing on the nature of motion pictures in particular). But see Nagano, *supra* note 61, at 1187–89 (focusing on author of original work in arguing that copyright policy in the form of “a careful balancing between creator incentive and audience access” should be taken into consideration in new use cases). Several authors have commented on the value of derivative works in very different contexts. See generally Alex Kozinski and Christopher Newman, *What’s So Fair About Fair Use*, 46 J. COPYRIGHT SOC’Y 513 (1999) (recognizing value of derivative works in a proposal regarding replacement of the fair use doctrine a remedy scheme); Mark A. Lemley and Eugene Volokh, *Freedom of Speech and Injunctions in Intellectual Property Cases*, 48 DUKE L.J. 147, 208–09 (1998) (recognizing value

may eclipse the original's value to the public. Consequently, as discussed below, a default rule favoring the author of an underlying work over the grantee/author of a derivative work in new use cases can no more be justified than a default rule favoring the author of a derivative work over the grantor/author of an underlying work.

## V. THE UNSUITABILITY OF DEFAULT RULES

In general, as the Second Circuit indicated in *Boosey*, resorting to default rules to interpret the scope of a copyright grant should be unnecessary.<sup>135</sup> Although many agreements will not specifically include a particular technology in either a granting clause or a reservation clause, and will lack a future technology clause, the instances in which contracts will offer no clue to the parties' intent should be relatively rare. Even if the parties' intent could not be ascertained, however, reference to a default rule would be inappropriate.

### A. Policy-Based Defaults

Copyright policy cannot support a blanket pro-grantor rule. Favoring a grantor/author of an underlying work over a grantee/author of a derivative work is particularly inapt for truly transformative derivative works, for there are two authors to be rewarded and encouraged—the author of the underlying work and the author of the derivative work.<sup>136</sup> Furthermore, a presumption that the parties intended to restrict the grantee's right to exploit its own copyright does not fairly reflect the policies of the Copyright Act or the parties' intent. Absent an indication to the contrary, the presumption should be that no such intention was harbored. As the *Boosey* court noted, “an approach to new use problems that tilts against licensees gives rise to antiprogressive incentives. Motion picture producers would be reluctant to explore and utilize innovative technologies for the exhibition of movies if the consequences would be that they lost the right to

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of derivative works in arguing that preliminary injunctions in intellectual property cases are often unconstitutional prior restraints).

135. *But see* Fuller, *supra* note 36, at 610. Fuller contends that “[t]he outcome of most license-scope cases hinges [sic] more on the specific form and the approach utilized rather than on the exact merits of each case” and argues for a uniform approach to the cases. *See id.* If Fuller were correct about the significance of the approach used, this would reinforce the importance of avoiding default rules, for contract interpretation at its heart should be a search for the parties' intent.

136. Note that disputes often involve two grantees, neither of which is an author, each claiming that a specific new technology falls within its grant. Default rules based on concerns about protecting authors are far more likely to confuse than to illuminate that situation.

exhibit pictures containing licensed works.”<sup>137</sup> The language, in confusing losing the right and not having it in the first place, is perhaps slightly askew, but the point is made. Having either a pro-author or a pro-grantor default rule would conflict with the aims of the Copyright Act.<sup>138</sup> Furthermore, a pro-grantor rule cannot be justified by reference to the writing requirement or the general policy favoring certainty in copyright ownership. That circular reasoning cannot aid in answering the question of whether a writing that undeniably exists and indisputably transferred rights in the underlying work, conveyed the rights at issue.

A pro-grantee rule, which *Bartsch* may or may not have suggested (apparently as a matter of contract law), is similarly inappropriate. The implicit recognition in *Bartsch* of the value of derivative works, essentially a reference to copyright policy, is undoubtedly an important counterbalance to the perception of the Ninth’s Circuit’s view. The *Bartsch* court found that:

A further reason favoring the broader view in a case like this is that it provides a single person who can make the copyrighted work available to the public over the penumbral medium, whereas the narrower one involves the risk that a deadlock between the grantor and the grantee might prevent the work’s being shown over the new medium at all.<sup>139</sup>

Furthermore, the court held that the grant language was “well designed to give the assignee the broadest rights with respect to *its* copyrighted property, to wit, the photoplay.”<sup>140</sup> Although this perspective is important,

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137. *Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co.*, 145 F.3d 481, 488 n.4 (2d Cir. 1998).

138. Although, as the Supreme Court noted in *Abend*, the distinction between types of derivative works could be considered, Congress has not made those distinctions. See generally *Stewart v. Abend*, 495 U.S. 207, 216–36 (1990). Congress has given independent protection to derivative works regardless of how thin the copyright in the additions. See *id.* The courts should not undermine that independent protection for works which are more new than old by invoking the specter of those thin copyrights. The level of transformation may nonetheless affect the interpretation of the scope of a grant.

139. *Bartsch v. Metro-Goldwyn-Mayer*, 391 F.2d 150, 155 (2d Cir. 1968).

140. *Id.* at 154. Note that the latter finding arguably has intimations of the new property right theory that the Supreme Court later rejected in *Abend*, 495 U.S. at 216–236. *Bartsch*, like *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851 (9th Cir. 1988), invokes policy not to decide the issue but to support a conclusion otherwise reached. A more recent Second Circuit case might be construed as having impliedly used copyright policy in a more significant way. In *Bourne v. Walt Disney Co.*, 63 F.3d 261 (2d Cir. 1995), the court interpreted a grant of the right to synchronize musical compositions with a motion picture to include the right to synchronize the compositions with videocassettes. See *id.* at 630. The court then faced the argument that even if that right was granted, the grantee did not have the right to publicly distribute or sell the videocassettes because that separate exclusive right under the Copyright Act had not been

and consistent with promoting the production and dissemination of works to the public, it cannot justify the use of a pro-grantee default rule which would automatically subordinate the interests of the author of the underlying work to those of the author of the derivative work.

Copyright policy simply should not supply such rules.<sup>141</sup> Because flexibility is needed to achieve policy goals, a rigid default rule is antithetical to such a notion. This is not to say that copyright policy, including the aspects recognized explicitly by the Ninth Circuit and implicitly by the Second Circuit, does not have a role to play in new use cases.<sup>142</sup> That role, however, is far more complex than the creation of artificial strictures.

### *B. An Existing Tie-Breaker: The Burden of Proof*

Rather than create a default rule to resolve that rare situation in which the intent of the parties cannot in any wise be divined, the courts should look to existing procedure. Despite their many differences, the Second and

granted. *See id.* The court was unpersuaded, “we do not see any good reason why Disney should not be able to dispose of these lawfully made copies as it wishes.” *Id.* at 632. The court also rejected the argument that plaintiff had received no reward for the sale of videos. *See id.* “Under the circumstances of this case, it may fairly be said that [Bourne] has received [its] reward for the use of the article.” *Id.* (quoting *Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F.2d 847 (2d Cir. 1963)). The court also observed that “a contrary interpretation would leave Disney in the position of having received a license to produce videocassettes of its motion pictures for home viewing by consumers, but being unable to sell or otherwise dispose of the videocassettes.” *Id.* at 632 n.4.

141. Some commentators have supported default rules peculiar to the interpretation of the scope of copyright licenses. *See, e.g.*, Barbara D. Griff, Note, *A New Use For An Old License: Who Owns The Right?*, 17 *CARDOZO L. REV.* 53, 84 (1995) (advocating a “statutory scheme of default rules finding new use rights in the grantee but providing for royalties to the grantor, subject to contrary agreement by the parties); Nagano, *supra* note 61, at 1184 (arguing that “in the gray area situation . . . it would generally be fairest to hold that new use rights are not included in the license,” but going on to say that courts should consider “equities of the parties” and copyright policy in individual cases); Joanne Benoit Nakos, Comment, *An Analysis of the Effect of New Technology On the Rights Conveyed By Copyright License Agreements*, 25 *CUMB. L. REV.* 433, 434, 455 (1995) (arguing that “any ambiguity should be construed in favor of the licensor: a strict approach to interpreting copyright licensing agreements, reserving all uses not expressly granted to the licensor, is the best approach” and suggesting “[t]o prevent a harsh result for the licensee, remedies under the theory of implied negative covenant are available”); Saez, *supra* note 23, at 372 (finding Nimmer’s core meaning approach to be the best available method when the agreement includes neither future a technology clause nor a continuous royalty provision); *cf.* Sidney A. Rosenzweig, *Don’t Put My Article Online!: Extending Copyright’s New-Use Doctrine to The Electronic Publishing Media and Beyond*, 143 *U. PA. L. REV.* 899, 925–26 (1995) (proposing that “grants be interpreted broadly, following *Bartsch*, in all circumstances in which the contract is silent, the parties’ intents cannot be gauged, and no unconscionability is present”).

142. *See* discussion *infra* Part VI.



Ninth Circuits have agreed on a point that acts as a tie-breaker: placement of the burden of proof. In *S.O.S.*, the Ninth Circuit stated that to prevail on its claims of copyright infringement, the plaintiff had to prove ownership of the programs at issue and “‘copying’ of protectable expression by [defendant] beyond the scope of [defendant]’s license.”<sup>143</sup> The Second Circuit cited to *S.O.S.* in *Bourne*,<sup>144</sup> after stating its own conclusion that “where only the scope of the license [as opposed to its existence] is at issue, the copyright owner bears the burden of proving that the defendant’s copying is unauthorized.”<sup>145</sup> Thus, if the scales are balanced, the grantee will prevail.

## VI. THE ROLE OF COPYRIGHT POLICY IN THE NEW USE ANALYSIS

As the Ninth Circuit has expressly recognized, copyright policy should affect the interpretation of the scope of copyright licenses. The most appropriate role may be in the development of federal common law rules of contract construction particular to these types of cases.<sup>146</sup> At a minimum, state rules of construction should be consciously tested against copyright policy. The Ninth Circuit has taken this step, rejecting in this context an interpretive rule that it believed was contrary to that policy.<sup>147</sup> Whether or not one agrees with the court’s conclusion in this instance, the Ninth Circuit’s approach of so subordinating state rules should be followed.<sup>148</sup>

143. *S.O.S., Inc. v. Payday, Inc.*, 866 F.2d 1081, 1085 (9th Cir. 1989).

144. *See Bourne*, 68 F.3d at 631.

145. *Id.*; *see also* *I.A.E., Inc. v. Shaver*, 74 F.3d 768, 775 (7th Cir. 1996) (citing *S.O.S.*, 886 F.2d at 1087).

146. This should be contrasted with cases in which the scope of the agreement is not at issue, such as assignments of royalty interests. *See, e.g., Yount v. Acuff Rose-Opryland*, 103 F.3d 830, 835 (9th Cir. 1996) (“When Yount transferred the underlying copyright, he obtained a contractual right to royalties. He no longer had a copyright; he had a mere contractual right . . . . At that point federal copyright law essentially ceased to be concerned with how that contractual royalty right or assignment of it would be enforced.”).

147. *See S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1088 (9th Cir. 1989). In essence, the court determined that in the federal common law applicable to the interpretation of the scope of copyright licenses, the rule of construction against the drafter should not apply (at least when the drafter is the grantor). *See id.*

148. *See Johnson v. Jones*, 885 F. Supp. 1008, 1014 (E.D. Mich. 1995), *aff’d in part and rev’d in part on other grounds* 149 F.3d 494 (6th Cir. 1998) (stating that “[i]nterpretation of a contractual license in light of copyright policy is necessary only if intent cannot be otherwise ascertained from contract language and surrounding circumstances”). Courts have also subordinated rules in other contexts when the rules conflict with the Copyright Act. *See Walthal v. Rusk*, 172 F.3d 481, 485 (7th Cir. 1999) (finding that a contract of unspecified duration could be terminated under Illinois law, the court stated, “[i]n general, state contract laws pertain to the transfer of interests under the Copyright Act . . . [h]owever . . . state contract law cannot provide

Apparently no court has so far adopted the idea of displacing state contract law with federal common law when interpreting the scope of copyright licenses.<sup>149</sup> The Second Circuit, which squarely faced the issue in *Bartsch*, rejected the idea outright: "The development of a 'federal common law' of contracts is justified only when required by a distinctive national policy and . . . 'the general interest that copyrights, like all other forms of property, should be enjoyed by their true owner is not enough to meet this . . . test.'"<sup>150</sup> The Seventh Circuit has agreed, "[w]hen the defendants claim a license, as they have in this case, we may consider

the validity or scope of that license and typically must apply the relevant state law in that determination."<sup>151</sup> The Fifth Circuit, in a distinguishable context, considered the question but found state law applicable.<sup>152</sup> Notable new use decisions by other circuit courts do not address the issue.<sup>153</sup>

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the basis of a decision if that law conflicts with federal law"); *P.C. Films Corp. v. MGM/UA Home Video, Inc.*, 138 F.3d 453, 458 (2d Cir. 1998) (recognizing an open issue regarding whether purporting to grant a perpetual license is contrary to federal copyright law and policy); *Rano v. Sipa Press, Inc.*, 987 F.2d 580, 585 (9th Cir. 1993) (finding that application of California law under which a contract of unspecified duration was terminable at will directly conflicted with § 203 of the Copyright Act). The point made here is that the courts themselves should address the question of conflict on every issue considered in determining the scope of a license.

149. The standard is admittedly high. The Supreme Court has stated:

[I]nstances [of federal common law] are "few and restricted," and fall into essentially two categories: those in which a federal rule of decision is "necessary to protect uniquely federal interest," and those in which Congress has given the courts the power to develop substantive law . . . . Absent some congressional authorization to formulate substantive rules of decisions, federal common law exists only in such narrow areas as those concerned with the rights and obligations of the United States, interstate and international disputes implicating the conflicting rights of States or our relationships with foreign nations, and admiralty cases.

*Texas Indus., Inc. v. Radcliff Materials, Inc.*, 451 U.S. 629, 640-41 (1981) (citations omitted) (quoting *Banco Nacional de Cuba v. Sabbatino*, 376 U.S. 398, 426 (1964)).

150. *Bartsch v. Metro-Goldwyn-Mayer, Inc.*, 391 F.2d 150, 153 (2d Cir. 1968) (quoting *T.B. Harms v. Eliscu*, 339 F.2d 823, 828 (2d Cir. 1964)). The court continued, "[t]he fact that plaintiff is seeking a remedy granted by Congress to copyright owners removes any problem of federal jurisdiction but does not mean that federal principles must govern the disposition of every aspect of her claim." *Id.* at 154; see also *De Sylva v. Ballentine*, 351 U.S. 570 (1956); *Vestron, Inc. v. Home Box Office, Inc.*, 839 F.2d 1380, 1381 (9th Cir. 1988).

151. *I.A.E., Inc. v. Shaver*, 74 F.3d 768, 774 n.4 (7th Cir. 1996).

152. See *Fantastic Fakes, Inc. v. Pickwick International, Inc.*, 661 F.2d 479, 483 (5th Cir. 1981). The Fifth Circuit, considering the issue of whether failure to place a copyright notice on each recording as specified in the contract was a breach of a condition precedent or merely breach of a covenant, stated, "[w]hile the context of copyright law in which the agreement exists cannot be overlooked, application of Georgia rules to determine parties' contractual intent is not preempted by either Copyright Act nor does their application violate federal copyright policy." *Id.* The court noted:

It is possible to hypothesize situations where application of particular state rules of construction would so alter rights granted by the copyright statutes as to invade the

The *Bartsch* court's view slights both the importance of the ownership issue to the federal scheme and the more general purposes of the Copyright Act. One of the "paramount goals" of the 1976 Act (which post-dates *Bartsch*) is certainty with regard to ownership.<sup>154</sup> The Ninth Circuit, discussing the requirement in § 204 of the 1976 Act that a transfer of a copyright interest be in writing, stated:

Section 204 ensures that the creator of a work will not give away his copyright inadvertently and forces a party who wants to use the copyrighted work to negotiate with the creator to determine precisely what rights are being transferred and at what price. Most importantly, section 204 enhances predictability and certainty of copyright ownership—"Congress' paramount goal" when it revised the Act in 1976. Rather than look to the courts every time they disagree as to whether a particular use of the work violates their mutual understanding, parties need only look to the writing that sets out their respective rights.... Section 204's writing requirement is not unduly burdensome; it necessitates neither protracted negotiations nor substantial expense. The rule is really quite simple: If the copyright holder agrees to transfer ownership to another party, that party must get the copyright holder to sign a piece of paper saying so. It doesn't have to be the Magna Charta; a one-line pro forma statement will do.<sup>155</sup>

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scope of copyright law or violate its policies. We need not, however, set forth these extreme situations for it is clear that the application of Georgia rules of construction in the case at bar is not one of them.

*Id.*

153. *See Bloom v. Hearst Entertainment, Inc.*, 33 F.3d 518, 521 (5th Cir. 1994) (not addressing choice of law, but applying New York law); *Rey v. Lafferty*, 990 F.2d 1379, 1384 (1st Cir. 1993) (not addressing federal/state choice of law issue, but applying Massachusetts law); *Trust Co. Bank v. MGM/UA Entertainment Co.*, 772 F.2d 740 (11th Cir. 1985) (not addressing law applied). Then-proposed Article 2B of the Uniform Commercial Code (now "UCITA") sparked much discussion about the relationship between federal and state law in connection with transfers of copyright. *See, e.g., Jane C. Ginsburg*, 13 BERKELEY TECH. L.J. 945, 960 (1998), opining:

Even where the parties' agreement is sufficiently formal to transfer exclusive rights under copyright, section 2B-307 will still define its scope, unless the parties specify otherwise in an authenticated record. There is no conflict with federal copyright law, because questions going to the scope of a grant (as opposed to its validity) are considered matters of state contract law.

*Id.*; *see also Lemley*, *supra* note 134, at 158-63 (discussing relationship of federal and state law in context of copyright transfers).

154. *See Effects Assocs., Inc. v. Cohen*, 908 F.2d 555, 557 (9th Cir. 1990).

155. *See Effects Assocs.*, 908 F.2d at 557 (citations omitted); *see also I.A.E.*, 74 F.3d at 775 ("The writing requirement serves goal of predictability and certainty of copyright ownership.");

The writing requirement advances the cause of certainty of copyright ownership by ensuring that an agreement of transfer exists.<sup>156</sup> The scope of that agreement is equally important, however. At issue is who, without infringing, may exercise any of the exclusive rights under the Copyright Act. Federal law indisputably governs the question of infringement; federal law should also govern the interpretation of the scope of a transfer agreement.<sup>157</sup>

Another compelling reason to adopt federal common law to determine whether the grantor or the grantee has the right to exploit a work in a new medium is that, contrary to the *Bartsch* court's suggestion, the identity of the owner has significant implications for copyright policy. Ownership does not simply determine who is in control of a copyrighted work at any

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*Konigsberg Int'l. Inc. v. Rice*, 16 F.3d 355 (9th Cir. 1994); *Schiller & Schmidt, Inc. v. Nordisco Corp.*, 969 F.2d 410, 412 (7th Cir. 1992) (stating that the requirement of a written statement for work for hire has a purpose beyond statute of frauds; the additional purpose is "to make the ownership of property rights in intellectual property clear and definite, so that such property will be readily marketable"). The importance of certainty in determining ownership is reflected as well in the Copyright Act's provisions for the recordation of copyright assignments. Although recordation is voluntary, a strong incentive for recording exists; for if two existing transfers conflict, the second in time will prevail if it is recorded and if the first transferee failed to record within three months of transfer. *See generally* 17 U.S.C. § 304 (1994 & Supp. IV 1998); *see also* Copyright Act of 1909, ch. 320, 35 Stat. 1075 (repealed 1976) (mandating that assignment of copyright must be in writing). Further, "the Copyright Act of 1909 required that an assignment of copyright ownership must be recorded within three months after its execution, or it would be void against subsequent purchasers for valuable consideration who took without notice, and who duly recorded the assignment." *Burns v. Rockwood Distrib. Co.*, 481 F. Supp. 841, 847 n.9 (N.D. Ill. 1979) (citing § 44 of the 1909 Copyright Act).

156. *See Effects*, 908 F.2d at 557. Note that under the 1909 Copyright Act, "[a] transfer of anything less than a totality of a work is a license and not an assignment." *International Film Exchange, Ltd. v. Corinth Films, Inc.*, 621 F. Supp. 631, 635 (S.D.N.Y. 1985). "[E]xclusive licenses could be granted orally or by conduct." *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27, 36 (2d Cir. 1982). The argument could thus be made that the case for invoking policy to interpret 1909 Copyright Act licenses is weaker than for 1976 Copyright Act licenses. However, "where principles compelled under the Copyright Act of 1976 are not precluded by decisions rendered under the 1909 Act, those principles should be implemented to the extent possible." *Jerry Vogel Music Co. v. Warner Bros., Inc.*, 535 F. Supp. 172, 175 (S.D.N.Y. 1982).

157. Notably, many courts have at least implicitly applied federal law in determining whether an oral or implied non-exclusive license exists. *See, e.g.*, *Graham v. James*, 144 F.3d 229, 235 (2d Cir. 1998); *I.A.E.*, 74 F.3d at 775-76; *Avtec Sys. Inc. v. Pfeiffer*, 21 F.3d 568, 574 n.12 (4th Cir. 1994); *Pinkham v. Sara Lee Corp.*, 983 F.2d 824, 831 (8th Cir. 1992); *Maclean Assocs. v. WM. M. Mercer-Meidinger-Hansen, Inc.*, 952 F.2d 769, 778-79 (3d Cir. 1991); *Effects*, 908 F.2d at 558. *But see Lulirama Ltd. v. Access Broad. Servs. Inc.*, 128 F.3d 872, 880 n.7 (5th Cir. 1997) ("To the extent that it is not inconsistent with the Copyright Act and its policies, Texas law governs our analysis of whether the parties contractually created a non-exclusive license."); *Jacob Maxwell, Inc. v. Veeck*, 110 F.3d 749, 752 & n.2 (11th Cir. 1997). Considering that a non-exclusive license does not transfer ownership, it seems anomalous to apply federal law to resolve the issue while applying state law to determine the scope of a license transferring ownership.

particular time, but also affects the likelihood of dissemination of the work. The *Bartsch* court itself cited to the fact that the grantee there was the only one in a position to ensure that the motion picture at issue could appear on television.<sup>158</sup> Although the court did not say so, this consideration, in addition to being relevant to the question of the parties' intent, reflects the concerns of copyright policy.<sup>159</sup>

An explicitly, rather than implicitly, created federal common law of copyright would allow the development of contract interpretation principles openly accommodating the purposes and policies underlying the Copyright Act. Absent any contrary indication in an agreement, the assumption should be that the parties intended to act in accordance with those purposes and policies, of which they should be deemed to have been aware.<sup>160</sup> In construing transfer agreements, courts should consequently consider, among other things: the importance of rewarding and encouraging further creation by the author of the original work and, in that regard, the significance of first publication;<sup>161</sup> the equally important need to reward authors of, and encourage the production of, transformative derivative works; and the overriding need to benefit the public. Policy should be

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158. See *Bartsch*, 391 F.2d at 155. Note that "ownership" from a copyright perspective was not technically at issue in *Bartsch*. The case was decided in the 1909 Copyright Act era, when, under the indivisibility doctrine, a transfer of less than the entire bundle of copyright rights was not considered a transfer of ownership.

159. See, e.g., *Abend*, 863 F.2d at 1479. In the Ninth Circuit's discussion regarding an appropriate remedy in *Abend*, the court both recognized the right of the derivative work owner to exploit its material added to the underlying work and recognized the benefit to the public of disseminating the derivative work. See *id.*; see also *supra* note 112. Another example, on a different issue, of the significance of the identity of an owners concerns whether a contract is sufficient to transfer rights in a renewal period is affected by the identity of the grantor. If the owner/grantor is an individual, rights in the renewal period are presumed not granted and words such as "through the renewal periods," or "including extensions," "forever" or "perpetuity" are required to effect that transfer. See generally *P.C. Films*, 138 F.3d at 457. If the grantor is a corporation, however, no such requirements obtain. *Id.* These are judge-created rules derived from the perceived Congressional intent that the renewal term was to benefit the author. *Id.*

160. "Laws which subsist at the time and place of the making of a contract, and where it is to be performed, enter into and form a part of it, as fully as if they had been expressly referred to or incorporated in its terms." *Norfolk & W. Ry. Co. v. Amer. Train Dispatchers Ass'n*, 449 U.S. 117, 130 (1991) (quoting *Farmers & Merchants Bank of Monroe v. Federal Reserve Bank of Richmond*, 262 U.S. 649, 660 (1923)).

161. In *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539 (1985), the Supreme Court recognized the right of first publication as especially valuable. "The scope of fair use is narrower with respect to unpublished works . . . . The right of first publication encompasses not only the choice whether to publish at all, but also the choices of when, where, and in what form first to publish a work." *Id.* at 564.

taken into consideration as part of the context of the creation of the contract—that is, as a component of the search for the parties' meaning.<sup>162</sup>

Policy should infuse the analysis, beginning with framing the question—an exercise that often determines the outcome. For example, where the license is for the creation and dissemination of a truly transformative derivative work, the relevant question may well be whether the parties intended to restrict the dissemination of the work. So presented, the apparent tension between *Bartsch/Boosey* and *Cohen* dissipates. No intent to restrict the dissemination of the work to be created was apparent in the licenses in the former; the latter, however, specified how the new work was to be disseminated.<sup>163</sup> If the search for intent leads to the conclusion that the use does not fall within the grant, copyright policy should also be instrumental in fashioning a remedy from among the myriad choices and in determining whether the grantor may exploit the underlying work in the new medium or simply prevent the derivative work owner from doing so.<sup>164</sup>

The exercise of exclusive rights under the Copyright Act should not be shadowed by uncertainty about the effect of choice of law rules and the substantive law of at least fifty different jurisdictions. Domicile is perhaps the least appropriate default mechanism for resolving issues regarding the scope of a copyright transfer. The desirability of uniformity on the many principles of construction on which a new use issue could turn is manifest. Federal common law, not state law, should determine, for example: 1)

162. It may, for example, matter whether a license of rights in a musical composition is for distribution of the sheet music for the composition, for use in a sound recording or for use in a motion picture. It may not be reasonable to presume that the parties intended that a grantee motion picture company, which proposed to invest millions in a derivative work, would be unable to disseminate that work to the public in all available ways. If the parties arranged for separate payments for various methods of distribution, however, it may well be reasonable to imply a price term for use in the new technology.

163. With the question cast this way, foreseeability may drop out of the inquiry altogether. If it does not, copyright policy should also be considered in framing that pertinent question: is the issue whether the parties foresaw technological change as a general matter (the answer for any work still in copyright must be yes), whether the parties foresaw the specific technology at issue, or something in between?

164. The possibilities for remedies include, for example, traditional infringement remedies to non-exclusive licenses and ongoing royalties. Regarding possible restrictions on a prevailing grantor's use of the grantor's work, some courts have found negative covenants that the grantors would not exercise rights which were found to fall outside the grant but which, if exercised, could have displaced the market for the rights granted. See, e.g., *Manners v. Morosco*, 252 U.S. 317, 327 (1920); *Kirk La Shelle Co. v. Paul Armstrong Co.*, 188 N.E. 163, 165 (N.Y. 1933). This is an especially critical issue, for the effect of such a decision is to freeze the rights, which carries significant potential negative repercussions. The copyright implications are profound and should be carefully considered and applied in a uniform manner.

whether the principles of *ejusdem generis*<sup>165</sup> apply to a grant or a reservation clause; 2) the significance of a general reservation; 3) whether a license prohibits any use not granted; 4) the importance of technical distinctions between media expressly included in a grant and the medium at issue;<sup>166</sup> 5) whether and how rights in unknown technology may be conveyed;<sup>167</sup> 6) whether foreseeability is relevant, and if so, by whom the new use must have been foreseen (e.g., awareness by either party, both parties, neither party, the general public, knowledgeable persons in the industry or inventors in their garages);<sup>168</sup> 7) how to determine whether the agreement is integrated; 8) the circumstances under which extrinsic evidence may be admitted (i.e. to create an ambiguity or only to choose between two meanings of which the agreement is, on its face,

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165. The *ejusdem generis* rule states that “when a general word or phrase follows a list of specific persons or things, the general word or phrase will be interpreted to include only persons or things of the same type as those listed.” BLACK’S LAW DICTIONARY 535 (7th ed. 1999).

166. As a commentator noted when discussing *Cohen*, many of the characteristics relied upon by the court to distinguish videocassette from television “are either no longer true or will not be true in the near future.” Saez, *supra* note 23, at 373.

167. The importance of this issue is obvious, and risking inconsistent outcomes through the application of state law is inappropriate. Notably, neither the Ninth Circuit nor the Second Circuit appears to have directly confronted the issue of unknown technology in the face of a broad, but not complete, grant of rights. See generally Griff, *supra* note 141.

168. The standard used for assessing foreseeability in a new use case may be critical to the outcome. For example, the Second Circuit in *Boosey*, in considering the foreseeability of video, referred to general “home viewing” technology. See *Boosey & Hawkes Music Publishers, Inc. v. Walt Disney Co.*, 145 F.3d 481, 486 (2d Cir. 1998). The Ninth Circuit in *Cohen* defined the relevant technology as VCRs. See *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851, 854 (9th Cir. 1988). Compare *Ettore v. Philco Television Broad. Corp.*, 229 F.2d 481 (3d Cir. 1956), with *Bartsch*, 391 F.2d at 154. Considering a 1936 contract with a prizefighter for the right to distribute a film of a fight, the *Ettore* court stated that “[c]ommercial television . . . was not in existence at the time.” *Ettore*, 229 F.2d at 491. The court went on to state that television was almost as old as radio, “yet almost twenty years after radio became commonplace in America, television is still, largely, in an experimental stage as far as society is concerned.” *Id.* at 491 n.14 (quoting ROGER BURLINGAME, *ENGINES OF DEMOCRACY* 460 (1940)). In *Bartsch*, the court approved the trial court’s finding that “[d]uring 1930 the future possibilities of television were recognized by knowledgeable people in the entertainment and motion picture industries, though surely not in the scope it has attained.” *Bartsch*, 391 F.2d at 154 (citation omitted). The court distinguished *Ettore* on the ground that the grantor in *Bartsch* was an experienced businessman as opposed to a prizefighter, and stated that the *Ettore* court “relied heavily on [the prizefighter’s] lack of sophistication in determining whether it was fair to charge him with knowledge of the new medium.” *Id.* at 154 n.2. *Ettore*, however, does not seem to support that distinction. See generally *Ettore*, 229 F.2d 481. The point of departure of the *Bartsch* and *Ettore* courts appears rather to have been the standard for foreseeability. See *id.* The *Ettore* court found the lack of commercial use of television compelling. See *id.* at 491. In contrast, the *Bartsch* court found awareness of “future possibilities,” by those knowledgeable in the industry, sufficient. See *Bartsch*, 391 F.2d at 154.

susceptible);<sup>169</sup> 9) appropriate remedies; and 10) any implied restrictions on a prevailing grantor's ability to exploit its work.

Although the federal courts will no doubt experience much conflict in their approaches to these issues, invocation of federal common law is unlikely to heighten the existing conflicts and may considerably lessen them. At the very least, the source of the conflicts would be laid bare as the layer of state laws of construction was stripped away. Clarification of the courts' differences, and reasoning set forth on a more confined canvas, is likely to lead to resolution of at least some of those differences. Sustained circuit conflicts on matters of federal law are not the norm; the courts, sometimes by inches, tend to move toward the middle ground.

## VII. CONCLUSION

The strong temptation in the new use area is to attempt to distill absolute rules that, correctly applied, will predict the outcome of every dispute. Text is closely read, comparisons are made, and charts and graphs are drawn in an effort to reduce the new use analysis to a series of equations with various terms and only two possible solutions. In the end, however, the search for mathematical certainty must fail.

The introduction of a default rule, policy-based or otherwise, would add no certainty to the interpretation of the scope of a copyright transfer, for the cases are too fact-specific. Default rules of any kind are rarely necessary in this context, and pose the danger of rigid application in completely different factual settings. That an agreement susceptible of two different meanings is considered "ambiguous" does not mean that there is nothing to choose between those two meanings. Ambiguity is a rather low threshold, driven down over the years as the parol evidence rule has

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169. Contrast California's "permissive approach to extrinsic evidence in contract interpretation," pursuant to which "even if a contract appears to be absolutely clear on its face, the court is required to engage in preliminary consideration of extrinsic evidence to see whether it creates an ambiguity," *Barris Indus., Inc. v. Worldvision Enters, Inc.*, 875 F.2d 1446, 1450 (9th Cir. 1989), with New York's approach. Under the latter, extrinsic evidence of the parties' intent is admissible only after a finding by the court that the agreement is ambiguous, that is, "it is capable of more than one meaning when viewed objectively by a reasonably intelligent person who has examined the context of the entire integrated agreement and who is cognizant of the customs, practices, usages and terminology as generally understood in the particular trade or business." *Raine v. CBS, Inc.*, 25 F. Supp. 2d 434, 443-44 (S.D.N.Y. 1998).



declined in favor (implicitly, if not explicitly),<sup>170</sup> and a finding of ambiguity means only that extrinsic evidence can be taken into consideration. Perhaps that evidence will swing the balance, perhaps it will not. The evidence is unlikely to so even the scales, however, that the meaning which the parties more likely than not intended cannot be determined. If it does, then the use will be permitted, for the grantor, who bore the burden of proving that the use was beyond the scope of the license, will have failed to carry that burden.

Although copyright policy should not be used to create artificial rules, it should be considered in the interpretation of grants of rights. By their nature, licenses dealing with copyrighted material implicate copyright policies. Policy should be taken into consideration throughout the process of interpretation as part of the context of the creation of the contract—from the framing of the relevant questions through the search for the parties' meaning, and on to the determination of appropriate remedies. Although the optimal solution would be to use copyright policy in the explicit development of a federal common law addressing the interpretation of the scope of copyright transfers, the minimum role that policy should play is in the conscious, pre-application testing of state law rules of contract construction.

### *A Practical Afterthought for Licenses to Come*

By now, sweeping future technology clauses are commonly included in licenses—broad and vague has been considered the best protection. Unless the grant at issue is an all-rights grant, however, the possibility of competing future technology clauses is strong. For example, the grant may be of rights to distribute a motion picture by television, and include a future technology clause referring back to that medium. A third party may have been granted the right to distribute the film by videocassette for home viewing, with a future technology clause referring back to that medium. Which party, if either, has the right to distribute the motion picture on

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170. *But see* Charles J. Goetz & Robert E. Scott, *The Limits of Expanded Choice: An Analysis of the Interactions Between Express and Implied Contract Terms*, 73 CAL. L. REV. 261, 307 (1985).

Conventional wisdom holds that . . . the contextualists have swept the field. The [Uniform Commercial] Code and the Second Restatement have abandoned the plain-meaning rule and eviscerated the parol evidence rule. However, a close examination of the case law reveals a surprisingly different picture. In numerous cases, courts are unwilling to accept the full implications of contextualization; in one guise or another, they still invoke the primacy of express, written texts to exclude extrinsic evidence.

*Id.*

demand through the Internet for viewing on a television screen? To address these issues, negotiators will be tempted to go from sweeping clauses to very specific definitions. That way lies madness, however, for courts would have to be educated on complex technological issues and may feel compelled to shoehorn the medium at issue, which may be a new hybrid, into one place or another.

Alternatives to grants by medium should be explored. One approach would be to focus on the uses to which the grantee may put the work by, for example, licensing by place (e.g., home), by user (public, defined subgroups, individuals) or through a hybrid (e.g., individuals, for personal viewing). Another approach would be to address the form of revenues generated (e.g., advertising-based, subscription-based, rental, sale). Although these would not eliminate new use problems, they might greatly reduce them and could perhaps avoid various costs associated with working out complicated technical matters in the courts. These types of breakdowns do not in most instances represent traditional market divisions, and many distributors are not equipped to handle such licensing categories. Leading may be preferable to following, however, for many of these licenses are destined to outlast the current market structure.

