## **COMMENT**

# UNILATERAL SETTLEMENTS AND RETROACTIVE TRANSFERS: A PROBLEM OF COPYRIGHT CO-OWNERSHIP

# JAMES K. ROTHSTEIN<sup>†</sup>

INT	RODUCTION	882
I.	BACKGROUND: A PRIMER ON SUBSTANTIVE COPYRIGHT LAW	
	A. Copyrights Generally	885
	B. Joint Ownership of Copyrights	886
	C. The Alienability of Copyrights	
	D. Retroactive Conveyances	889
II.	JUDICIAL APPROACHES TO RETROACTIVE TRANSFERS	
	A. Decisions Finding that Unilateral Retroactive	
	Transfers Provide Immunization	891
	1. SBK Catalogue Partnership v. Orion Pictures Corp	891
	2. Lone Wolf McQuade Associates v. CBS Inc	
	3. Johnson v. Tuff-N-Rumble Management, Inc	893
	4. Silberstein v. Fox Entertainment Group	893
	5. Bridgeport Music, Inc. v. Dimension Films LLC	
	6. MP3.com Litigation	
	7. Venegas-Hernandez v. Peer	
	B. Decisions Finding That Unilateral Retroactive	
	Transfers Do Not Provide Immunization	897
	1. David v. Showtime/The Movie Channel, Inc	
	2. Leicester v. Warner Bros	
	3. Encore Entertainment, LLC v. KIDdesigns, Inc	
	4. Davis v. Blige	
	0	

 $<sup>^{\</sup>dagger}$  J.D. Candidate, 2009, University of Pennsylvania Law School; B.A., 2005, Colgate University. Thank you to my parents and Alexis for their support and to the staff of the *Law Review* for their help in the editing process.

III.	GUID	ING PRINCIPLES	903
	A.	The Goals of the Copyright Act and	
		Copyright Law Considerations	903
	В.	Property Law	
		Contract Law	
	D.	Analogizing to Patent Law	909
IV.		ATERAL RETROACTIVE TRANSFERS CANNOT	
	CURE	PRIOR INFRINGEMENTS	911
	A.	Reasons for Allowing Unilateral Retroactive	
		Transfers to Cure Prior Infringements	911
	В.	The Necessary Solution: Unilateral Retroactive	
		Transfers Cannot Cure Prior Infringements	915
CON	CLUSI	ON	

#### INTRODUCTION

An interesting but difficult problem in copyright law occurs when an individual holder of a jointly owned copyright decides to license the copyrighted work without the consent of her co-owners. By and large, copyright law permits unilateral actions by a single joint owner, despite the potential consequences for other co-owners. One situation, however, has recently caused problems for courts and commentators: when a co-owner unilaterally resolves an act of copyright infringement by a third party by *retroactively* licensing that infringer, purportedly authorizing her prior infringement.

Examples of the scenarios that may play out in this situation can help illustrate the potential problem. Suppose that two individuals, A and B, jointly own<sup>2</sup> a copyright in a particular song, X.<sup>3</sup> A third party, C, wishes to use the copyrighted work, X, in some manner. To that end, A, B, or both A and B can sell or license their interest in the work to C.<sup>4</sup> Suppose first that A grants C a license to use X in some manner. Since C has a license in X, B, under copyright law, cannot sue C for

<sup>&</sup>lt;sup>1</sup> See infra text accompanying notes 29-33 (discussing the effects of actions by one copyright co-owner on other co-owners).

<sup>&</sup>lt;sup>2</sup> See 17 U.S.C. § 201(a) (2006) ("The authors of a joint work are coowners of copyright in the work.").

<sup>&</sup>lt;sup>3</sup> See id. § 102(a) (listing types of works that can be copyrighted).

<sup>&</sup>lt;sup>4</sup> See Meredith v. Smith, 145 F.2d 620, 621 (9th Cir. 1944) (noting that co-owners of a copyright can grant licenses unilaterally); 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 6.10[A] (2008) ("[A] joint owner may, without obtaining the consent of the other joint owners . . . grant a nonexclusive license to third parties.").

copyright infringement: C's license from only one of the co-owners—in this case from A alone—is enough to immunize C from claims of infringement.<sup>5</sup>

Now let us suppose, however, that C does not obtain a license from either A or B before using X, and therefore infringes A and B's copyright. A, seeking to enforce her rights in X, threatens C with a suit for infringement. A and C decide to settle the infringement out of court, and arrange an agreement, common in the entertainment industry, whereby A grants C a "retroactive license" that purports to authorize any prior infringement of the copyright in X on C's behalf. Consider what may happen next: B, seeking to enforce her own rights in X, also threatens C with a suit for infringement. The operative question in both this example and this Comment is whether C's retroactive license from A should extinguish B's ability to sue C for copyright infringement. Only one case at the circuit court level has addressed this question, and various district courts have reached differing but plausible conclusions.

This situation, though, is hardly uncommon. Copyrights are often jointly owned—particularly (but not exclusively) those in musical works and motion pictures. Additionally, in the fast-paced entertainment industry, copyrighted works are often exploited before licenses to use the works are obtained or finalized, as parties often assume that licenses can be acquired after the fact, if necessary.<sup>7</sup>

As this Comment discusses, the absence of a clear rule on whether unilateral retroactive transfers can cure prior infringements can affect transactions involving jointly owned copyrights. Indeed, this question has not only significant legal implications, but also practical importance. Most basically, it raises questions of copyright law regarding coownership, alienability of rights, and copyright's general goals and

<sup>&</sup>lt;sup>5</sup> See McKay v. CBS Inc., 324 F.2d 762, 763 (2d Cir. 1963) ("[A] license from a co-holder of a copyright immunizes the licensee from liability to the other co-holder for copyright infringement."); see also Quintanilla v. Tex. Television Inc., 139 F.3d 494, 498 (5th Cir. 1998) ("A co-owner of a copyright cannot be liable to another co-owner for infringement of the copyright." (citation omitted)).

<sup>&</sup>lt;sup>6</sup> See infra Part II (discussing cases on retroactive transfers).

<sup>&</sup>lt;sup>7</sup> This is seen quite often in the context of music sampling. See, e.g., Jeffery H. Brown, Note, "They Don't Make Music the Way They Used To": The Legal Implications of "Sampling" in Contemporary Music, 1992 Wis. L. Rev. 1941, 1953-54 (noting that record companies often avoid legal battles with one another over sampling disputes, preferring private prospective arrangements); Note, A New Spin on Music Sampling: A Case for Fair Pay, 105 HARV. L. Rev. 726, 727-28 (1992) (describing, in the sampling context, the prevalent use of private settlements and presumably retroactive licenses by music lawyers when prospective sampling licenses were not acquired).

aims; yet its significance extends further. Since the co-owners of a jointly held copyright are to be treated generally as tenants in common, property law may play some role in resolving the issue, though the question of how great a role it ought to play is contested. Furthermore, since the licensing copyright holder can contract away certain rights, there may also be contract law concerns.

Beyond the legal questions there are also practical implications for those operating in the copyright world. These implications can be seen quite clearly in the context of valuing settlements. <sup>10</sup> As in the example above, if C is not immunized from B's infringement claims by virtue of a settlement with A, the value to C of settling with A decreases. If, however, C is immunized from B's suit, A—aware that its license is the only license that C needs—can extract a higher price from C. Or, in the absence of a clear rule on the matter, A may extract a relatively low price, thinking that B would also be able to recover damages or a settlement from C.

While the House Report accompanying the 1976 Copyright Act states that "[t]here is ... no need for a specific statutory provision concerning the rights and duties of the coowners of a work," the status of unilaterally granted retroactive transfers remains unresolved in most circuits. Accordingly, this Comment proposes a resolution to this question: since granting curative power to retroactive licenses will encourage willful infringement, hamper predictability in copyright transactions, and fail to protect a copyright co-owner's vested right to sue for infringement, unilateral retroactive conveyances should not provide immunity against infringement suits by other co-owners.

Before elaborating on an answer, however, it is necessary to set forth some background. To that end, Part I covers general substantive copyright law as well as the specific rules on joint ownership of copyrights and the general alienability of those rights. Since the cases that have dealt with the question at issue here provide a valuable glimpse into the various approaches available to courts in considering this

<sup>&</sup>lt;sup>8</sup> See H.R. REP. NO. 94-1476, at 121 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5736 ("Under the bill, as under the present law, coowners of a copyright would be treated generally as tenants in common ...."); 1 NIMMER & NIMMER, supra note 4, § 6.09 (surveying copyright cases in which courts have analogized to property law).

<sup>&</sup>lt;sup>9</sup> See infra Part III.B (discussing the proper role of property law in resolving this question).

<sup>&</sup>lt;sup>10</sup> See, e.g., Henry L. Self III, Settlement of Infringement Claims, 13 Tex. INTELL. PROP. L.J. 65, 66 (2004) (describing the value to an infringer of being able to settle with only one co-owner of a jointly held copyright).

<sup>&</sup>lt;sup>11</sup> H.R. REP. NO. 94-1476, at 121, reprinted in 1976 U.S.C.C.A.N. at 5736.

problem, I discuss those approaches in Part II. I then turn to a discussion of the guiding goals and principles of the Copyright Act and other areas of law that may help in evaluating the legality and equity of retroactive transfers in Part III. Lastly, in Part IV I, use these principles to conclude that, while there are strong arguments for allowing unilateral retroactive transfers, the nonsettling co-owner is so disadvantaged that unilateral retroactive transfers should not be allowed.

#### I. BACKGROUND: A PRIMER ON SUBSTANTIVE COPYRIGHT LAW

## A. Copyrights Generally

A discussion of the basic, functional principles of copyright law can help illuminate the issue at hand. The protections of artistic and literary works are governed under the Copyright Act of 1976, the major omnibus copyright legislation that replaced the Copyright Act of 1909.

Under the Copyright Act, a copyright is a bundle of discrete rights. <sup>14</sup> These rights are held in "original works of authorship fixed in any tangible medium of expression" <sup>15</sup> and include, among other rights, the rights to reproduce <sup>16</sup> and distribute <sup>17</sup> the work. These rights are exclusive to the copyright holder or holders. <sup>18</sup> Anyone who violates those exclusive rights enumerated in section 106 of the Act "is an infringer of the copyright or right of the author." <sup>19</sup> The "legal or beneficial owner of an exclusive right under a copyright is entitled . . . to institute an action for any infringement of that particular right committed while he or she is the owner of it." <sup>20</sup> This right—the right to sue for infringement—is also exclusive to the copyright owner, <sup>21</sup>

 $<sup>^{12}</sup>$  For more on the theoretical goals of copyright law, see discussion  $\it infra$  Part III.A. To be sure, I am only providing the copyright law background necessary to understand the problem of unilateral retroactive transfers.

<sup>&</sup>lt;sup>13</sup> Pub. L. No. 94-553, 90 Stat. 2541 (codified in scattered sections of 17 U.S.C.).

<sup>&</sup>lt;sup>14</sup> N.Y. Times Co. v. Tasini, 533 U.S. 483, 495 (2001).

<sup>&</sup>lt;sup>15</sup> 17 U.S.C. § 102(a) (2006).

<sup>&</sup>lt;sup>16</sup> Id. § 106(1).

 $<sup>^{17}</sup>$  Id. § 106(3). The other rights include the right to prepare derivative works and the right to perform or display the copyrighted work. 17 U.S.C. § 106(2), (4)–(6).

<sup>8</sup> Id. § 106.

<sup>&</sup>lt;sup>19</sup> *Id.* § 501(a).

<sup>&</sup>lt;sup>20</sup> *Id.* § 501(b).

See id. (granting copyright owners the right to bring infringement suits); see also ABKCO Music, Inc. v. Harrisongs Music, Ltd., 944 F.2d 971, 980 (2d Cir. 1991)

and "it is one of the most valuable 'sticks' of the 'bundle of rights' of copyright." <sup>22</sup>

#### B. Joint Ownership of Copyrights

The doctrine of joint ownership, while not explicitly addressed by the 1909 Copyright Act, was "firmly established by case law" and largely incorporated into the 1976 Copyright Act. The current Act expressly provides for joint ownership of a copyrightable work: "The authors of a joint work are coowners of copyright in the work." The Act defines a "joint work" as "a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole." Yet a "joint work" can also result from something more than simple joint authorship. Copyright co-ownership may, for example, "result from a transfer of copyright or from the inheritance of a copyright by two or more heirs."

All joint owners of a copyright share ownership of the work equally, unless a contrary agreement is made. <sup>29</sup> According to the House Report accompanying the 1976 Copyright Act, this meant that joint owners of a copyright each have "an *independent* right to use o[r] license the use of a work, subject to a duty of accounting to the other

<sup>(&</sup>quot;[T]he Copyright Act does not permit copyright holders to choose third parties to bring suit on their behalf.").

<sup>&</sup>lt;sup>22</sup> Davis v. Blige, 505 F.3d 90, 103 (2d Cir. 2007), cert. denied, 129 S. Ct. 117 (2008); see also Silvers v. Sony Pictures Entm't, Inc., 402 F.3d 881, 890 n.1 (9th Cir. 2005) (discussing the value of an accrued right to sue for infringement).

<sup>&</sup>lt;sup>23</sup> 1 NIMMER & NIMMER, *supra* note 4, § 6.01 n.1.

<sup>&</sup>lt;sup>24</sup> See H.R. REP. No. 94-1476 (1976), at 121, reprinted in 1976 U.S.C.C.A.N. 5659, 5736 ("There is also no need for a specific statutory provision concerning the rights and duties of the coowners of a work; court-made law on this point is left undisturbed.").

<sup>&</sup>lt;sup>25</sup> 17 U.S.C. § 201(a).

<sup>&</sup>lt;sup>26</sup> *Id.* § 101.

 $<sup>^{27}</sup>$  See 1 NIMMER & NIMMER, supra note 4, § 6.01 (explaining that "joint work" is a broader concept than "joint authorship").

<sup>&</sup>lt;sup>28</sup> STAFF OF H. COMM. ON THE JUDICIARY, 89TH CONG., SUPPLEMENTARY REPORT OF THE REGISTER OF COPYRIGHTS ON THE REVISION OF THE U.S. COPYRIGHT LAW: 1965 REVISION BILL 66 (Comm. Print 1965); see also 1 NIMMER & NIMMER, supra note 4, § 6.01 (noting that a joint work will result from transfers of individual interests or from being passed through a will or intestacy). Of course, whether a work is coowned is frequently a contested issue. See, e.g., Childress v. Taylor, 945 F.2d 500, 504-09 (2d Cir. 1991) (discussing whether a contributor to a copyrighted work ought to be considered a coowner of the copyright).

<sup>&</sup>lt;sup>29</sup> 1 NIMMER & NIMMER, *supra* note 4, § 6.08.

coowners for any profits."<sup>30</sup> Thus, each co-owner has a right to use the copyrighted work as the Copyright Act provides, including licensing such uses to a third party, without the consent of the other joint owner or owners.

The other co-owners, however, are not without protection. First, the unilaterally licensing co-owner has an "obligation to account to the other joint owner for any profits that are made." In addition, one co-owner cannot sell the interests of her other co-owners without their consent <sup>32</sup> or use or authorize a use of the work that would lead to waste. <sup>33</sup>

There is some tension between the notion of the *exclusivity* of a copyright holder's rights and the concept of joint ownership, which bestows equal rights to use or license the copyrighted work unilaterally.<sup>34</sup> The legislative history of the 1976 Copyright Act sheds some light on this apparent conflict, identifying two alternative justifications for joint copyright ownership. The first is a practical consideration: when each author's contribution is inseparable and cannot be distinguished from the contributions of the other authors, "the only workable solution is to regard each author as the joint owner of an undivided interest in the entire work." This inseparability is the justification for joint ownership when, for example, two authors write a single novel together. The second occurs when each author's contributions are independently identifiable, but there is an express or

 $<sup>^{\</sup>rm 30}$  H.R. REP. No. 94-1476 (1976), at 121, reprinted in 1976 U.S.C.C.A.N. 5659, 5736 (emphasis added).

<sup>&</sup>lt;sup>31</sup> Thomson v. Larson, 147 F.3d 195, 199 (2d Cir. 1998).

<sup>&</sup>lt;sup>32</sup> See, e.g., Crosney v. Edward Small Prods., Inc., 52 F. Supp. 559, 561 (S.D.N.Y. 1942) ("One cotenant cannot bind the interest of another, although he purports to do so, 'in the absence of assent or ratification upon her part.'" (quoting *In re* Hoffman's Estate, 25 N.Y.S.2d 339, 342 (N.Y. Sur. Ct. 1940))).

<sup>&</sup>lt;sup>33</sup> See 1 NIMMER & NIMMER, supra note 4, § 6.10[B] (explaining that this rule derives from the area of tangible property, but that this derivation leaves open the question of when intangible property could be said to be destroyed).

<sup>&</sup>lt;sup>34</sup> See, e.g., Peter Jaszi, On the Author Effect: Contemporary Copyright and Collective Creativity, 10 CARDOZO ARTS & ENT. L.J. 293, 315 ("The Copyright Act and case law thus tend to treat 'joint authorship' as a deviant form of individual 'authorship.' Indeed, in many particular instances copyright refuses to acknowledge the existence of 'joint authorship,' or does so only grudgingly.").

<sup>&</sup>lt;sup>35</sup> 1 NIMMER & NIMMER, *supra* note 4, § 6.02; *see also* H.R. REP. NO. 94-1476, at 120, *reprinted in* 1976 U.S.C.C.A.N. at 5736 ("[A] work is 'joint' if the authors collaborated with each other . . . .").

<sup>&</sup>lt;sup>36</sup> See 1 NIMMER & NIMMER, supra note 4, § 6.02 ("An example of [joint ownership] is the collaboration of two playwrights whose respective contribution to the final play are inextricably combined.").

implied agreement between the authors that the combined contributions are to form an "indivisible whole," as in the case of a motion picture or an opera.<sup>37</sup>

## C. The Alienability of Copyrights

A copyright holder can distribute or assign to other parties the rights associated with her copyright. A copyright holder can, for example, grant another party a license to use the work as the owner might—that is, in any or all of the manners specified in section 106 of the Copyright Act. The licensee is entitled to use the work with immunity, without being held liable for infringing the copyright because of that use. This immunity, however, is limited to the use specified by the license; if the licensee uses the work in a manner inconsistent with the license, she can be held liable for copyright infringement.

A license therefore immunizes a user of a copyrighted work from the threat of being liable for infringement. In the joint-ownership context, where each co-owner can act unilaterally and independently of her other co-owners, <sup>41</sup> a license from only one of the co-owners is enough to provide the licensee with immunity from an infringement action brought by another co-owner. <sup>42</sup>

<sup>&</sup>lt;sup>37</sup> See id.; see also H.R. REP. No. 94-1476, at 120, reprinted in 1976 U.S.C.C.A.N. at 5736 ("[A] work is 'joint' if . . . each of the authors prepared his or her contribution with the knowledge and intention that it would be merged with the contributions of other authors as 'inseparable or interdependent parts of a unitary whole.'").

<sup>&</sup>lt;sup>38</sup> See 17 U.S.C. § 201(d)(2) (2006); 1 NIMMER & NIMMER, supra note 4, § 6.11.

<sup>&</sup>lt;sup>39</sup> See Graham v. James, 144 F.3d 229, 236 (2d Cir. 1998) ("A copyright owner who grants a nonexclusive license to use his copyrighted material waives his right to sue the licensee for copyright infringement."); Jacob Maxwell, Inc. v. Veeck, 110 F.3d 749, 753 (11th Cir. 1997) (holding that implicit in the permission to play a song is the promise not to sue for infringement); 4 NIMMER & NIMMER, *supra* note 4, § 13.04 (noting the availability of a defense based on a license).

<sup>&</sup>lt;sup>40</sup> See 3 NIMMER & NIMMER, supra note 4, § 10.02.

See supra notes 29-33 and accompanying text.

<sup>&</sup>lt;sup>42</sup> See Batiste v. Island Records, Inc., 179 F.3d 217, 224 (5th Cir. 1999) ("[A]n authorization to the defendant from one joint owner will be an effective defense to an infringement action brought by another joint owner." (quoting 1 NIMMER & NIMMER, supra note 4, § 6.10[A])); McKay v. CBS Inc., 324 F.2d 762, 763 (2d Cir. 1963) ("[A] license from a co-holder of a copyright immunizes the licensee from liability to the other co-holder for copyright infringement."); 5 WILLIAM F. PATRY, PATRY ON COPYRIGHT § 21:38.50 (2008) ("[A] license from one joint owner precludes suit against the licensee.").

#### D. Retroactive Conveyances

At issue in this Comment is a problem arising from that undisputed fact that a license from only one of the co-owners is enough to immunize the licensee from an infringement action brought by another co-owner. The problem at issue here results from the use of after-the-fact conveyances.

There is a certain practice, common in some industries, known as a "retroactive transfer" or "retroactive license." According to this practice, a copyright owner conveys the right to use a copyrighted work as in any ordinary transfer or license, but does so retrospectively. That is, one party (who does not own any copyright) has already used the copyrighted work without an owner's express or implied authorization to do so. The copyright owner, however, in the course of pursuing her rightful remedies, elects not to pursue such an action to judgment, but rather grants the third-party infringer a license that purportedly authorizes those past infringements—a retroactive license. This retroactive license may or may not authorize future uses, but it claims to give permission to the infringer to use the work in the past time period in which she did use it. Thus considered, a retroactive license is indeed a legal fiction, and one over which courts and commentators disagree.

The problem explored in this Comment occurs when the copyright to the work is jointly held and a retroactive license is granted by

<sup>&</sup>lt;sup>43</sup> See 2 PATRY, supra note 42, § 5:111–:112 (describing "after-the-fact transfer" as a response to unintentionally invalid oral agreements for copyright ownership). While Patry describes retroactive transfers largely as later written ratifications of prior oral agreements (as oral agreements are invalid transfers under the Copyright Act, see 17 U.S.C. § 204(a)), my discussion of retroactive transfers is not confined to that context. I include those transfers that do not even claim to be later ratifications of prior oral agreements. See generally infra Part II (discussing numerous examples of retroactive transfers).

This right can take the form of a license, or it can be included as part of a release or settlement agreement. While there are significant differences between the two types of transactions, courts tend to treat the retroactive nature of each type of transaction in the same way, since, in an important sense, many settlements operate as retroactive licenses. See Country Rd. Music, Inc. v. MP3.com, Inc., 279 F. Supp. 2d 325, 329 (S.D.N.Y. 2003) ("[T]he unambiguous language of this [settlement agreement] creates a retroactive reproduction license that cures any past infringement ...."); 2 PATRY, supra note 42, § 5:112 ("[T]he ability of a copyright owner (or one coowner) to retroactively excuse, through a ... settlement agreement, infringing activity should be unquestioned, and it is by most courts."); Self, supra note 10, at 73-74 (suggesting that settlements be regarded as retroactive licenses). But see Davis v. Blige, 505 F.3d 90, 102 (2d Cir. 2007) ("Licenses and assignments function differently from settlements and releases ...."), cert. denied, 129 S. Ct. 117 (2008).

fewer than all of the copyright holders. As discussed above, a license granted by even one co-owner immunizes the licensee from infringement claims by other co-owners. Yet when this license is retroactive, more than simple immunization takes place. While the license purports to authorize such a past use, that use was, in fact, not authorized at the time the third party used the copyrighted work. Thus, the use may well be an act of infringement. 45 If it was an act of infringement, the thinking goes, each copyright owner should have an individual right to pursue an action for the act of infringement that the Copyright Act provides, 46 seeking, for example, her own proportional damages arising from that infringement.<sup>47</sup> This right to pursue an action is a right incident to copyright ownership. 48 The infringer's retroactive license granted by the other co-owner, however, abrogates this right. This grant, according to some courts and commentators, violates the principle that one co-owner cannot divest her co-owners of their rights. 49

As a result, some courts have limited a co-owner's right to grant a retroactive license to an infringer and have held that a settlement with or release from one co-owner does not extinguish other co-owners' copyright infringement claims, while others have not imposed such limitations on individual copyright owners. The way that courts have handled this issue and the bases for their rulings are the subject of the following discussion.

#### II. JUDICIAL APPROACHES TO RETROACTIVE TRANSFERS

Since this issue has not arisen with great frequency in the case law, and since the few cases on point have used different approaches and reached conflicting conclusions, an overview of these rulings is in order. The cases also help demonstrate the practical effects of retroactive conveyances on the parties involved.

 $<sup>^{45}</sup>$  See 17 U.S.C. § 106 (indicating that the use of the copyrighted work is exclusive to copyright holders and licensees).

<sup>&</sup>lt;sup>46</sup> See id. § 501(a)–(b).

See id. § 504 (providing remedies for infringement).

<sup>&</sup>lt;sup>48</sup> See id. § 501(a)-(b) (defining infringement and providing that "[t]he legal... owner of... [a] right under a copyright is entitled... to institute an action for any infringement of that particular right committed while he or she is the owner of it"); ABKCO Music, Inc. v. Harrisongs Music, Ltd., 944 F.2d 971, 980 (2d Cir. 1991) (noting the exclusive right of a copyright owner to bring actions for infringement of that right).

<sup>&</sup>lt;sup>49</sup> See supra note 32 and accompanying text.

## A. Decisions Finding That Unilateral Retroactive Transfers Provide Immunization

Unilateral retroactive transfers from one co-owner have immunized an infringer from the claims of other co-owners in at least seven cases. The first of these cases was *SBK Catalogue Partnership v. Orion Pictures Corp.*, <sup>50</sup> which provided the basis for an influential decision out of the Southern District of New York, *Lone Wolf McQuade Associates v. CBS Inc.* <sup>51</sup> The *Lone Wolf* decision, perhaps because of the importance of the Southern District of New York in copyright law, became the basis for subsequent decisions. These two decisions and the few cases that rely on them are discussed below with others that have enforced the curative power of unilateral retroactive licenses.

## 1. SBK Catalogue Partnership v. Orion Pictures Corp.

SBK, a 1989 decision by the District of New Jersey, was one of the first to hold that a unilateral retroactive transfer by one owner of a jointly held copyright would immunize a third-party user from infringement actions brought by the other joint owners.<sup>52</sup> In SBK, the copyrighted work at issue was a musical composition entitled "Pepino, The Italian Mouse," which was composed by Wandra Merrell and Ray Allen in 1962. Merrell and Allen assigned all rights to "Pepino" to Romance Music, Inc., who then assigned half of its ownership interest to Ding Dong Music Corp.; Romance's fifty-percent stake followed a chain of assignments until, in 1983, SBK Catalogue Partnership acquired that interest.<sup>54</sup> In 1984, Orion Pictures released the Woody Allen film Broadway Danny Rose containing the musical composition "Agita," which Merrell and Allen claimed infringed upon "Pepino." 55 Merrell and Allen, claiming ownership rights in "Pepino," filed suit against Orion alleging copyright infringement; 56 SBK Catalogue intervened, also claiming copyright infringement as a fifty-percent holder of the copyright to the work. 57

<sup>&</sup>lt;sup>50</sup> 723 F. Supp. 1053 (D.N.J. 1989).

<sup>&</sup>lt;sup>51</sup> 961 F. Supp. 587 (S.D.N.Y. 1997).

<sup>&</sup>lt;sup>52</sup> SBK, 723 F. Supp. at 1059, 1072.

<sup>&</sup>lt;sup>3</sup> *Id*. at 1056-57.

<sup>&</sup>lt;sup>54</sup> *Id.* at 1057.

<sup>&</sup>lt;sup>55</sup> *Id*.

<sup>&</sup>lt;sup>56</sup> *Id.* at 1058.

<sup>&</sup>lt;sup>57</sup> *Id.* at 1058-59.

After protracted settlement negotiations, SBK Catalogue and Orion reached a settlement agreement. The agreement, the court noted, "contemplated a retroactive written license for the use of the musical composition 'Pepino,' and prompted Orion, based upon on its newly acquired license, to move for summary judgment against Merrell and Allen, which the court granted. While this specific summary judgment order was the subject of an unpublished decision, the court confirmed the preclusive effect of its previous finding that SBK Catalogue "was entirely within its rights to grant a retroactive license to the Orion defendants." Without extensive discussion, the court noted that SBK Catalogue's license to Orion, despite being granted retroactively, was sufficient, and held that that "authorization . . . is an effective defense to an infringement action brought by another joint owner."

#### 2. Lone Wolf McQuade Associates v. CBS Inc.

The Southern District of New York, relying on *SBK*, held in *Lone Wolf McQuade Associates v. CBS Inc.* that a unilateral "retroactive license can cure past infringements." The plaintiff brought an action against CBS alleging that CBS's popular television series, "Walker Texas Ranger," violated the plaintiff's copyrights in their movie, *Lone Wolf McQuade*, both of which starred the actor Chuck Norris. <sup>63</sup>

Well before the litigation began, Orion Pictures Corp. purchased most of the rights to and interests in *Lone Wolf McQuade*, and, in 1982, conveyed "all right, title and interest in and to all copyrights in the Film" to Lone Wolf McQuade Associates, "but expressly did not convey and reserved various rights including 'any interest whatsoever in and to . . . any television series rights . . . . ""<sup>64</sup> Orion and CBS later discussed various television spinoffs of the *Lone Wolf McQuade* film, but could not reach an agreement before CBS aired "Walker, Texas Ranger." After Lone Wolf McQuade Associates filed suit against

<sup>&</sup>lt;sup>58</sup> *Id.* at 1059.

<sup>&</sup>lt;sup>59</sup> *Id*.

<sup>60</sup> *Id*.

<sup>61</sup> *Id*.

 $<sup>^{62}\,</sup>$  961 F. Supp. 587, 597 (S.D.N.Y. 1997).

<sup>&</sup>lt;sup>63</sup> *Id.* at 590-91.

 $<sup>^{64}</sup>$   $\emph{Id.}$  at 591 (quoting purchase agreement between Orion and Lone Wolf McQuade Associates).

<sup>&</sup>lt;sup>55</sup> Id.

CBS, Orion intervened in the action, alleging that CBS infringed *its* rights to the copyright in *Lone Wolf McQuade*. <sup>66</sup>

Orion eventually settled its copyright infringement claim with CBS in a 1996 settlement agreement, which included a retroactive license for CBS to use *Lone Wolf McQuade* in connection with its "Walker Texas Ranger" series. <sup>67</sup> CBS then sought to use this retroactive license as a defense to Lone Wolf McQuade Associates' copyright infringement claim. <sup>68</sup> The court, citing *SBK*, held that "a retroactive license can cure past infringements," despite the plaintiff's argument "that Orion's retroactive license in favor of CBS does not cure any infringement that occurred prior to the date of the grant of the license." The *Lone Wolf* court, like the *SBK* court, did not engage in an extended analysis.

## 3. Johnson v. Tuff-N-Rumble Management, Inc.

Relying exclusively on the *Lone Wolf* decision, the Eastern District of Louisiana in *Johnson v. Tuff-N-Rumble Management, Inc.* held that a retroactive license granted unilaterally by a single co-owner cured prior infringement. The retroactive license in this case, granted to certain defendants as part of a settlement agreement (as in *Lone Wolf* and *SBK*), "effectively ended all plaintiffs' claims against the . . . defendants because these defendants as licensees could not infringe upon the song's copyright."

#### 4. Silberstein v. Fox Entertainment Group

A later case in the Southern District of New York also relied exclusively upon the *Lone Wolf* decision. In *Silberstein v. Fox Entertainment Group, Inc.*, the plaintiff had used an animated character in various publicity campaigns; she soon discovered that the Twentieth Century Fox Film Corporation (Fox) was using a similar animated character in a forthcoming motion picture, *Ice Age*, and initiated suit against Fox to enjoin it from using the allegedly infringing character.<sup>72</sup> During the

 $<sup>^{66}</sup>$  *Id.* at 590-91.

<sup>67</sup> *Id.* at 590.

<sup>&</sup>lt;sup>68</sup> *Id*.

<sup>&</sup>lt;sup>69</sup> *Id.* at 597-98.

 $<sup>^{70}</sup>$  No. 99-1374, 2000 WL 1808486, at \*1 (E.D. La. Dec. 8, 2000), appeal dismissed, 253 F.3d 701 (5th Cir. 2001).

<sup>&#</sup>x27; Id

<sup>&</sup>lt;sup>72</sup> 424 F. Supp. 2d 616, 620-21 (S.D.N.Y. 2004).

course of litigation, it was discovered that the plaintiff's character itself was a copy of a copyrighted character jointly owned by a clip-art company and its artist. The plaintiff then purchased from the clipart artist the rights to the character, retroactive to its creation.<sup>74</sup> Fox, seeking to escape any chance of liability to the plaintiff, negotiated for and purchased a nonexclusive license to the character from the clipart company, also retroactive to the date of the character's creation. The court, noting that a license from one co-owner is a defense to infringement actions by another co-owner, dismissed the plaintiff's claims.<sup>76</sup> The court held that "[t]he retroactivity of the licensing agreement between [copyright co-owner] DAS and Fox has no necessary effect on its power to immunize Fox against claims of infringement of the [original] copyright."77 The court gave no further explanation for its decision granting immunizing power to the retroactive license.

## 5. Bridgeport Music, Inc. v. Dimension Films LLC

The court that decided Bridgeport Music, Inc. v. Dimension Films  $LLC^{78}$  did not rely on either SBK or Lone Wolf. In this case, the plaintiff alleged that the defendant infringed the plaintiff's copyright in the musical composition "100 Miles and Running" in the defendant's 1998 film, I Got the Hook Up. 79 The defendant asserted two alternative defenses: first, that it received an oral license from the original coowners of "100 Miles" in 1998—prior to the plaintiff's acquisition of any ownership interest—and second, that it received a written license from the original co-owners in 2002 retroactive to the date of infringement, and, either way, it ought to be immune from suit. 80 The plaintiff argued that Leicester v. Warner Bros. 81—discussed below which the plaintiff read to bar retroactive licenses, should control.82

<sup>&</sup>lt;sup>73</sup> *Id.* at 622.

<sup>&</sup>lt;sup>74</sup> *Id.* at 622-23.

<sup>&</sup>lt;sup>75</sup> *Id.* at 623.

<sup>&</sup>lt;sup>76</sup> *Id.* at 629.

 $<sup>^{78}</sup>$  230 F. Supp. 2d 830 (M.D. Tenn. 2002),  $\it rev'd$  on other grounds, 383 F.3d 390 (6th Cir. 2004), modified, 401 F.3d 647 (6th Cir. 2004).

Id. at 833.

 $<sup>^{81}\,</sup>$  No. 95-4058, 1998 WL 34016724 (C.D. Cal. May 29, 1998), aff'd on other grounds, 232 F.3d 1212 (9th Cir. 2000).

<sup>&</sup>lt;sup>82</sup> Bridgeport Music, 230 F. Supp. 2d at 836-37.

The court found the defendant's first defense persuasive and held that the defendant did receive an oral license from at least one of the song's co-owners. <sup>83</sup> In analyzing the alternative defense, the court viewed the 2002 retroactive license as a memorialization of the earlier oral license, distinguishing it from *Leicester* and from standard retroactive licenses. <sup>84</sup>

#### 6. MP3.com Litigation

Extensive litigation relating to the MP3.com website prompted the Southern District of New York to rule again on a retroactive license. The defendant, MP3.com, "purchased tens of thousands of popular CDs in which plaintiffs held the copyrights, and, without authorization, copied their recordings onto its computer servers so as to be able to replay the recordings for its subscribers"—a "clear" act of infringement in the opinion of the district court. 85 MP3.com settled with some of the copyright holders, including the Harry Fox Agency (HFA), "a licensing and collection agency for music publishers," which allegedly co-owned some of the works at issue. 86 The court held that "the unambiguous language of this release creates a retroactive reproduction license that cures any past infringement by MP3.com of these works."87 Unlike previous cases, the court explicitly noted that it was construing the release agreement as a retroactive license, 88 citing a Sixth Circuit case for the proposition that "a release can, in certain circumstances, have the effect of and be construed as a license,"89 despite "the absence of the word 'license'" from the settlement's lan-

<sup>&</sup>lt;sup>83</sup> See id. at 835 ("[T]he Court finds that the defendant obtained a valid oral license from at least one of the original owners for use of '100 Miles' prior to Bridgeport obtaining any ownership interest in the song.").

<sup>84</sup> *Id.* at 835-36.

<sup>85</sup> UMG Recordings, Inc. v. MP3.com, Inc., 92 F. Supp. 2d 349, 350 (S.D.N.Y. 2000).

<sup>&</sup>lt;sup>86</sup> Copyright.Net Music Publ'g LLC v. MP3.com, Inc., No. 01-7321, 2003 WL 740757, at \*1 (S.D.N.Y. Mar. 4, 2003).

<sup>&</sup>lt;sup>87</sup> Country Rd. Music, Inc. v. MP3.com, Inc., 279 F. Supp. 2d 325, 329 (S.D.N.Y. 2003). The release provided in pertinent part: "HFA, for and on behalf of the Settling HFA-Releasors, further agrees that any Copyrighted Works owned or controlled by the HFA-Releasors which were previously copied by MP3.com in connection with its My.MP3.com service shall be deemed to have been copied with each of the HFA-Releasor's respective consent." *Id.* 

<sup>&</sup>lt;sup>88</sup> Copyright.Net, 2003 WL 740757, at \*1.

<sup>&</sup>lt;sup>89</sup> Shatterproof Glass Corp. v. Libbey-Owens-Ford Co., 482 F.2d 317, 320 (6th Cir. 1973).

guage. 90 Thus, the court found that the retroactive licenses granted as part of the settlement agreement provided defenses against HFA's co-owners' infringement claims. 91

## 7. Venegas-Hernandez v. Peer

The District of Puerto Rico, in Venegas-Hernandez v. Peer, 92 recently relied on Lone Wolf and SBK to uphold a unilateral retroactive transfer. More importantly, however, this case presents an interesting scenario that makes the fictional quality of a retroactive transfer appar-In Venegas-Hernandez, the plaintiffs, heirs of a Puerto Rican composer, inherited joint ownership in their father's musical works and alleged that numerous defendants had infringed their copyrights.<sup>93</sup> While this case is peppered with grants of retroactive licenses, one defendant (who allegedly infringed the copyright in 1993) claimed that a codefendant and former joint owner of the copyrights to a work at issue, the Latin American Music Company (LAMCO), had granted it a license to use the work in 1998, retroactive to 1993.94 Plaintiffs argued that LAMCO did not actually own the rights to the work in 1993, when the other defendant allegedly infringed their copyright.<sup>95</sup> The district court noted that because retroactive licenses protect an infringer from suits based on past infringement, 96 "[t]he granting of a retroactive license implies that the retroactive licensor had the requisite ownership and, therefore, authority to make such a grant at the time the infringement occurred."97 The court found that since LAMCO did not own the rights to the work at the past time to which the retroactive transfer extended, LAMCO, through its retroactive transfer, was liable as a contributory infringer (for causing its ret-

<sup>90</sup> Country Rd. Music, 279 F. Supp. 2d at 329.

<sup>&</sup>lt;sup>91</sup> Id. at 329-30; Copyright.Net, 2003 WL 740757, at \*1-2.

No. 01-1215, 2004 WL 3686337, at \*33 (D.P.R. May 19, 2004), aff'd in part, rev'd on other grounds sub nom. Venegas-Hernández v. Asociación de Compositores y Editores de Música Latinoamericana (ACEMLA), 424 F.3d 50 (1st Cir. 2005).

<sup>&</sup>lt;sup>93</sup> Venegas-Hernandez, 2004 WL 3686337, at \*1-2.

<sup>&</sup>lt;sup>94</sup> *Id.* at \*33.

<sup>&</sup>lt;sup>95</sup> *Id*.

 <sup>&</sup>lt;sup>96</sup> Id. (citing Lone Wolf McQuade Assoc. v. CBS Inc., 961 F. Supp. 587, 596 (S.D.N.Y. 1957); SBK Catalogue P'ship v. Orion Pictures Corp., 723 F. Supp. 1053, 1059 (D.N.J. 1989)).

<sup>&</sup>lt;sup>97</sup> *Id*.

roactive licensee to infringe). <sup>98</sup> The court then awarded the plaintiffs LAMCO's profits from the retroactive transfer. <sup>99</sup>

On appeal, the First Circuit noted that "obviously a license [granted] in 1998 did not 'cause' a 1993 infringement." Yet the court did not have a chance either to opine on the use of retroactive transfers or to overrule the district court's ruling, since LAMCO did "not pursue this interesting point, relying instead on a statute of limitations argument." The court also noted that "the discussion in the briefs is too sparse to justify any serious attempt to develop principles in this recherché area of copyright law." <sup>102</sup>

## B. Decisions Finding That Unilateral Retroactive Transfers Do Not Provide Immunization

There is another line of cases, which, unlike *SBK*, *Lone Wolf*, and their progeny, does not allow unilateral retroactive transfers to cure past infringement. Also unlike *SBK* and *Lone Wolf*, the courts in these cases did not reach their conclusions by relying on any specific precedent but instead tended to make somewhat vague (with the exception of *Davis v. Blige*) policy arguments.

#### 1. David v. Showtime/The Movie Channel, Inc.

The plaintiffs in *David v. Showtime/The Movie Channel, Inc.*, were members of the American Society of Composers, Authors and Publishers (ASCAP) who alleged that the defendant infringed their copyrights in musical works by broadcasting them without authorization. The defendant was licensed by ASCAP to broadcast the works in question until 1980; following the expiration of that license, the defendant

<sup>&</sup>lt;sup>98</sup> *Id*.

<sup>&</sup>lt;sup>99</sup> *Id.* at \*34.

Venegas-Hernández v. Asociación de Compositores y Editores de Música Latinoamericana (ACEMLA), 424 F.3d 50, 60 (1st Cir. 2005).

<sup>&</sup>lt;sup>101</sup> *Id*.

<sup>102</sup> *Id*.

Some, however, have interpreted the cases discussed in this section (with the exception of *Davis v. Blige*) as not necessarily ruling on the curative power of unilateral retroactive licenses. *See* 2 PATRY, *supra* note 42, § 5:112 n.3 (distinguishing Leicester v. Warner Bros., No. 95-4058, 1998 WL 34016724, at \*1 (C.D. Cal. May 29, 1998), *aff'd on other grounds*, 232 F.3d 1212 (9th Cir. 2000), and David v. Showtime/The Movie Chanel, Inc., 697 F. Supp. 752, 753-55 (S.D.N.Y. 1988), from cases concerning retroactive licenses because they involved nonexclusive licenses).

<sup>&</sup>lt;sup>104</sup> 697 F. Supp. 752, 753-55 (S.D.N.Y. 1988).

could forgo negotiating a new license and instead apply to ASCAP for a license pursuant to a consent decree between ASCAP and the Department of Justice. When the defendant's license expired, it chose to negotiate to renew the licensing agreements, instead of applying under the consent decree. The defendant continued to broadcast the songs, without a finalized license, while undergoing negotiations. When negotiations failed, the defendant applied to ASCAP for a license retroactive to the date of the old license's expiration. Plaintiffs sued for infringement.

The Southern District of New York held that the defendant's application for a retroactive license did not bar the plaintiffs' infringement claims. The court explained that "recognition of the subsequent filing of an application for a 'retroactive' license as a defense for prior infringing conduct would eviscerate the protections inherent in the copyright scheme." The court did not elaborate on which protections would be eviscerated or how this might occur.

#### 2. Leicester v. Warner Bros.

In *Leicester v. Warner Bros.*, plaintiff, an artist, was employed by a real estate developer to create sculptural elements for the developer's Los Angeles building. The rights to the sculptural design were co-owned by the plaintiff and, as the district court concluded, the architect. In 1994, the developer, without contacting the architect or the plaintiff, allowed Warner Brothers to make replicas and use depictions of the developer's property in connection with the film *Batman Forever*. In 1995, the plaintiff sued Warner Brothers for copyright infringement. The Central District of California ruled that since the developer was granted a nonexclusive license to reproduce the work, it could not sublicense that right to Warner Brothers.

<sup>&</sup>lt;sup>105</sup> *Id.* at 754 & n.1.

 $<sup>^{106}</sup>$  *Id.* at 754-55.

<sup>&</sup>lt;sup>107</sup> *Id.* at 755.

<sup>&</sup>lt;sup>108</sup> *Id.* at 764.

 $<sup>^{109}</sup>$  No. 95-4058, 1998 WL 34016724, at \*1 (C.D. Cal. May 29, 1998),  $\it aff'd$  on other grounds, 232 F.3d 1212 (9th Cir. 2000).

<sup>&</sup>lt;sup>110</sup> *Id*. at \*4.

<sup>111</sup> *Id.* at \*2.

In the  $^{-112}$  Id. at \*3 ("[T]he grant of the license may not be assigned or sublicensed by the licensee unless the grant of the license is exclusive." (citing 3 NIMMER & NIMMER, supra note 4, § 10.01[C][4])).

As a defense, Warner Brothers argued that it had received a license to use and sublicense the work. During the course of this litigation, and after the plaintiff had brought suit, the architect granted a retroactive license to the developer, which had an explicit provision permitting sublicensing. The court invalidated this retroactive sublicensing provision and rejected Warner Brothers' argument, finding that since the architect was a co-owner of the copyright, he could only grant a nonexclusive license, which could not have a sublicensing provision. The court briefly noted another reason (more relevant for our purposes) for rejecting the retroactive license defense:

At the time Warner Bros. took the pictures and made pictorial reproductions of [the work], it had no license to do so. It's [sic] actions at that time, if an infringement of Mr. Leicester's copyright, could not be later validated by the grant of the license. . . . The court rejects the idea that the earlier infringement can be retroactively validated by the later grant of the license.

#### 3. Encore Entertainment, LLC v. KIDdesigns, Inc.

In this "labyrinthine" copyright infringement case, the defendant argued that its alleged infringements were "cured" because it received a retroactive license that covered its allegedly infringing activities. <sup>115</sup> Acknowledging that no federal circuit court had addressed the issue of whether retroactive licenses could cure prior infringements, the court noted the differing conclusions of the *Leicester* and *Showtime* courts on the one hand and the *Lone Wolf* and *SBK* courts on the other. <sup>116</sup> The court concluded that *Leicester* and *Showtime* were more persuasive. <sup>117</sup> In support of its conclusion, the court

note[d] that, to find otherwise, would promote a scenario whereby individuals would be permitted, if not encouraged, to willingly infringe upon a copyright interest until caught and then, once caught, simply apply for a retroactive license to avoid liability for earlier infringement. Such a

<sup>&</sup>lt;sup>113</sup> *Id.* at \*5.

<sup>&</sup>lt;sup>114</sup> *Id.* at \*6.

<sup>115</sup> Encore Entm't, LLC v. KIDdesigns, Inc., No. 3:03-1129, 2005 WL 2249897, at \*1, \*3 (M.D. Tenn. Sept. 14, 2005).

<sup>116</sup> Id. at \*10.

<sup>117</sup> Id. Some find the court's reliance on the first two cases to be misplaced. See, e.g., 2 PATRY, supra note 42, § 5:112 n.3 ("Neither case supports Encore Entmt's position.").

scheme would plainly contradict the purposes underlying federal copyright law.  $^{\rm 118}$ 

The court did not elaborate on its holding beyond this statement.

#### 4. Davis v. Blige

In 2007, the Second Circuit attempted to answer the question at issue in this Comment, calling into doubt the precedential value of *Lone Wolf, Silberstein*, and the MP3.com litigation. The decision, *Davis v. Blige*, is the first appellate judgment to pick up where the *Venegas-Hernandez* court left off and rule on whether a retroactive license from one co-owner immunizes an infringer from suits by other co-owners. In *Davis*, the circuit court reversed the district court and held that a license could only act prospectively and could not cure past infringement. 120

In Davis, plaintiff Sharice Davis sued Mary J. Blige and others in December 2003, claiming that two songs on Blige's 2001 album infringed Davis's copyrights in two other songs. 121 Davis claimed that the songs were written by her and Bruce Chambliss, but Davis was not given songwriting credit on the album, which listed the authors as Blige (Chambliss's stepdaughter), Bruce Miller (Chambliss's son), and others. 122 Chambliss, who was not a party to the suit, claimed that he had granted Miller rights in the songs in an oral transfer around the time of the songs' composition. <sup>123</sup> On the day before Chambliss (who was not a party in the action) was to be first deposed, Chambliss and Miller signed a written transfer agreement, which purported to transfer to Miller all interests in the songs and all rights "past, present, and future . . . effective as of the date [Chambliss] first create[d] the above-referenced Composition."124 The defendants claimed that these written agreements merely ratified their earlier oral transfers, or, in the alternative, that the written agreements themselves retroactively

 $<sup>^{118}</sup>$  Encore Entm't, 2005 WL 2249897, at \*10.

Davis v. Blige, 505 F.3d 90, 97 (2d Cir. 2007) ("[T]here is no appellate case law on the issue of retroactive assignment of copyright ...."), *cert. denied*, 129 S. Ct. 117 (2008).

<sup>120</sup> Id. at 102-04.

<sup>&</sup>lt;sup>121</sup> *Id.* at 94.

<sup>&</sup>lt;sup>122</sup> *Id*.

<sup>&</sup>lt;sup>123</sup> *Id.* at 95.

 $<sup>^{124}</sup>$  Id. at 96 (alterations in original) (emphasis omitted) (quoting the transfer agreement).

granted Miller ownership of the works. <sup>125</sup> Since Miller was an owner of the work, the defendants claimed, neither he nor anyone to whom he licensed the works (i.e., Blige and the other defendants) could infringe the works. <sup>126</sup>

The district court ruled that regardless of the existence of any prior oral transfer,

[w]here there is no dispute between transferor and transferee of a copyright as to the validity of the transfer, such a transfer has been consistently upheld. This is the case even where the license or transfer takes place after the institution of an action for copyright infringement, and indeed, even where the plaintiff in the action is the other co-owner of the copyright and the retroactive license or transfer by one co-owner serves to bar the infringement claim of the other co-owner.

The district court found the circumstances in *David v. Showtime/The Movie Channel* to be distinguishable and understood the *Leicester* court's finding arguably barring retroactive transfers to be both a mere ancillary ground for its final holding and "contrary to the great weight of authority." The district court concluded that the retroactive transfer barred the infringement claims. 129

The Second Circuit reversed the district court, finding that allowing one co-owner to cure the past infringements of a third party extinguished the nonparty co-owner's valuable right to sue for infringement—a right that accrues at the time of the infringement. A co-owner, the court held, could herself grant a retroactive license and thus bar her own infringement claims, but could not eradicate the claims of her co-owners. Thus, a retroactive license from one co-owner would not immunize an infringer from suits by other co-owners.

Davis v. Blige, 419 F. Supp. 2d 493, 499 (S.D.N.Y. 2005), rev'd on other grounds, 505 F.3d 90 (2d Cir. 2007), cert. denied, 129 S. Ct. 117 (2008). The district court cited favorably Lone Wolf, Silberstein, the MP3.com litigation, and Tuff-N-Rumble Mgmt.

128 Id. at 500, 501 n.4 (asserting that *Showtime* was distinguishable because it involved defendants who were seeking to obtain a retroactive license and that the argument in *Leicester* against retroactive application was unconvincing).

<sup>129</sup> *Id.* at 499-501 (holding that "there exists no genuine issue as to the intent of co-author Chambliss to transfer his rights to Miller" and in such a case lower courts agree that the transfer bars an infringement claim).

<sup>&</sup>lt;sup>125</sup> *Id.* at 95-97.

<sup>&</sup>lt;sup>126</sup> *Id.* at 96-97.

<sup>&</sup>lt;sup>130</sup> Davis, 505 F.3d at 103-04.

See id. at 104 ("We have no doubt that Chambliss can release his own accrued claims of copyright infringement against Miller and his fellow defendants, either orally or in writing. But we know of no authority to sanction his attempt to release any rights Davis has against Miller, for they are not Chambliss's to release.").

In reversing, the Second Circuit also distinguished the case at hand from the *Lone Wolf* line of cases that related to settlements, not licenses alone, as in *Davis*. The court held that licenses could only be *prospective*, and that only releases could cure prior infringement. Yet despite this distinction, the court not only ruled on retroactive licenses, but also took occasion to announce that "[a] settlement agreement can only waive or extinguish claims held by a settling owner; it can have no effect on co-owners who are not parties to the settlement agreement." Thus, a release of infringement claims would need to come from each individual co-owner.

The Second Circuit found support for its conclusions in the principles of copyright, contract, tort, property, and patent law. While the principles the court found relevant and the propriety of their application have been questioned, as discussed below, the court did believe that its decision would discourage infringement and increase certainty and predictability, such that it would be clear whether a particular exploitation of a work was authorized. 136

The *Davis* decision has been criticized in the entertainment industry, where retroactive transfers are common. The Recording Industry Association of America<sup>137</sup> and the Motion Picture Association of America<sup>138</sup> have both filed petitions for rehearing as amici curiae, and Google's senior copyright counsel, copyright scholar William Patry, has called the decision "a disaster of major proportions" that "reflects a stunning deafness to the commercial realities of life."

<sup>&</sup>lt;sup>132</sup> *Id.* at 102.

<sup>&</sup>lt;sup>133</sup> *Id.* at 104.

<sup>&</sup>lt;sup>134</sup> *Id.* at 102.

<sup>&</sup>lt;sup>135</sup> See, e.g., id. at 97-98 ("Although the Copyright Act itself is silent on the issue of retroactive transfer or license, we conclude that such retroactive transfers violate basic principles of tort and contract law, and undermine the policies embodied by the Copyright Act.").

<sup>&</sup>lt;sup>136</sup> *Id.* at 104-06.

The Recording Industry Association of America is a trade group representing the U.S. recording industry, including record labels and distributors who create, manufacture, and/or distribute approximately ninety percent of the sound recordings produced and sold in the United States. Recording Industry Association of America, Who We Are, http://www.riaa.com/aboutus.php (last visited Jan. 15, 2009).

The Motion Picture Association of America is a trade group representing the motion-picture, home-video, and television industries, including producers and distributors. Motion Picture Association of America, About Us, http://www.mpaa.org/AboutUs.asp (last visited Jan. 15, 2009).

Posting of William Patry to The Patry Copyright Blog, The Second Circuit Goes to the Dark Side, http://williampatry.blogspot.com/2007/10/second-circuit-goes-to-

#### III. GUIDING PRINCIPLES

As described above, courts have undertaken various analyses and reached different conclusions regarding retroactive transfers. Thus, an analysis of the potentially relevant legal principles can help identify possible solutions to the problems of retroactive transfers.

#### A. The Goals of the Copyright Act and Copyright Law Considerations

Most of the courts that have limited the ability of retroactive transfers to cure infringement did so at least in part because they believed that retroactive transfers threatened the purposes of the Copyright Act. How these courts have also overwhelmingly failed to indicate which particular purposes of the Act need protection. Since any resolution of this problem should align with these purposes, it is fitting to attempt to articulate them here.

Copyright regulation falls within the federal government's ambit by virtue of the Copyright Clause of the Constitution, <sup>141</sup> and Congress has enacted copyright protection schemes since the Founding. An explicit goal enumerated in the first copyright act, in line with the Copyright Clause, was to encourage learning. <sup>142</sup> While no explicit direction is given on how to encourage learning, <sup>143</sup> clear views on how to do so were expressed in the legislative history. A committee established by the Continental Congress, empowered to investigate how

dark-side.html (Oct. 8, 2007, 9:00 EST) (arguing that the Second Circuit failed "to understand the statute").

<sup>140</sup> See, e.g., Davis, 505 F.3d at 105 (stating that to uphold a defense of retroactive transfer would be "contrary to the intent of Congress in enacting the Copyright Act of 1976"); Encore Entm't, LLC v. KIDdesigns, Inc., No. 03-1129, 2005 WL 2249897, at \*10 (M.D. Tenn. Sept. 14, 2005) ("Such a scheme would plainly contradict the purposes underlying federal copyright law."); David v. Showtime/The Movie Channel, Inc., 697 F. Supp. 752, 764 (S.D.N.Y. 1988) (noting that retroactive license defenses "would eviscerate the protections inherent in the copyright scheme").

<sup>&</sup>lt;sup>141</sup> U.S. CONST. art. I, § 8, cl. 8 ("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.").

See Act of May 31, 1790, 1st Cong., 2d Sess., ch. 15, 1 Stat. 124 (1790) (repealed 1802) (characterizing the act in the preamble as "[a]n Act for the encouragement of learning, by securing the copies of maps, charts, and books, to the authors and proprietors of such copies, during the times therein mentioned"). This language is identical to Great Britain's first copyright act, known as the Statute of Anne. See Copyright Act 1709, 1710, 8 Ann., c. 19.

William Patry, The Failure of the American Copyright System: Protecting the Idle Rich, 72 NOTRE DAME L. REV. 907, 910-11 (1997).

best to promote "genius" and the "useful arts," <sup>144</sup> concluded that "nothing is more properly a man's own than the fruit of his study, and that the protection and security of literary property would greatly tend to encourage genius." Accordingly, the committee recommended to the states that they provide authors and publishers "exclusive right[s]" to their work. The goals of copyright were thus (1) to grant the creator of a work the rights to the product of his efforts, and (2) to encourage, by such a grant, the development of new works that would promote the public good.

These goals have remained conceptually constant through the present, though the former has taken on a decidedly secondary—albeit enabling—role. In fact, the Supreme Court has stated that the purpose of copyright protection is "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." In so remarking, the court noted that "[t]he monopoly privileges that Congress may authorize are neither unlimited nor primarily designed to provide a special private benefit." Accordingly, any scheme regarding retroactive transfers ought not to provide simply a reward to a co-owner of a copyright without encouraging the "ultimate aim" of benefitting the public.

To be sure, the profit-making power of a co-owner or creator of a copyrighted work cannot be underestimated when considering what would be best for the public good. <sup>149</sup> In furtherance of these goals,

Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public 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.

Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975) (footnote omitted), superseded by statute, Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (codified in scattered sections of 17 U.S.C.).

 $<sup>^{144}</sup>$  24 JOURNALS OF THE CONTINENTAL CONGRESS 180 (1783). This committee, as it were, included James Madison.  $\it Id.$  at 326.

<sup>&</sup>lt;sup>145</sup> *Id.* at 326-27. This is the essential Lockean justification for copyright. *See, e.g.*, Justin Hughes, *The Philosophy of Intellectual Property*, 77 GEO. L.J. 287, 305 (1988) ("The 'labor-desert' theory asserts that labor often creates *social value*, and it is this production of social value that 'deserves' reward, not the labor that produced it.").

<sup>146</sup> The Supreme Court has noted:

Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 429 (1984).

<sup>149</sup> See Am. Geophysical Union v. Texaco Inc., 802 F. Supp. 1, 27 (S.D.N.Y. 1992) ("[C]opyright law celebrates the profit motive, recognizing that the incentive to profit

Congress, through the Copyright Act, has given copyright holders a monopoly over the rights to their works. This monopoly takes the form of the rights granted to a copyright holder listed in sections 106 to 122 of the Act. These rights are *exclusive* to the copyright holder. In order to keep these rights exclusive and deter others from violating this monopoly (and therefore making the creation less valuable to the copyright holder), the Act provides that copyright holders can be awarded damages for infringement as well as any actual profits received by an infringer, or alternatively, potentially considerable statutory damages. In line with these broad goals of detering infringement and protecting the copyright holder's monopoly, Congress intended that these damages "compensate the copyright owner for losses from the infringement, and . . . prevent the infringer from unfairly benefiting from a wrongful act."

In addition, Congress, through the remedies provided for in the Copyright Act, has expressed a stronger distaste for willful infringement than for infringements that the copyright holder cannot prove were willful. <sup>154</sup> And while the Act still wishes to deter even innocent infringers, it does so with a considerably lower penalty. <sup>156</sup> This aversion to specifically willful infringement must also be accounted for when considering retroactive transfers.

from the exploitation of copyrights will redound to the public benefit by resulting in the proliferation of knowledge.... The profit motive is the engine that ensures the progress of science."), *aff'd*, 60 F.3d 913 (2d Cir. 1994).

<sup>&</sup>lt;sup>150</sup> See 17 U.S.C. §§ 106–122 (2006) (delineating the exclusive rights of copyright holders, their scope, and their limitations); see also supra Part II.

<sup>&</sup>lt;sup>151</sup> See 17 U.S.C. § 106.

 $<sup>^{152}</sup>$  See id. § 504(b)–(c) (providing the copyright holder a choice between actual and statutory damages).

<sup>&</sup>lt;sup>153</sup> H.R. REP. NO. 94-1476, at 161 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5777.

Compare 17 U.S.C.  $\S 504(c)(2)$  (providing for a maximum statutory damage award of \$150,000 where the court finds the infringement to be willful), with id.  $\S 504(c)(1)$  (providing for a maximum statutory damage award of \$30,000 in the case of a nonwillful infringement).

<sup>&</sup>lt;sup>155</sup> An innocent infringer is one who proves that he or she "was not aware and had no reason to believe that his or her acts constituted an infringement of copyright." 17 U.S.C. § 504(c)(2); H.R. REP. NO. 94-1476, at 163, *reprinted in* 1976 U.S.C.C.A.N. at 5779.

<sup>156</sup> See 17 U.S.C. § 504(c) (2) (providing for a discretionary reduction of the statutory damage award to \$200); H.R. REP. No. 94-1476, at 163, reprinted in 1976 U.S.C.C.A.N. at 5779 (noting that the innocent infringer provision "is sufficient to protect against unwarranted liability in cases of occasional or isolated innocent infringement," and, "by establishing a realistic floor for liability, the provision preserves its intended deterrent effect").

Yet discouraging infringement presents only part of the copyright story. Understanding that achieving the optimal public good requires that copyrighted works be exposed and actually reach the public, the Act also encourages behavior beyond the monopoly provisions. The Act provides, for example, for a fair use exception. 157 As a whole, the Act and recent copyright case law both attempt to encourage the licensing or distribution and dissemination of copyrighted works so that the public can benefit from them. 158

The introduction of "divisibility" of the rights to a copyrighted work in the 1976 Act revisions has been a primary encouragement towards that end. Under the 1909 Act, the copyright owner had to own all the rights associated with the copyright and could not divide them. Furthermore, only a copyright proprietor could bring an infringement action. 159 Both of these limitations discouraged licensing by making it significantly less valuable; exclusive licensees, for example, could not enforce their rights unless complete ownership of the copyright had been transferred. Moreover, copyright owners, knowing that they had to convey either all or nothing, tended to give nothing away. Authors, their representatives, and others routinely criticized this practice. 160 Under amendments made in the 1976 Act, however, divisibility became an important feature of copyright law, as "[t]he ownership of a copyright may be transferred in whole or in part" 161 and "[a]ny of the exclusive rights comprised in a copyright . . . may be transferred ... and owned separately." In addition, exclusive licensees of a particular right became "entitled, to the extent of that right, to all of the protection and remedies accorded to the copyright owner

 $<sup>^{157}</sup>$  See 17 U.S.C. § 107 ("[U]se of a copyrighted work . . . for purposes such as criticism, comment, news reporting, teaching ..., scholarship, or research, is not an infringement of copyright."); see also Wendy J. Gordon, Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and Its Predecessors, 82 COLUM. L. REV. 1600, 1613 (1982) (arguing that in many cases where "market flaws might preclude achievement of desirable consensual exchanges," courts have excused infringing conduct as fair).

<sup>&</sup>lt;sup>158</sup> See, e.g., Harper & Row, Publishers, Inc. v. Nation Enters., 471 U.S. 539, 558 (1985) ("By establishing a marketable right to the use of one's expression, copyright supplies the economic incentive to create and disseminate ideas." (emphasis added)).

<sup>&</sup>lt;sup>159</sup> See, e.g., Copyright Act of 1909, 17 U.S.C. § 25(b) (repealed 1976).

<sup>&</sup>lt;sup>160</sup> See H.R. REP. No. 94-1476, at 123, reprinted in 1976 U.S.C.C.A.N. at 5738-39 (noting that the provision in the 1976 Act allowing for divisibility had "long been sought by authors and their representatives, and . . . attracted wide support from other groups"). 17 U.S.C. § 201(d)(1).

<sup>&</sup>lt;sup>162</sup> *Id.* § 201 (d) (2).

by this title." Any view on retroactive transfers certainly should not lose sight of the congressional goal evinced in these amendments: making licenses both more valuable and more willfully exchanged.

## B. Property Law

Since copyright law also relies on property law to some extent, and since courts—such as the *Davis v. Blige* court—found it relevant to look to general property law concepts in ruling on the curative powers of retroactive transfers, <sup>164</sup> it would be helpful to review relevant real-property laws. In addition, we should be mindful of the extent to which these property laws should supplement or supplant copyright law. <sup>165</sup>

Copyright law has an explicit connection to property law through the legislative history of the Copyright Act. The House Report to the 1976 Act indicates that "[u]nder the bill, as under the [1909 Act, as amended], coowners of a copyright would be treated generally as tenants in common." Yet this simple indication that the two are related is, at best, puzzling. There are, however, a number of clear areas of copyright law where the influence of tenancy in common is clear: joint owners each have equal and undivided rights to use the work; joint owners can convey or lease any undivided interest unilaterally; joint owners also do not possess the right of survivorship in a fellow joint owner's interest in the work; and joint owners have a right to an accounting from all profits from the work.

<sup>164</sup> Davis v. Blige, 505 F.3d 90, 99-100 (2d Cir. 2007), cert. denied, 129 S. Ct. 117 (2008).

H.R. REP. NO. 94-1476, at 121 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5736.

<sup>.63</sup> Id.

Not all were comfortable with the *Davis* court's introduction of New York state property law concepts under the circumstances. *See* Posting of William Patry to The Patry Copyright Blog, *supra* note 139 (criticizing the *Davis* court for applying "venerable" state law property concepts instead of copyright law).

See Avner D. Sofer, Joint Authorship: An Uncomfortable Fit with Tenancy in Common, 19 LOY. L.A. ENT. L.J. 1, 2-3 (1998) (noting that Congress has not explained precisely how joint authors are to be legally treated as tenants in common, and that, thus far, courts have avoided addressing the legal issues of categorizing joint authors as tenants in common).

<sup>&</sup>lt;sup>168</sup> 17 U.S.C. §201(a) (2006); 1 NIMMER & NIMMER, *supra* note 4, § 6.08. Tenants in common are also said to hold separate and undivided shares of the whole estate.

<sup>&</sup>lt;sup>169</sup> 1 NIMMER & NIMMER, *supra* note 4, § 6.09.

<sup>&</sup>lt;sup>170</sup> *Id.* § 6.12[A].

Two particular "venerable" property law principles are especially relevant here. The first is that, "while an owner may convey any of his rights to others permanently or temporarily, he may not convey more than he owns." The second is that, while one cotenant can settle her own interest in property, she cannot settle the interests of her cotenants; if she settles before the action, the other cotenants can still sue. It is important to note, however, that unlike in copyright proceedings now, cotenants traditionally *had* to join their cotenants when bringing an action, though they could afterwards settle individually.

Applying this principle, the *Davis* court noted that while a cotenant can freely alienate her interest in the co-owned property, she cannot harm the rights of her cotenants by binding them to "an agreement concerning the use, control, or title to the joint property." This notion seems to be crucial to the *Davis* court's theory: understanding that the right to sue for infringement is a co-owner's right, the court viewed another co-owner's power to extinguish that right through a retroactive license or settlement as contrary to that very principle.

#### C. Contract Law

Contract law may play a role in this situation for several reasons. First, courts have often looked to contract law when resolving many issues of joint ownership. Second, any retroactive license, whether part of a settlement or not, is essentially a contract and purports to give parties certain rights; thus, even a cursory contract analysis could be beneficial. As such, the *Davis* court, for example, sought to estab-

 $<sup>^{171}\,</sup>$  Davis v. Blige, 505 F.3d 90, 99 (2d Cir. 2007), cert. denied, 129 S. Ct. 117 (2008).

See Jackson v. Moore, 87 N.Y.S. 1101, 1103 (N.Y. App. Div. 1904) ("One tenant in common can settle for or release his interest in such personal property, but he cannot settle for or release the interest of his co-tenants. If one tenant in common should settle for his portion of the damages before action, the other may sue without joining him.").

<sup>&</sup>lt;sup>173</sup> See Hill v. Gibbs, 5 Hill 56, 56 (N.Y. Sup. Ct. 1843) ("As a general rule, tenants in common must join in bringing personal actions in which all are interested."); Jackson, 87 N.Y.S at 1103 (citing Hill, 5 Hill at 56).

Davis, 505 F.3d at 102 (quoting Wagman v. Carmel, 601 F. Supp. 1012, 1015 (E.D. Pa. 1985)).

<sup>&</sup>lt;sup>175</sup> See Sofer, supra note 167, at 2-3 (noting that courts have traditionally avoided the issue of joint authors as cotenants, and have instead relied on the "more bright-line law of contracts").

lish whether retroactive licenses were consistent with contract law principles. <sup>176</sup>

It is important to understand the contract issues at play. The basic contract law principle implicated by retroactive conveyances is that a contract cannot bind one who is not a party to it.<sup>177</sup> This principle applies as follows: retroactive transfers are contracts that eliminate any cause of action for infringement that the licensing co-owner may have had. In addition, however, such a license would also eliminate the causes of action of other co-owners who were not party to the license. The *Davis* court, for example, found that this would effectively bind co-owners to the settlement or licensing agreement into which the settling or licensing co-owner had entered.<sup>178</sup>

As I will discuss below, it is not clear how much influence contract principles should have under these copyright circumstances. Nevertheless, because of the obvious ability of one co-owner to affect the interests of another co-owner without the latter's participation in the licensing contract, this principle is relevant.

## D. Analogizing to Patent Law

Where copyright law is ambiguous or contested, courts have often looked to relevant patent law for support, as patent and copyright have a "historic kinship" and much in common. Both patent and copyright law, for example, give joint owners equal rights to use the work or patented invention without the consent of other co-owners.

<sup>176</sup> See Davis, 505 F.3d at 103 ("Accordingly, we must examine carefully whether retroactive licenses and assignments that extinguish a co-owner's accrued right to sue are consistent with the general principles of . . . contract law that underlie the accrual and settlement of infringement claims.").

<sup>&</sup>lt;sup>177</sup> See, e.g., EEOC v. Waffle House, Inc., 534 U.S. 279, 294 (2002) ("It goes without saying that a contract cannot bind a nonparty.").

<sup>&</sup>lt;sup>178</sup> Davis, 505 F.3d at 103.

See, e.g., Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 439-40 (1984) (finding support for vicarious copyright infringement in patent law).

<sup>&</sup>lt;sup>80</sup> *Id.* at 439.

 $<sup>^{\</sup>rm 181}$  Both are forms of intellectual property, and both arise from the same constitutional clause.

Compare 17 U.S.C. § 201(d) (2006) (granting joint owners of a copyright the right to exercise their rights independently), with 35 U.S.C. § 262 (2006) (granting the same freedom of exercise to joint owners of a patent). A leading copyright case from the nineteenth century relied not only on tenancy-in-common law, but also on patent law to find that co-owners of a copyright each have equal rights to use their work without the consent of the other. See Carter v. Bailey, 64 Me. 458, 464 (1874) ("Such seems to be the rule governing owners in common of patent rights; and we think the same

The differences between the two, however, indicate that analogies to patent practice and law should be undertaken with great care.

The Federal Circuit has ruled that retroactive licenses granted by one co-owner cannot cure past patent infringements, noting that only releases can cure prior wrongdoing. 183 The Federal Circuit relied upon a century-old case, Lalance & Grosjean Manufacturing Co. v. Haberman Manufacturing Co., which stated that each co-owner could pursue or not pursue her own release independently and the settlement of one would not extinguish the claim of the other; to hold otherwise "would be to push the supposed analogy to the law of real property altogether too far."184

Yet for all the similarities between joint ownership of copyrights and patents, there is one crucial difference that militates against applying the patent rule prohibiting retroactive transfers to our copyright case: patent co-owners do not have any duty to account to one another. 185 Indeed, a primary reason for the Lalance & Grosjean court's holding was that if a joint patent holder elected to settle a claim or retroactively license the patent, the other joint holder would be hung out to dry. That is, if one patent co-owner settled without the knowledge of the other co-owner, the latter would be left with no lawsuit and no legal way to profit from the infringement, a result the Lalance & Grosjean court thought "contrary to natural justice." But the nonlicensing or nonsettling copyright co-owner does not suffer so

principle applicable to the question involved in case of copyright." (citations omit-

ted)).

183 See Schering Corp. v. Roussel-UCLAF SA, 104 F.3d 341, 345 (Fed. Cir. 1997) ("[T]he grant of a license by one co-owner cannot deprive the other co-owner of the right to sue for accrued damages for past infringement. That would require a release, not a license, and the rights of a patent co-owner, absent agreement to the contrary, do not extend to granting a release that would defeat an action by other co-owners to recover damages for past infringement.").

<sup>&</sup>lt;sup>184</sup> Lalance & Grosjean Mfg. Co. v. Haberman Mfg. Co., 93 F. 197, 198 (C.C.S.D.N.Y. 1899).

<sup>&</sup>lt;sup>185</sup> See 35 U.S.C. § 262 ("In the absence of any agreement to the contrary, each of the joint owners of a patent may make, use, offer to sell, or sell the patented invention ... without accounting to the other owners.").

<sup>&</sup>lt;sup>186</sup> Lalance & Grosjean Mfg. Co. v. Haberman Mfg. Co. 107 F. 487, 487 (C.C.S.D.N.Y. 1901). The Lalance & Grosjean court stated that "for one of the complainants without the knowledge of the other to settle with the defendants for \$20,000 and refuse to give the other complainant a dollar seems . . . 'contrary to natural justice." Id. (quoting In re Horsley & Knighton's Patent, L.R. 8 Eq. 475, 477 (M.R. 1869)).

unjustly where the law provides her with the right to an accounting. <sup>187</sup> Any analogy to patent law must therefore account for the absence of such protection for patent co-owners.

#### IV. UNILATERAL RETROACTIVE TRANSFERS CANNOT CURE PRIOR INFRINGEMENTS

Ignited by the Second Circuit's decision in *Davis*, many have argued either that the court should revisit its ruling that retroactive licensing by one co-owner does not immunize infringers from infringement actions brought by the other co-owners, or that other courts should shy away from this rule. While these responses are motivated, at least in part, by the desire for those in the entertainment industry to continue the ongoing industry practice of using retroactive transfers, there are also strong legal, logical, and policy arguments in favor of this practice, as discussed in this section. Yet these responses can only take the argument so far before it must fail in light of all relevant considerations.

## A. Reasons for Allowing Unilateral Retroactive Transfers to Cure Prior Infringements

Particularly with the introduction of divisibility into the Copyright Act in 1976, <sup>188</sup> Congress has recognized that giving copyright owners increased autonomy is an important mechanism for promoting the exchange and dissemination of copyrighted works. Since then, courts have often endorsed the increased dissemination of copyrighted works. Courts have responded, for example, by excusing infringement in cases where, due to market barriers, externalities, or antidissemination motives, <sup>189</sup> a copyrighted work was not reaching the public

<sup>&</sup>lt;sup>187</sup> See Thomson v. Larson, 147 F.3d 195, 199 (2d Cir. 1998) (describing a coowner's obligation to account); H.R. REP. No. 94-1476, at 121 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5736 ("[E]ach coowner ha[s] an independent right to use or license the use of a work, subject to a duty of accounting to the other coowners for any profits."); 1 NIMMER & NIMMER, supra note 4, § 6.12[A] ("[T]he prevailing rule is that a joint owner is under a duty to account to the other joint owners of the work for a ratable share of the profits realized from his use of the work."). It is not clear, however, whether this duty to account, which is now universally accepted, arises out of state or federal law. See generally Craig Y. Allison, Note, Does A Copyright Coowner's Duty To Account Arise Under Federal Law?, 90 MICH. L. REV. 1998, 2012-33 (1992) (arguing that the accounting duty is a federal rule).

<sup>&</sup>lt;sup>188</sup> See supra notes 159-163 and accompanying text (describing divisibility).

 $<sup>^{189}</sup>$  See Gordon, supra note 157, at 1627-35 (discussing the interplay of market failures and fair use).

and, therefore, not fulfilling the primary goal of increasing the public welfare. 190

The broad precedent that a case like *Davis* sets, however, seems to take a step in the opposite direction. By limiting a co-owner's ability to make a retroactive conveyance, the court seems to encroach upon the right of co-owners to alienate their property and to do so however and to whomever they wish. This is effectively the right that the Copyright Act itself gives to them when it states that "[t]he ownership of a copyright may be transferred . . . by any means of conveyance." <sup>191</sup>

Existing copyright law could be sufficient to resolve this issue: a retroactive transfer is "any means of conveyance," and one used quite commonly at that. If a retroactive transfer is a means of conveyance, then there is no need to resort to either principles of tenancy in common or contract law. This reasoning could explain why the courts in many of the cases cited in Part III.A did not enter into a protracted discussion of the retroactive transfer issue: if copyright law itself provides the necessary legal structure for the transaction, while fulfilling copyright law's goals of public dissemination and rewarding the author, then no further discussion is necessary.

Any concern that retroactive transfers would yield unfair exploitation of the work at the expense of the other co-owner could be mitigated by copyright law's protection of co-owners through the duty to account. Thus, a co-owner who grants a retroactive license or reaches a settlement with the infringer does not reap all the profits from such conveyances herself: she must split them with her co-owners in proportion to their ownership. This accounting, one may argue, can compensate a co-owner for her contribution just as copyright protection intends. Furthermore, this accounting and compen-

See Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 429 (1984) ("[I]t is Congress that has been assigned the task of defining the scope of the limited monopoly that should be granted to authors or to inventors in order to give the public appropriate access to their work product.").

<sup>&</sup>lt;sup>191</sup> 17 U.S.C. § 201(d)(1) (2006) (emphasis added).

See supra note 187 and accompanying text (discussing the obligation to account); cf. GEORGE D. CARY, STUDY NO. 13: JOINT OWNERSHIP OF COPYRIGHTS (1958), reprinted in U.S. COPYRIGHT OFFICE, GENERAL REVISION OF THE COPYRIGHT LAW 12-17, at 33-34 (1959) ("The relatively recent development of the accounting principle provided a brake upon the unbridled ambition of a co-owner who might be inclined to disregard the rights of his colleagues and at the same time served a useful purpose in permitting an energetic co-owner the right to profit from his original labor ... whether or not his other co-owners joined with him.").

sation, which is not present in the patent context, <sup>193</sup> makes up for the fact that the co-owner can no longer sue for infringement. <sup>194</sup>

Another goal of copyright litigation would also be furthered through the duty to account: even when infringement has taken place and litigation has been initiated, courts may still wish to encourage settlements, understanding that parties can often value the exploitation themselves. <sup>195</sup> If a single co-owner could retroactively authorize the prior infringement instead of requiring each individual co-owner to come forward, the litigation would certainly be prone to quicker settlement.

Additional concerns of the potential for "legal mischief" —such that one co-owner could end ongoing litigation that another co-owner has brought—can be allayed, at least in part, by comparison to prospective licensing. The right of one co-owner to grant a prospective license to a third party, even when another co-owner does not wish to do so, is an undisputed right of joint ownership. It has been part and parcel of our joint-ownership jurisprudence since well before the modern copyright statute. Perhaps it is just too bad that the nonsettling co-owner's infringement suit must fail, as the settling co-owner was merely acting on a right incident to copyright ownership. This notion builds on a point raised by the *Venegas-Hernandez* court: "The granting of a retroactive license implies that the retroactive licensor had the requisite ownership and, therefore, authority to make such a

 $<sup>^{193}</sup>$   $\it See~supra~ Part~ III.D.$ 

<sup>&</sup>lt;sup>194</sup> *Cf.* Copyright.net Music Publ'g LLC v. MP3.com, No. 01-7321, 2003 WL 740757, at \*1 n.1 (S.D.N.Y. Mar. 4, 2003) ("[W]hile the co-owners are precluded from suing MP3.com, they may proceed in an accounting action against the settling HFA-Releasors."). There are other theories examining the basis for the accounting rule. *See* Vern G. Davidson, Comment, *Entertainment Law: Problems in Co-Ownership of Copyrights*, 8 UCLA L. REV. 1035, 1044 (citing precedent for at least four theories on which to base the duty to account).

<sup>195</sup> See ABKCO Music, Inc. v. Harrisongs Music, Ltd., 722 F.2d 988, 997 (2d Cir. 1983) ("As a general matter, we note first that courts favor the policy of encouraging voluntary settlement of disputes."). Of course, courts have their own additional motives for encouraging settlements in all litigation.

<sup>&</sup>lt;sup>196</sup> Davis v. Blige, 505 F.3d 90, 102, 105-06 (2d Cir. 2007), cert. denied, 129 S. Ct. 117 (2008).

<sup>&</sup>lt;sup>197</sup> See, e.g., Shapiro, Bernstein & Co. v. Jerry Vogel Music Co., 221 F.2d 569, 570 (2d Cir. 1955) (describing the assignment of rights to publish a jointly owned song), modified on other grounds, 223 F.2d 252 (2d Cir. 1955); Meredith v. Smith, 145 F.2d 620, 621 (9th Cir. 1944) ("It is not questioned that . . . [a] co-owner of the copyright would have had the right to give permission . . . to publish the book."); see also discussion, infra note 201.

grant at the time the infringement occurred." That is, if the coowner could have authorized the infringement when it occurred even over the most strenuous objections of a co-owner—what difference does it make to allow her simply to authorize the infringement now? The nonsettling co-owner would not be able to sue now, just as she would not have been able to sue then.

Thus, the problem may exist in the tenet of joint ownership that allows for unilateral actions but not with retroactive transfers in particular. Indeed, the district court in *Davis* noted that its decision might seem draconian expressly because "a co-owner has a legal right to grant a license in a work without another co-owner's permission or to transfer his rights in the copyright freely." While it may be compelling to suggest an alternative to the practice of unilateral action, it would clearly run contrary to U.S. copyright law and likely stifle public dissemination. <sup>201</sup>

Venegas-Hernandez v. Peer, Nos. 01-1215, 2004 WL 3686337, at \*33 (D.P.R. May 19, 2004), aff'd in part, rev'd on other grounds sub nom. Venegas-Hernández v. Asociación De Compositores y Editores de Música Latinoamericana (ACEMLA), 424 F.3d 50 (1st Cir. 2005).

<sup>1999</sup> *Cf. supra* text accompanying notes 34-37 (discussing the tension between exclusivity of copyrights and joint ownership).

<sup>&</sup>lt;sup>200</sup> Davis v. Blige, 419 F. Supp. 2d 493, 500 (S.D.N.Y. 2005), rev'd on other grounds, 505 F.3d 90 (2d Cir. 2007), cert. denied, 129 S. Ct. 117 (2008).

The negative effects of permitting unilateral actions by joint owners were well known leading up to the 1976 Copyright Act. See, e.g., Shapiro, Bernstein & Co., 221 F.2d at 570 (describing a situation where two coowners attempted to separately license their work to the same third party at different fees); CARY, supra note 192, at 33-34 ("One defect in this approach . . . is that it permits co-owners to compete against each other, with the normal result that both may suffer financially."). Bars on unilateral actions by joint owners are, in fact, popular in Europe. The English rule developed such that all coowners of a work had to consent before the work could be exploited. See Cescinsky v. George Routledge & Sons, Ltd., (1916) 2 K.B. 325, 330 ("[A] reproduction without the consent of all the owners is an infringement ...."); Powell v. Head, (1879) 12 Ch. D. 686, 687 (granting an injunction and damages to nonconsenting coowners); CARY, supra note 192, at 33. This is also the rule in France, the Republic of Korea, Austria, Italy, and Sweden. See CARY, supra note 192, at 23; JULIE E. COHEN ET AL., COPYRIGHT IN A GLOBAL INFORMATION ECONOMY 134 (2002). Congress considered the merits of switching to the English system in the course of revising copyright law prior to enacting the 1976 Act; when various copyright experts were asked for their advice, only one (Professor Melville Nimmer) favored following the English system. See Letter from Melville B. Nimmer to the U.S. Copyright Office (Sept. 15, 1958), in COM-MENTS AND VIEWS SUBMITTED TO THE COPYRIGHT OFFICE ON JOINT OWNERSHIP OF COPYRIGHTS (1958), reprinted in U.S. COPYRIGHT OFFICE, GENERAL REVISION OF THE COPYRIGHT LAW 12-17, at 5 (1959) ("I would rather adopt the unitary standard suggested whereby the consent of all co-owners is required for use or license of the work."). Some have argued that since global copyright licensing often requires the approval of all joint authors before a work can be exploited, adopting this system

## B. The Necessary Solution: Unilateral Retroactive Transfers Cannot Cure Prior Infringements

The foregoing arguments are compelling, but their deficiencies indicate that, on balance, the simplistic interpretation of copyright practice and law alone is insufficient to actually further the goals of copyright law. For the following reasons, courts should not permit unilateral retroactive conveyances to cure prior infringement.

First, and most importantly, in the problem at hand the infringer's use of the work was unequivocally unauthorized at the time of exploitation. Any attempt to "cure" that infringement must recognize that the nonlicensing or nonsettling co-owners' infringement claim already accrued. While the Copyright Act is silent as to when exactly a claim accrues, 2002 courts have held that infringement claims accrue either on the date of the infringement (the injury rule) or on the date the infringement is discovered by the copyright holder (the discovery rule). Under either accrual determination method, however, the result is the same: the injury occurs on the date of the third party's unauthorized exploitation, that is, when the copyright holder's exclusive right was violated. Since, in our situation, the copyright holder's exclusive right was violated, she has a cause of action for copyright infringement, itself a vested right belonging to a copyright holder.

While the Copyright Act does allow a copyright co-owner to use her jointly owned work in any way authorized by the Act unilaterally, it does not provide a way for one copyright co-owner to divest another co-owner of vested rights. Reference to basic property and contract law principles can fill this void, as Congress intended, <sup>205</sup> and indicate that a settlement or retroactive transfer by one co-owner should not

would better align U.S. copyright practice with the current practical realities of global copyright licensing. *See* Self, *supra* note 10, at 75.

<sup>&</sup>lt;sup>202</sup> See 17 U.S.C. § 507(b) (2006) (stating only that "[n]o civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued," but not specifying when accrual occurs).

<sup>&</sup>lt;sup>203</sup> See Auscape Int'l v. Nat'l Geographic Soc'y, 409 F. Supp. 2d 235, 242-48 (S.D.N.Y. 2004) (acknowledging that courts are split as to whether accrual of copyright infringement claims follows the injury or discovery rule and concluding that, based on the legislative history of the Copyright Act, the injury rule is proper).

<sup>&</sup>lt;sup>204</sup> See Silvers v. Sony Pictures Entm't, Inc., 402 F.3d 881, 890 n.1 (9th Cir. 2005) (finding that an accrued right to sue for infringement belongs to the copyright holder).

<sup>&</sup>lt;sup>205</sup> See H.R. REP. NO. 94-1476, at 121, reprinted in 1976 U.S.C.C.A.N. at 5736.

bind other co-owners and divest them of their accrued rights under the Copyright Act.

In addition, incorporation of these principles allows the goals of copyright predictability to be fulfilled. It also makes it easy to avoid the problem encountered by the *Venegas-Hernandez* court, which is likely to be encountered in the future. The *Venegas-Hernandez* court, as mentioned above, found that a party, believing it was a co-owner of a copyright, could be held liable for contributory infringement (i.e., inducing a 1993 infringement) for issuing a retroactive license to an infringing party in 1998. While the First Circuit pointed out the complications of such a holding, contributory infringement claims are alleged with increasing frequency in copyright lawsuits. The extreme factual uncertainty as to whether a particular act was or was not authorized and the ability to revise past facts will only make such para-

<sup>&</sup>lt;sup>206</sup> See, e.g., Cmty. for Creative Non-Violence v. Reid, 490 U.S. 730, 749 (1989) ("Congress' paramount goal in revising the 1976 Act... [was] enhancing predictability and certainty of copyright ownership." (citing H.R. REP. NO. 94-1476, at 129, reprinted in 1976 U.S.C.C.A.N. at 5745)); see also Davis v. Blige, 505 F.3d 90, 104-05 (2d Cir. 2007) (listing "the need for predictability and certainty" as one "strong reason[] for disfavoring" retroactive licenses), cert. denied, 129 S. Ct. 117 (2008).

Venegas-Hernandez v. Peer, Nos. 01-1215, 2004 WL 3686337, at \*33-34 (D.P.R. May 19, 2004), aff'd in part, rev'd on other grounds sub nom. Venegas-Hernández v. Asociación De Compositores y Editores de Música Latinoamericana (ACEMLA), 424 F. 3d 50 (1st Cir. 2005).

<sup>&</sup>lt;sup>208</sup> See Venegas-Hernández v. Asociación De Compositores y Editores de Música Latinoamericana (ACEMLA), 424 F.3d 50, 59-60 (1st Cir. 2005) ("[O]bviously a license in 1998 did not 'cause' a 1993 infringement.").

See, e.g., MGM Studios, Inc. v. Grokster, Ltd., 545 U.S. 913, 918-19 (2005) (addressing a contributory-infringement claim based upon peer-to-peer file-sharing program); Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 434-35 (1984) (recognizing a cause of action for contributory infringement).

doxical complications like *Venegas-Hernandez*<sup>210</sup> all the more likely and allow for absurd claims. <sup>211</sup>

Second, while a nonsettling or nonlicensing co-owner would not be left with no profit, the accounting remedy would be inadequate compensation for an accrued infringement claim. Indeed, the nonsettling or nonlicensing co-owner may have to initiate suit against the settling co-owner and prove the latter's profits to receive her share of those profits. Those profits, however, are the licensing co-owner's profits from *licensing*, not the infringer's profits from infringing the copyright. A copyright holder whose copyright has been infringed is also entitled to the infringer's profits, but she could not receive them in any accounting proceeding, nor could she receive any damages she suffered as a result of the infringement, to which she is also entitled.

For a case that proposed a similar complication and could have posed serious problems if past ownership were a malleable fact, see Vasquez v. Torres-Negron, No. 06-619, 2007 WL 2244784, at \*2 (S.D.N.Y. July 11, 2007), in which the defendant (who earlier had made an allegedly unauthorized derivative of plaintiffs' work) allegedly infringed plaintiffs' copyright by copyrighting his allegedly derivative work and suing—and eventually settling with—others for infringing his copyright. The plaintiffs claimed that the defendant's settlements constituted a form of indirect copyright infringement in that they contributed to or made the defendant vicariously liable for further infringement upon the plaintiffs' original work. *Id.* at \*11. The court noted that "[c]ontrary to plaintiffs' creative but incorrect contention, Torres could neither have exercised any control over the unauthorized publication of *Noche de Fiesta* by virtue of the settlements nor induced any unauthorized actions by the record companies." *Id.* at \*12.

See, e.g., Davis, 505 F.3d at 106 n.14 ("[I]nfringers who obtained a retroactive transfer of a copyright interest could not only grant retroactive licenses but also sue other past infringers of the copyright. These retroactive co-owners could then issue retroactive licenses to these other past infringers, thwarting yet other potential infringement suits by a non-licensing co-owner."); see also Self, supra note 10, at 74 (noting the problematic result that retroactive licensees could be placed "on footing equal to or even greater than that of law-abiding licensees"). In addition, predictability may also be sacrificed when, as is not uncommon, the (co)ownership of a copyright is contested. See, e.g., Childress v. Taylor, 945 F.2d 500, 505-06 (2d Cir. 1991) (considering whether a contributor to a work ought to be considered a coowner of the work). If retroactive transfers were given curative power in such a situation, a coowner pursuing an infringement action may believe that she alone owns the copyright, only to have her claim disappear when the infringer is able to discover a contributor or other person who can now claim co-ownership and then settle with that newly discovered co-owner. See, e.g., supra Part II.A.4 (discussing Silberstein v. Fox Entm't Group, Inc., 424 F. Supp. 2d 616, 620-22 (S.D.N.Y. 2004)).

 $<sup>^{212}</sup>$  17 U.S.C. § 504(b) (2006) ("The copyright owner is entitled to recover . . . any profits of the infringer that are attributable to the infringement . . . .").

 $<sup>^{213}</sup>$  *Id.* ("The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement....").

As the *Davis* court failed to note, however, a co-owner's share of the licensing co-owner's profits, while probably not as great as the infringer's actual profits from the infringing use, may be the approximate amount to which she would be entitled had a co-owner originally licensed the work before the infringer exploited it. That is, if the licensing co-owner had actually given a prospective license to a third party (thereby authorizing the use in advance), the nonlicensing co-owner would still only be entitled to her share of the licensing fee, not the third-party user's profits.

Yet, in the context of a pending infringement suit, the retroactive license or settlement costs would not be identical to a license in the prospective licensing context. While prospective licensing fees are typically bargained for with a view towards the rates of similar licenses, settlements are bargained for against a backdrop of unknown damages that a judge or jury may award, as well as the costs of continued litigation. In addition, should the copyrighted work be unique, prospective licensors could bargain for a very favorable licensing agreement, knowing that any licensee could not acquire an adequate substitute. This upper hand would be lost in the settlement or retroactive licensing context, where the infringement has already taken place and the copyright holders can form only a retroactive license against a backdrop of uncertain and discretionary damage awards. Set 1217

An accounting would be even more insufficient if the actual damages to the copyright holders were insignificant. Since a retroactive license would foreclose the litigation option for the nonlicensing co-owner (and limit her to an accounting), she could not opt to receive statutory damages in lieu of actual damages and profits, which, under the discretion of the district court, could range from \$200 to \$150,000

<sup>&</sup>lt;sup>214</sup> See Al. Kohn & Bob Kohn, Kohn on Music Licensing 554, 1406-17 (2d ed. 1996) (discussing factors affecting license fees and listing typical licensing fees).

<sup>&</sup>lt;sup>215</sup> See 17 U.S.C. §§ 504–505 (allowing remedies for actual damages, profits, statutory damages, attorneys' fees, and potential double penalties); Self, supra note 10, at 74 (characterizing the uncertainty as "enormous" given variability in damages and "notoriously broad" judicial discretion).

<sup>&</sup>lt;sup>216</sup> See KOHN & KOHN, supra note 214, at 554-57 (discussing factors that affect the value of a song); Self, supra note 10, at 74 (analyzing factors affecting copyright settlement negotiations). This could cause significant conflict among co-owners over whether to settle or continue litigating in the hope that the damages awarded would be high. A retroactive transfer would effectively allow one dissenting co-owner to decide for the rest of her co-owners.

<sup>&</sup>lt;sup>217</sup> See 17 U.S.C. § 504(c) (providing a range for statutory damage awards).

per infringement.<sup>218</sup> The same could be said when the licensing coowner settles the claim or grants a retroactive license for a paltry sum; again, the nonlicensing co-owner would be forced to settle for her share of that sum rather than suing for potentially more substantial statutory damages. The co-owner's right to elect statutory damages vests when the infringement claim accrues; permitting retroactive transfers to abrogate this vested right on the notion that an accounting would suffice neglects these considerations.

Third, giving curative power to retroactive licenses would likely encourage, rather than discourage, infringement—a clear antithesis to Copyright Act's goal of exclusive-rights protection. Infringement would be encouraged primarily because an infringer—faced with the threat of high statutory damages in an infringement suit—has the option to pay her way out of the suit by obtaining a retroactive license from only one co-owner, perhaps one that is not even a party to the action and willing to settle for less than the suing co-owner would be. 219 To be sure, the settling (or license-granting) co-owner could hold out for a higher settlement (or licensing fee), if she is even aware that she is settling on behalf of all co-owners. And while there may not always be a co-owner willing to settle or grant a retroactive license at a bargain to the infringer, the infringer will at worst face the same threat of court-awarded damages. Allowing unilateral retroactive licenses, however, allows for the infringer to find a cheaper way to infringe that otherwise would not exist.<sup>220</sup>

Such incentives, moreover, would specifically encourage *willful* infringement, for which the Copyright Act evinces a strong aversion. <sup>221</sup> If a potential infringer believes that it should not matter whether she receives authorization before or after she exploits a jointly owned copyrighted work, she would be more likely to proceed with authorization than if it were not possible to receive retroactive authorization. There is no guarantee that she would be able to receive authorization. Under the *Davis* rule, however, potential infringers are faced with the

See Davis v. Blige, 505 F.3d 90, 106 n.14 (noting that retroactive transfers could thwart infringement suits).

<sup>&</sup>lt;sup>218</sup> Id

Of course, that cheaper option would be available ex ante in the form of an ordinary prospective license from a coowner who grants a license at a low fee. Such a situation, however, is not discouraged by the Copyright Act, but expressly encouraged. 17 U.S.C. § 201(d).

 $<sup>^{221}</sup>$  See supra text accompanying notes 154-156 (noting that the Copyright Act punishes willful infringement with harsher penalties than it does with nonwillful infringement).

threat of continued litigation and penalties for infringement on the one hand, or settling with each and every co-owner of the copyrighted work on the other. Neither choice is appealing, and the latter is especially unattractive—probably so unattractive that any potential infringer would likely make every effort to obtain a license *before* using the work.

Furthermore, the circumstances of retroactive licenses are not necessarily such that the market has failed and the work, but for a retroactive license, would not reach the public. Since, after all, one of the co-owners was willing to license the work retroactively instead of litigating to judgment, it is unlikely that each of the co-owners was unwilling to license the work ex ante. Thus, the threat of market failure is not so strong as to warrant excusing past infringements (or regarding them as cured) in order to increase public dissemination. This solution, since it still permits a co-owner to grant a license prospectively without the consent of her co-owners, should not have the effect of stifling dissemination of works; Tather, it should promote the timely acquisition of licenses.

Accordingly, allowing one joint owner to settle or retroactively license a copyrighted work so as to extinguish a co-owner's right to sue for infringement would not further the goals of the Copyright Act. Instead, such curative retroactive licenses appear to make infringement less costly, thus promoting the unauthorized exploitation of copyrighted works.

#### CONCLUSION

The rights incident to joint ownership of copyright certainly do not fit comfortably with the notion of the exclusivity of these rights.

<sup>&</sup>lt;sup>222</sup> See supra text accompanying notes 157-158 & 188 (explaining how copyright law provides the incentive to disseminate works).

<sup>&</sup>lt;sup>223</sup> Cf. Letter from Edward A. Sargoy to the Copyright Office, (Oct. 24, 1958), in COMMENTS AND VIEWS SUBMITTED TO THE COPYRIGHT OFFICE ON JOINT OWNERSHIP OF COPYRIGHTS, supra note 201, at 10, reprinted in U.S. COPYRIGHT OFFICE, GENERAL REVISION OF THE COPYRIGHT LAW 12-17 (1959) (asserting that "the bringing of works to public attention and enjoyment would . . . be stifled" if joint owners could not license the work without the consent of their coowners). There is an argument that this solution may have the opposite effect and stifle public dissemination of works. While there may be such an incremental effect, the only basis for this argument is that "a little infringement is a good thing." Courts, however, are largely unwilling to endorse such a view in the absence of a market failure. See Gordon, supra note 157, at 1627-33 (noting that courts are more likely to find fair use than infringement where market bargains are unavailable).

Since each co-owner has the ability to exploit or to authorize an exploitation of a copyrighted work without the consent of her co-owners, there will be circumstances where one co-owner acts against the wishes of her co-owners. For the most part, copyright law protects unwilling co-owners, particularly through the duty to account.

The legal fiction of a retroactive transfer of authorization serves only the purpose of cutting short a lawsuit for infringement that has already been committed and that a nonauthorizing co-owner has a right to prosecute. The accounting remedy proves insufficient in such a situation—the Copyright Act entitles a co-owner to more, in the hopes of preventing infringement and encouraging the development and dissemination of creative works. The Copyright Act references the laws of tenancy in common and contract law, and recourse to these areas of law can illuminate much about the rights and duties that co-owners owe each other. Both of these areas of law, as well as the underlying goals of the Copyright Act, support the conclusion that retroactive transfers should not be able to cure prior infringement.

The traditional ability of a copyright owner to license a work however she pleases may make this tough to swallow for some in the entertainment industry, where joint ownership is a common companion to the creation of works. Yet since the vested copyrights of a co-owner would be eliminated and the goals of the Copyright Act compromised, unilateral retroactive transfers should not be allowed to cure prior infringing acts.