DAVIS V. BLIGE: THE SECOND CIRCUIT’S REJECTION OF RETROACTIVE COPYRIGHT LICENSES

By Michael Todd Mobly

On August 28, 2001, MCA Records released Mary J. Blige’s album “No More Drama.”¹ This critically acclaimed album—the “Queen of Hip-Hop Soul’s” fifth studio release—moved over five million units worldwide and earned Blige a Grammy.² However, with the success of “No More Drama” came setbacks. Soon after the album was released, a legal dispute began regarding the copyrights in the musical compositions for two of the album’s tracks.

In Davis v. Blige, the Second Circuit announced that both transfers of ownership interest in a copyright and the conveyance of nonexclusive licenses to exploit a copyright are prospective—neither may be applied retroactively to cure past infringement.³ Although various district courts have addressed this issue, the Second Circuit was the first of the courts of appeals to do so.⁴ The court stated that its new rule was based on traditional principles of copyright liability and that it was intended to further the policy goals of facilitating predictability and discouraging infringement of joint works.⁵

Some commentators have argued that this rule is inconsistent with the 1976 Copyright Act (1976 Act) and that the court erroneously relied upon tort law to reach its decision.⁶ However, others have asserted that reliance on tort law to define the boundaries of copyright liability is deeply rooted

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³ Davis v. Blige, 505 F.3d 90, 104 (2d Cir. 2007), cert. denied, 129 S. Ct. 117 (2008).
⁴ Id. at 97.
⁵ Id. at 103-05.
in copyright jurisprudence. This Note will address both of these contentions. It will also analyze the two policy rationales—facilitating predictability and discouraging infringement—the court provided to justify the promulgation of a prohibition on retroactive transfers and retroactive non-exclusive licenses.

To facilitate this discussion, Part I examines the nature and scope of copyright protection for joint works by defining “joint works,” addressing issues regarding their ownership, and explicating how that ownership is exploited and alienated. Part II focuses on the specific situation that gave rise to Davis and discusses how the district court and the Second Circuit confronted that situation. Part III analyzes the Second Circuit’s decision and highlights possible complications that Davis may present.

This Note argues that the Second Circuit’s holding is rooted in and consistent with traditional notions of copyright liability and that the court’s rule furthers its stated policy goals. However, the Second Circuit’s decision in Davis does leave two important issues unaddressed: (1) the 1976 Act’s allowance for co-owners of joint works to grant, unilaterally, prospective nonexclusive licenses is itself inconsistent with the court’s policy goals of facilitating predictability and discouraging infringement; and (2) the rule creates uncertainty regarding the status of previously existing retroactive conveyances granted pursuant to settlement agreements.

Davis does make advances toward striking a balance between providing co-owners full freedom to exploit and alienate their ownership interests in their joint work and ensuring that all co-owners maintain the reliable ability to protect and enjoy the exclusive rights in their work. However, the case also highlights how courts can only go so far in facilitating predictability, certainty, and fairness amongst co-owners of a joint work. Co-ownership of joint works may result in numerous complications. Co-owners should be aware of these complications and attempt to mitigate them by entering into detailed written agreements that shape the contours of the co-ownership of the copyright in their joint works.

I. BACKGROUND

Prior to the 1976 Act, common law governed joint ownership of copyright. However, the 1976 Act codified the common law principles and


stated that a joint work is "a work prepared by two or more authors with
the intention that their contributions be merged into inseparable or inter-
dependent parts of a unitary whole."9 If the joint work qualifies for copy-
right protection,10 the joint authors become co-owners of the copyright in
that joint work.11

This Part begins with an examination of the ways in which courts have
interpreted the statutory definition of joint works and the ways in which
courts have determined who are considered authors of joint works. It then
addresses the rights and responsibilities that those authors have as co-
owners of the copyright in the joint work. It concludes with a discussion of
an issue specific to Davis—whether transfers of copyright ownership may
operate retroactively.

A. Requirements for Joint Work Status

Most courts have interpreted the statute as emphasizing the authors’
intent as the primary requirement for joint work status—the authors must,
at the time of the work’s creation, intend that each contribution be in-
cluded in an integrated unit.12 For example, the Second Circuit has ex-
plained that “[t]he wording of the statutory definition appears to make re-
levant only the state of mind regarding the unitary nature of the finished
work—an intention ‘that their contributions be merged into inseparable or
interdependent parts of a unitary whole.’”13 The Ninth Circuit has pro-
vided factors that should be considered when determining if the authors
intended for their contribution to be merged into a unitary whole: (1)
whether each contributor exercises control in the creation and production
of the work; (2) whether all of the contributors demonstrated objective
manifestations of an intent to be deemed co-authors of the joint work; and
(3) whether the work’s “audience appeal” can be attributed, at least in part,
to each of the contributions.14

In addition to the intent requirement, most of the federal circuits have
interpreted the 1976 Act to require that each contributor provide an inde-
pendently copyrightable contribution to the work.15 Although the Second

10. The 1976 Act states, “Copyright protection subsists ... in original works of au-
thorship fixed in any tangible medium of expression, now known or later developed,
from which they can be perceived, reproduced, or otherwise communicated, either direct-
ly or with the aid of a machine or device.” 17 U.S.C. § 102(a) (2006).
Circuit has adopted this additional requirement, it found the issue to be "troublesome" because the 1976 Act lacks explicit direction that each authors' contribution be independently copyrightable. Nevertheless, the Second Circuit was "persuaded to side with the position taken by the case law and endorsed by the agency administering the Copyright Act." To support its decision, the court noted that the independent copyrightability requirement might be beneficial in curbing fraudulent claims "by those who might otherwise try to share the fruits of the efforts of a sole author of a copyrightable work . . . ."  

B. Ownership of Joint Works

Courts have long analogized the relationship between copyright co-owners to that of tenants-in-common in property law. The legislature ratified this analogy in the 1976 Act. Like tenants-in-common, co-owners of a joint work share equal undivided interests in the work as a whole. This remains true, at least in the copyright context, notwithstanding inequalities in each co-owner's respective contributions to the joint work. Therefore, if one author's contribution could be quantified or qualified as less substantial than another author's contribution, both authors, as co-owners of the joint work, would still possess equal undivided interests in the work. However, co-owners may contractually reallocate ownership interest through a written agreement. Co-owners of a joint work are also similar to tenants-in-common in that they, independently, are entitled to exploit their interest in the common property. However, that right also may be contractually altered.

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16. Childress, 945 F.2d at 506-07.
17. Id. at 507 (noting that "[t]he Register of Copyrights strongly supports this view, arguing that it is required by the statutory standard of 'authorship' and perhaps by the Constitution.").
18. Id.
19. See, e.g., Maurel v. Smith, 271 F. 211, 214 (2d Cir. 1921) (stating that "there is no distinction, independent of statute, between [copyrighted property] and property of any other description").
20. H.R. REP. NO. 94—1476, at 121 (1976), as 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 . . . .").
21. NIMMER, supra note 15, § 6.08.
22. Id.
23. Id.
1. **Transferring Ownership Interest in the Joint Work**

Without obtaining his or her co-owners’ consent, a co-owner may transfer to a third party his or her proportional share of ownership interest in the joint work.\(^{26}\) In such a situation, the transferor relinquishes her ownership interest to the transferee. The transferee, then, becomes co-owner of the transferred interest in the joint work. To illustrate, consider the following example. Allison and Bob are co-owners of a joint work—a musical composition. They each own an equal undivided interest in the copyrighted composition’s exclusive rights.\(^{26}\) Allison may, without Bob’s consent, transfer her fifty percent ownership interest in the composition’s exclusive rights to Charlie. Thereafter, Charlie and Bob are co-owners of the composition. Allison relinquished her ownership interest in the composition and, therefore, is no longer a co-owner of the work.

Allison, however, need not have transferred her proportional share in all of the composition’s exclusive rights to Charlie. If she had so desired, Allison could have transferred to Charlie her proportional share of only one of the composition’s exclusive rights—perhaps the exclusive right to prepare derivative works of the composition.\(^{28}\) In this situation, Bob and Charlie are co-owners of the exclusive right to prepare derivative works,
while Allison and Bob are co-owners of the composition's other exclusive rights.

Although Allison may transfer to Charlie her proportional share of the exclusive right to prepare derivative works of the composition, she is prohibited from unilaterally transferring complete ownership of the exclusive right itself. One co-owner may not transfer ownership of any exclusive right in its entirety unless all of the co-owners consent to the transfer.\textsuperscript{29} Once 100 percent ownership of an exclusive right is transferred, only the transferee may exploit that right. If Allison were permitted, unilaterally, to transfer ownership of an exclusive right to Charlie, she would impair Bob's interest in that exclusive right. Allison cannot do this because co-owners of a joint work are prohibited from exploiting the work in a way that impairs the interests of fellow co-owners.\textsuperscript{30} Therefore, co-owners may unilaterally transfer their proportional share of ownership interest in an exclusive right, but they may not transfer the entirety of the ownership interest in an exclusive right without the consent of their fellow co-owners.\textsuperscript{31}

2. Nonexclusive Licenses to Exploit a Joint Work

Although a co-owner is prohibited from unilaterally transferring the entirety of the ownership interest in an exclusive right to a third party, one co-owner may grant a third party a nonexclusive license to exploit the joint work's exclusive rights.\textsuperscript{32} For example, although Allison, without Bob's consent, may not convey to Charlie the exclusive right to reproduce the joint work, Allison may, without Bob's consent, grant Charlie a non-exclusive license to reproduce the joint work. This is permitted because a nonexclusive license does not convey an ownership interest to the licensee.\textsuperscript{33} Rather, nonexclusive licenses permit licensees merely to exploit the joint work.\textsuperscript{34} Because nonexclusive licenses do not permit the licensee to exclude others from exploiting the joint work, nonexclusive licenses may be granted to multiple licensees.\textsuperscript{35} Therefore, "[a] co-owner may grant a non-exclusive license to use the work unilaterally, because his co-owners may also use the work or grant similar licenses to other users and because

\textsuperscript{29} See Maurel v. Smith, 271 F. 211, 216 (2d Cir. 1921).
\textsuperscript{30} Id.
\textsuperscript{31} Id. at 215 ("[W]hen the [co-owners] granted right[s] . . . they could but transmit what they had to part with, and they could not transfer what interest the [other co-owner] had.").
\textsuperscript{32} Nimmer, supra note 15, § 6.10[A].
\textsuperscript{33} See id.
\textsuperscript{34} Id.
\textsuperscript{35} See Davis v. Blige, 505 F.3d 90, 101 (2d Cir. 2007).
the nonexclusive license presumptively does not diminish the value of the copyright to the co-owners.”

Although co-owners can freely grant nonexclusive licenses without the consent of their fellow co-owners, there are limitations on the licensee’s ability to alienate a nonexclusive license. Courts maintain that a nonexclusive license is personal to the licensee; therefore, the nonexclusive licensee cannot sublicense without the consent of the licensor. Courts imported this principle from patent law’s nonassignability doctrine. Under the 1909 Act, this nonassignability doctrine applied to both nonexclusive and exclusive licenses. However, with the exception of the Ninth Circuit, courts have held that under the 1976 Act, exclusive licensees may sublicense without the consent of the licensor.

3. Duty to Account to Co-Owners

The ability to exploit and to alienate the joint work is subject to one important limitation—co-owners are obliged to account for any profits made. If a co-owner personally exploits the joint work, she must account to the other co-owners for a prorated share of the profits that she generated. Similarly, if a co-owner grants a third party a nonexclusive license to exploit the work, the licensing co-owner must account to the non-licensing co-owners for a prorated share of the profits generated from the licensing agreement. The licensee, however, is not obliged to account to the non-licensing co-owners. Rather, the licensee must adhere to the contractual obligations established in the licensing agreement. For example, Allison and Bob, as previously discussed, are co-owners of a musical composition. Allison grants Charlie a nonexclusive license to reproduce and distribute the composition. According to the nonexclusive licensing agreement, Charlie will sell the composition for ten dollars. For every composition

36. *Id.*
40. *See id.* at 801-02.
41. Menell, *Bankruptcy*, supra note 37, at 801 (“[I]n the Ninth Circuit, the ‘applicable law’ prohibits the assignment of exclusive licenses without the licensor’s consent.”).
42. NIMMER, *supra* note 15, § 6.12[A].
43. Only co-owners are subject to the duty to account. Because nonexclusive licenses do not convey an ownership interest in the copyright, nonexclusive licensees are not co-owners of the copyright. Therefore, nonexclusive licensees are not subject to the duty to account. NIMMER, *supra* note 15, § 6.12[B].
44. *Id.*
Charlie sells, he will give Allison two dollars. Charlie is under no duty to account to Bob. Yet Allison is. For every two dollars that Allison receives from Charlie, she must give one dollar to Bob.

However, if Allison were to sell Charlie her ownership interest in the musical composition, she would not have to account to Bob for the proceeds of that sale because the right to an accounting may only be enforced against other co-owners. Once Allison sells her ownership interest, she is no longer a co-owner. In this situation, Charlie, the transferee, is replacing Allison, the transferor, as a co-owner. The transferee, as a new co-owner, now carries the duty to account to the other co-owners for any profits he may realize from exploiting or licensing the joint work.45

The discussion above helps to illuminate the importance of distinguishing between a transfer of ownership interest in a joint work and a grant of a nonexclusive license to use the joint work.46 The two forms of conveyance trigger different rights and responsibilities regarding the joint work.

4. Methods of Conveyance for Transfers of Ownership Interest and Nonexclusive Licenses

Prior to the 1976 Act, transfers of an ownership interest in a copyright could be conveyed orally or by conduct.47 However, the 1976 Act rejected that practice and required that transfers of copyright ownership be memorialized in writing.48 Courts have interpreted the statute to permit oral or implied grants of nonexclusive licenses because they do not convey an ownership interest to the licensee.49

Although the 1976 Act does state that transfers of ownership interest must be made in writing, it does not state whether the writing must be memorialized contemporaneously to the agreement. The Second Circuit has addressed this gap in the 1976 Act, and it has held that a subsequent writing may ratify a prior oral transfer agreement. In Dan-Dee Imports, Inc. v. Well Made Toy Manufacturing Corp., the Second Circuit stated that “[i]t is hornbook law, of course, that the memorandum need not be contemporaneous with the [transfer agreement].”50 The Second Circuit provided a more detailed rationale for permitting the written ratification of a prior oral transfer agreement in Eden Toys, Inc. v. Florelee Undergarment

45. Id. § 6.12[C][1].
46. Id.
47. Eden Toys, Inc. v. Florelee Undergarment Co., 697 F.2d 27, 36 (2d Cir. 1982).
49. NIMMER, supra note 15, § 10.03[7].
Co., where the court observed that the purpose of the writing requirement is to prohibit persons from fraudulently claiming that they received an oral license as a defense to an infringement suit. The court explained that when "the copyright holder appears to have no dispute with its licensee on this matter, it would be anomalous to permit a third party . . . to invoke this provision against the licensee." Therefore, according to the Second Circuit, the writing requirement cannot be invoked by a third party if both parties to the oral licensing agreement, at some point, have acknowledged the validity of the agreement by ratifying it in writing.

C. Retroactive Transfers and Nonexclusive Licenses of Joint Works

Several district courts have ruled that transfers of ownership interest and nonexclusive licenses can apply retroactively to cure past infringement. In many of these cases, the courts held that defendants were immunized from liability to one co-owner of a joint work because they were granted retroactive transfers or licenses from another co-owner during the course of litigation.

For example, in Lone Wolf v. CBS, Orion Pictures, as part of a settlement agreement, granted a retroactive license to CBS for the nonexclusive right to exploit a derivative work of an original movie produced by Orion and Lone Wolf. Orion and Lone Wolf were co-owners of the copyright in the original movie. However, Lone Wolf was not a party in the original copyright infringement lawsuit against CBS and did not participate in the settlement agreement between Orion and CBS. After Orion settled with CBS, Lone Wolf sued CBS for copyright infringement. The court granted summary judgment for CBS because the retroactive license from Orion insulated CBS from liability to Lone Wolf. The court held that

51. See 697 F.2d at 36.
52. Id.
55. Lone Wolf, 961 F. Supp. at 590.
56. Id.
57. Id.
58. Id.
59. Id. at 598.
Lone Wolf’s sole remedy was an action for an accounting of the profits received by Orion pursuant to the settlement agreement.60

A district court in Louisiana also addressed this issue and held that a retroactive license from one co-owner can immunize a defendant from liability to another co-owner.61 In this case, Tuff City and the plaintiffs were co-owners of a joint work.62 Tuff City granted the defendant, Boutit, a retroactive license pursuant to a settlement agreement.63 Subsequently, plaintiffs sued Boutit for copyright infringement.64 The court held that because Boutit received a retroactive license from Tuff City, plaintiffs’ suit against Boutit had to be dismissed.65

Conversely, the Central District of California in Leicester v. Warner Brothers, held that retroactive licenses cannot cure past infringement.66 The court “reject[ed] the idea that [an] earlier infringement can be retroactively validated by the later grant of [a] license.”67 Though the court failed to address precedent or statutory provisions to support its decision, it alluded to the notion that once infringement occurs each co-owner accrues the right to collect damages for that infringement.68 After the fact licensing, according to this court, could not insulate the infringer from liability for acts already committed.69

A district court in the Sixth Circuit agreed with Leicester and provided policy rationales for doing so.70 The court stated that allowing retroactive licenses to cure past infringement might induce infringement of joint works because if the infringer were caught, the infringer could negotiate with one co-owner for liability immunization through a retroactive license.71 This, the court held, “would plainly contradict the purposes underlying federal copyright law.”72 The court, however, failed to explain

60. Id. at 597.
62. Id. at *1.
63. Id.
64. Id.
65. Id. at *4.
67. Id.
68. See id. (“[O]ne owner of a joint authorship work may sue for infringement of the joint work . . . . [I]f an infringement [occurs, it cannot] be later validated by the grant of the license.”).
69. Id.
71. Id.
72. Id.
what it considered to be the purposes underlying federal copyright law; it also did not address the potential remedy provided through an action for an accounting—a remedy that the Southern District of New York determined to be sufficient.\(^{73}\)

II. \textit{DAVIS v. BLIGE}

The Southern District of New York held that a retroactive transfer of ownership interest could cure past infringement and granted Blige’s motion for summary judgment.\(^{74}\) However, the Second Circuit reversed and announced a broad rule of law in the process—neither transfers of ownership interest in a copyright’s exclusive rights nor nonexclusive licenses to exploit a copyright apply retroactively.\(^{75}\)

This Part will first flesh out the situation that gave rise to the copyright infringement suit against Blige and her co-defendants. It will then briefly discuss the district court’s ruling before moving to a more in depth look at the Second Circuit’s treatment of this case.

A. \textit{Davis v. Blige: Facts}

In 1998, Sharice Davis and Bruce Chambliss (Blige’s stepfather) composed and recorded the song “L.O.V.E.” at a mutual friend’s home and a second song, “Don’t Trade in My Love,” at Ruff Riders Studio.\(^{76}\) Sometime after this recording session, Davis played “L.O.V.E.” for Blige. Blige enjoyed what she heard and soon sent her brother, Bruce Miller (Chambliss’ son), to purchase the copyrights in several of Davis’s compositions. Davis, hoping to use the songs to jumpstart her own singing career, declined the offer.\(^{77}\) However, Davis’s refusal failed to deter Blige and Miller, who copied Davis’s composition for “L.O.V.E.” and heavily relied upon “Don’t Trade in My Love” to create Blige’s composition for “Keep it Moving.” After recording the songs, Blige and Miller decided to include both of these records on Blige’s upcoming project, “No More Drama.” Davis did not receive song-writing credit on the album.\(^{78}\)

Chambliss, an original co-owner of the copyrights in the challenged compositions, testified that prior to Blige and Miller using the composi-


\(^{74}\) Davis v. Blige, 419 F. Supp. 2d 493, 499 (S.D.N.Y. 2005), rev’d, 505 F.3d 90 (2d Cir. 2007).

\(^{75}\) Davis v. Blige, 505 F.3d 90, 104 (2d Cir. 2007).

\(^{76}\) Id. at 94.

\(^{77}\) Id.

\(^{78}\) Id.
tions, Chambliss entered into an oral agreement with Miller. This agreement transferred to Miller all of Chambliss’ ownership interest in the challenged compositions. Although this oral transfer allegedly occurred in 1998, Chambliss and Miller failed to ratify the agreement in writing until June of 2004, one day before Chambliss’ deposition. The written agreement, like the oral agreement, transferred to Miller all of Chambliss’ ownership interest in the challenged compositions’ copyrights. Additionally, the written agreement was backdated to take effect on the date that those compositions were first created.

In August 2001, Blige and Miller registered “Love” and “Keep It Moving” with the United States Copyright Office. In February 2002, Blige and Miller conveyed an exclusive license to Universal Tunes to reproduce and distribute the compositions included on the album. In August 2002, Davis registered her compositions for “L.O.V.E.” and “Don’t Trade in My Love” with the Copyright Office and promptly sued Blige and Miller for copyright infringement.

B. The District Court Holds that Transfers and Nonexclusive Licenses Can Apply Retroactively and Grants Blige’s Motion for Summary Judgment

Davis brought actions against Blige and Miller for infringement of her copyrights in the disputed compositions by: “(1) recording and registering copyrights on ‘Love’ and ‘Keep It Moving,’ which were substantially similar to her compositions, and (2) falsely attributing authorship to [the defendants].” The defendants answered that (1) Chambliss and Miller entered into an oral agreement whereby Chambliss transferred his ownership interest in the compositions’ copyrights to Miller before Blige and Miller used the compositions, and (2) that a written agreement ratified this prior oral agreement. Arguing in the alternative, the defendants claimed that this written agreement explicitly stated that it was intended to apply retroactively. According to the defendants, Chambliss’ retroactive transfer to Miller effectively made Miller a co-owner of the disputed compositions’ copyrights on the day that Chambliss composed and recorded those compositions.

79. Id. at 95.
80. Id.
81. Id.
82. Id. at 94.
83. Id.
84. Id.
85. Id. at 96.
86. Id. at 95, 96.
87. Id. at 96.
two tracks. Therefore, because a co-owner cannot sue another co-owner, Davis can neither bring suit against Miller, nor can she bring suit against Blige, because Miller assigned the use of the compositions to Blige. 88

Although the district court stated that the Second Circuit previously had determined that the 1976 Act’s writing requirement could be satisfied by the written ratification of a prior oral agreement, the court did not base its decision on this point of law. 89 The court refrained from doing so because the complicated and highly suspect nature of the situation surrounding this oral agreement left many questions of genuine fact that could not be resolved during a hearing on a motion for summary judgment. 90 Therefore, the court based its decision on defendants’ ability to “cure past infringement” by receiving a retroactive assignment of the copyright. 91 To support this, the court cited previous decisions addressing this issue and coming to substantially similar conclusions. 92 The district court, after holding that Chambliss’ retroactive transfer to Miller immunized defendants from copyright infringement liability, granted the defendants’ motion for summary judgment.

C. The Second Circuit’s Reversal

The Second Circuit reversed and remanded. 94 Whether a co-owner of a joint work can transfer retroactive ownership interests to a third party, thereby eliminating the accrued rights of the other co-owners to sue for infringement, was a matter of first impression for the Second Circuit. The court, acknowledging that the 1976 Act is silent on the issue, held that this type of retroactive conveyance is invalid. 95 The court ruled that transfers of ownership interests and grants of nonexclusive licenses only apply prospectively. 96

The court looked to New York property law, specifically the laws governing tenancy in common, to determine the extent to which one co-owner can or cannot bind other co-owners to an agreement concerning the alienation of jointly owned copyrights. 97 The court explained that copyright ownership is similar to property ownership in that it contains numer-

88. Id. at 96-97.
90. Id.
91. Id. at 500.
92. Id. at 499-501.
93. Id.
94. Davis v. Blige, 505 F.3d 90, 109 (2d Cir. 2007).
95. Id. at 97-98.
96. Id. at 103.
97. Id. at 102.
ous discreet rights, which taken together, comprise the entirety of the ownership interest in the copyright. The court stated that one of these discreet rights is the right to sue for infringement. If a copyright is infringed, all co-owners receive an equal undivided right to sue for infringement. Therefore, if one co-owner transfers retroactive rights to exploit the copyright, this would extinguish the other co-owners already accrued right to sue for infringement. This, the court decided, a co-owner cannot do unilaterally. The court stated that, "a retroactive license or assignment would—if given legal effect—erase the unauthorized use from history with the result that the nonparty co-owner’s right to sue for infringement, which accrues when the infringement first occurs, is extinguished."

The court also noted two policy reasons to support its decision: (1) the need to facilitate predictability and create certainty regarding ownership of joint works, and (2) the need to discourage infringement. The court explained that prohibiting retroactive transfers and nonexclusive licenses allows co-owners of joint works to identify infringers with greater ease. Additionally, the prohibition will provide co-owners with the confidence that they may bring suit against infringers without the fear that their co-owners could interfere by immunizing infringers with retroactive conveyances. Similarly, the inability of one co-owner to undercut another co-owner's lawsuit by granting a retroactive conveyance to an infringer will, according to the Second Circuit, deter infringement. The Second Circuit explained that if a potential infringer knows that he cannot buy his way out of an infringement suit, he will be less likely to transition from potential to actual infringement.

Ultimately, the Second Circuit, like the district court, did not address whether Chambliss and Miller’s written agreement could ratify their prior oral agreement. This, apparently, leaves the holding in Eden Toys—that written agreements do not have to be contemporaneous with the oral transfer—intact. Rather, the court focused solely on whether transfers and nonexclusive licenses can apply retroactively. The Second Circuit disagreed

98. Id. at 98.
99. Id. at 99.
100. See id.
101. Id. at 103.
102. Id.
103. Id.
104. Id. at 105.
105. Id.
106. Id.
107. Id. at 106.
with the district court's ruling because the "decisions relied upon . . . involved retroactive licenses granted pursuant to negotiated settlements of accrued infringement claims."\textsuperscript{108} The court explained that the case before it did not involve a retroactive license granted pursuant to a negotiated settlement; therefore, it was distinguishable.\textsuperscript{109} Notwithstanding the Second Circuit's attempt to distinguish \textit{Davis} from prior cases upholding retroactive transfers pursuant to settlement agreements, the court took the opportunity to address that line of cases. In dicta, the court announced 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."\textsuperscript{110} Because the cases cited by the district court did rely on settlement agreements to extinguish claims held by co-owners who were not parties to those settlement agreements, it seems that \textit{Davis} has called into question the continued validity of those decisions.

III. DISCUSSION

Following the Second Circuit's decision in \textit{Davis}, neither transfers of ownership interest in a copyright nor nonexclusive licenses can apply retroactively to cure past infringement. This Part demonstrates that this holding is rooted in, and consistent with, traditional notions of copyright liability. This Part also highlights the ways in which \textit{Davis}'s rule furthers the court's policy goals—facilitating predictability and discouraging infringement. However, the Second Circuit's decision in \textit{Davis} does leave two important issues unaddressed: (1) the 1976 Act's allowance for co-owners of joint works to grant, unilaterally, prospective nonexclusive licenses is itself inconsistent with the court's policy goals of facilitating predictability and creating certainty; and (2) the rule creates uncertainty regarding the status of previously existing retroactive conveyances granted pursuant to settlement agreements.

\textbf{A. The Second Circuit's Rule that Neither Transfers Nor Nonexclusive Licenses Can Apply Retroactively to Cure Past Infringement is Consistent with Traditional Principles of Copyright Liability}

In \textit{Davis}, the Second Circuit stated that because tort principles shaped copyright liability, the court had to "examine carefully whether retroactive licenses and assignments that extinguish a co-owner's accrued right to sue

\textsuperscript{108} \textit{Id.} at 101.
\textsuperscript{109} \textit{Id.}
\textsuperscript{110} \textit{Id.} at 102.
are consistent with the general principles of tort...law that underlie the accrual and settlement of infringement claims." The court explained that when a tort is committed and damages are incurred, the injured party immediately accrues the right to bring suit. For example, when one party trespasses upon the property of another, the owner of that property accrues the right to sue the trespasser for any damages the trespasser caused. According to the Second Circuit, there is nothing in the history of tort law to insinuate that a tortfeasor may be immunized from liability by a third party. Therefore, the court reasoned, because the same principles apply to copyright infringement, an infringer may not be immunized from liability by a co-owner who is not a party to the infringement suit.

Scholars also have advocated the notion of looking to tort law to "delineate[e] the contours of copyright liability." Professors Peter Menell and David Nimmer have argued that throughout the nineteenth and early twentieth centuries, "courts looked to the law of torts as the wellspring for determining the boundaries of copyright liability." For example, in 1924 Judge Cardozo stated that "[t]he author who suffers infringement of his copyright...may count upon the infringement as a tort, and seek redress under the statute by action in the federal courts." Additionally, in Ted Browne Music Co. v. Fowler, the Second Circuit held that "[c]ourts have long recognized that infringement of a copyright is a tort."

However, some have criticized the Second Circuit's reliance on tort law. For example, William Patry argued that the Second Circuit should not have turned to principles of tort law because the 1976 Act provides sufficient guidance. Patry explains that, according to the 1976 Act, once an ownership interest in a copyright has been transferred, or once a license to exploit any of the copyright's exclusive rights has been granted, the transferee or the licensee is immunized from infringement liability regardless of whether the transfer or license was conveyed after the infringement

111. Id. at 103.
112. Id.
113. Id. at 104.
114. Id.
115. Menell, Unwinding Sony, supra note 7, at 996.
116. Id.
117. Id.
118. Ted Browne Music Co. v. Fowler, 290 F. 751, 754 (2d Cir. 1923); see also Screen Gems-Columbia Music, Inc. v. Metlis & Lebow Corp., 453 F.2d 552, 554 (2d Cir. 1972) ("Copyright infringement is in the nature of a tort.")
119. Patry, supra note 6.
120. Id.
occurred. Patry contends that for co-owners and licensees, infringement immunity is absolute. The 1976 Act provides a remedy—the duty to account.

Patry does not, however, support his argument by highlighting any provision of the 1976 Act that states that co-owners or licensees are immunized from liability for infringement that occurred prior to becoming a co-owner or licensee. Indeed, Patry fails to mention that the legislative history for the 1976 Act states that Congress saw “no need for a specific statutory provision concerning the rights and duties of the coowners of a work” and that “court-made law on this point is left undisturbed.” As Menell and Nimmer have demonstrated, court-made law regarding liability for copyright infringement is rooted in principles of tort law. Because the Second Circuit’s rule—transfers and nonexclusive licenses cannot apply retroactively to cure past infringement—is consistent with principles of tort law, and because copyright liability historically has been shaped by principles of tort law, the Second Circuit’s decision seems firmly rooted in both traditional copyright jurisprudence and legislative intent behind the 1976 Act.

B. The Second Circuit’s Rule that Transfers and Nonexclusive Licenses Cannot Apply Retroactively to Cure Past Infringement Furthers the Court’s Stated Policy Goals

The Second Circuit’s decision in Davis also appears to be a reasonable manner of furthering the court’s stated policy goals—facilitating predictability and discouraging infringement—by eliminating incentives willfully to infringe joint works. Regarding predictability, the Second Circuit stated that retroactive transfers and retroactive nonexclusive licenses would prohibit co-owners of a joint work from definitively knowing if their work has been infringed, because any infringement could potentially be “undone” by one co-owner granting a retroactive conveyance to the infringer. Therefore, by proscribing retroactive conveyances, the Second Circuit has provided co-owners with the ability to know more reliably who is entitled to exploit the work. Furthermore, because co-owners know that infringement cannot be undone by a retroactive conveyance,
they can be more certain in their ability to protect their interest in the joint work’s copyright by successfully bringing suit.\textsuperscript{128}

Regarding the discouragement of infringement, the Second Circuit presents valuable observations as to why a prohibition on retroactive transfers and retroactive nonexclusive licenses is beneficial. The court explained that “retroactive activity lowers the cost of infringement to infringers, thus making infringement more attractive.”\textsuperscript{129} This might be the case because “[a]n infringer could ‘buy’ his way out of an infringement suit . . . by paying a single co-owner” for a nonexclusive license or a transfer of ownership interest.\textsuperscript{130} It is quite possible that this could be a viable option because one co-owner might be willing to accept an offer from the infringer, which “is likely to cost much less than the value of the copyright interest including the cost of litigation.”\textsuperscript{131}

However, the settling co-owner’s duty to account to the plaintiff co-owner for any profits received pursuant to a settlement agreement may mitigate the risk of one co-owner undercutting the plaintiff co-owner’s infringement suit by granting a retroactive nonexclusive license. If the settling co-owner’s motives were purely pecuniary, it would be in his or her best interest to pursue the most lucrative option because a co-owner must account to the other co-owners for any profit received. In such a situation, the duty to account creates an incentive for non-suing co-owners to balance the financial benefits of granting a retroactive nonexclusive license against the potential damages that may be received as a result of another co-owner’s successful infringement suit. Yet it seems reasonable that not all co-owners will grant retroactive licensing agreements to immunize a third party from another co-owner’s infringement suit for pecuniary purposes. As Davis demonstrates, some co-owners may desire purely to grant retroactive immunity from copyright liability to a third party for personal reasons—or for consideration not subject to the duty to account.\textsuperscript{132} Perhaps the fear of such situations guided the court’s decision in Davis.

C. The Ability to Grant Prospective Nonexclusive Licenses is Inconsistent with Davis’s Policy Goals

Although the Second Circuit’s rule in Davis does provide a means of limiting uncertainty and facilitating predictability amongst co-owners of a joint work, it fails to fully address this issue. The court demonstrates how

\textsuperscript{128} Id.
\textsuperscript{129} Id. at 106.
\textsuperscript{130} Id.
\textsuperscript{131} Id.
\textsuperscript{132} See id. at 90.
retroactive transfers and retroactive nonexclusive licenses potentially obfuscate the boundaries of ownership interests in joint works. Retroactive transfers would inhibit co-owners' knowledge of who maintains a right to exploit the joint work—an infringer today could potentially be a valid co-owner or licensee tomorrow. However, the court fails to confront that the ability of all co-owners, unilaterally, to grant nonexclusive licenses can cause similar obfuscation with regard to contemporaneous or prospective activity. Although only retroactive transfers or nonexclusive licenses undermine a co-owner's already accrued right to sue for infringement, the ability to grant nonexclusive licenses prospectively does limit a co-owner's knowledge about or control over who maintains a right to exploit the joint work. Regardless of a prohibition on retroactive activity, one co-owner might never know who is included in the pool of authorized users or licensees of a copyright at any given time.

Furthermore, because nonexclusive licenses may be conveyed orally or through conduct, infringers may still be capable of avoiding liability for infringing a joint work. To do so, the infringer would have to negotiate a fraudulent oral agreement with a co-owner who is not a party in the litigation. Yet the potential exists nonetheless. Given the right price, some co-owners might be willing to sell fraudulent corroboration that a prior oral agreement indeed existed.

The nature of nonexclusive licenses—they may be conveyed unilaterally by one co-owner without the consent or knowledge of the other co-owners—undermines the potential for creating predictability and reliability with regard to co-ownership of joint works. Although the Second Circuit has taken a step toward facilitating heightened certainty amongst co-owners by placing restrictions on their ability to alienate or exploit a joint work retroactively, co-owners should be well aware that the 1976 Act permits unilateral nonexclusive licensing, which places limits on the co-owners' collective ability predictably to control the exploitation of their joint work.

D. Davis Creates Uncertainty Regarding the Status of Retroactive Conveyances Granted Pursuant to Settlement Agreements

Additionally, the statement in Davis that "[a] settlement agreement can only waive or extinguish claims held by a settling owner" and that "it can have no effect on co-owners who are not parties to the settlement agreement" could potentially cause problems for the media industries.133 Prior to Davis, within the Second Circuit, district courts held that defendants

133. Id. at 102.
were immunized from liability to one co-owner because they were granted retroactive licenses from another co-owner pursuant to a settlement agreement.\textsuperscript{134} Parties have relied on such rulings, and it is not uncommon for settlement agreements to contain retroactive licenses to protect the defendant against future lawsuits from co-owners not party to the original litigation.\textsuperscript{135}

The future of such agreements is now unclear. Because settlement agreements often contained retroactive licenses intended to immunize a third party from future infringement actions brought by co-owners who were not party to the settlement agreement, it seems likely that many of those non-settling co-owners will begin to bring suits against the third parties. Under these circumstances, infringers may be liable for damages in addition to expenses already paid under the settlement agreement. Additionally, the co-owners may receive recompense twice—the settling co-owner must account to the non-settling co-owner, and the non-settling co-owner who later prevails in an infringement suit and receives damages must account to the co-owner that had settled previously. Therefore, the Second Circuit’s rule, coupled with the 1976 Act’s duty to account, could result in windfalls for co-owners in situations where one co-owner granted a third party a retroactive license pursuant to a settlement agreement and the other co-owner later prevails in an infringement action against that third party.

IV. CONCLUSION

\textit{Davis}’s prohibition on both retroactive transfers of ownership interest in a copyright and retroactive nonexclusive licenses is consistent with traditional principles of copyright liability. Additionally, the rule does help to further the Second Circuit’s policy goals of facilitating predictability and discouraging infringement. However, the Second Circuit’s rule in \textit{Davis} also highlights that the potential remains for other complications to arise with regard to co-ownership of joint works. A closer look into these complications might provide valuable insight for both co-owners of joint works and the practitioners who counsel them. It does appear that it would be in all co-owners’ best interest to be mindful when creating their joint works. Entering into written agreements at the outset might be helpful in facilitating later disputes between co-owners of a joint work. Such agree-

\begin{itemize}
  \item \textsuperscript{134} See Copyright.net Music Pub’g v. MP3.com, No. 01 Civ. 7321 (JSR), 2003 WL 740757, at *1 (S.D.N.Y. Mar. 4, 2003).
  \item \textsuperscript{135} See Patry, supra note 6; see also Henry L. Self III, Settlement of Infringement Claims by Copyright Co-Owners, 13 TEX. INTELL. PROP. L.J. 65, 73 (2004).
\end{itemize}
ments might outline the roles, responsibilities, and limitations on transferring and licensing the joint work. Addressing the ability to grant nonexclusive licenses in a written agreement may help to further the policy goal of predictability because the co-owners would have reliable knowledge regarding each co-owners' rights and limitations on nonexclusive licensing. This might help to alleviate the number of disputes coming before the courts, and it also might help the courts to adjudicate more easily the disputes that do arise.