Copyright 1955

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Copyright 1955†
by
Melville B. Nimmer*

The following copyright cases, decided during the past year,¹ deserve the careful study of attorneys who would be conversant in the field since each case represents an advance (or retrogression, depending upon your point of view) of considerable significance over previously recognized legal principles. Obviously, no attempt can be made to analyze or even mention every recent copyright case of importance. The cases here analyzed represent those final appellate decisions which seem to me to shape most appreciably the future structure of the law of literary and artistic property.

Warner Bros. Pictures v. Columbia Broadcasting System²

One of the still unsettled and heatedly disputed questions in the field of copyright law is the determination of whether and to what extent characters (as distinguished from the stories in which the characters appear) are subject to copyright protection. The increasing use of well known characters of fiction in new stories produced through entertainment media other than those in which the characters originally appeared makes obvious the importance of this “sequel rights” question.

In Warner Bros. Pictures v. Columbia Broadcasting System² Dashiell Hammett and his publisher, Alfred A. Knopf Inc., sold to Warner Bros. motion picture, television and radio rights in the Hammett story “The Maltese Falcon.” The leading character in this story was a detective named Sam Spade, a forerunner of and prototype for many subsequent “private-eyes.” Sometime after the sale to Warner Bros. Hammett granted to certain third parties the exclusive right to use the character Sam Spade and the other “Maltese Falcon” characters in radio and television, but such grant expressly withheld the right to use the “Maltese Falcon” story. Pursuant to this grant certain radio broadcasts were made over the Columbia Broadcasting System resulting in Warner Bros. bringing the present action for copyright infringement and unfair competition.

† This article was originally a paper delivered under the title “Outstanding Copyright Decisions of the Past Year” before the Conference on Patent, Trademark and Copyright Law of the State Bar of California at the State Bar Convention on September 15, 1955.


¹ The “past year” refers to the period since the previous California State Bar Convention in September 1954.
² 216 F.2d 945 (9th Cir. 1954).
³ Ibid.
In the federal district court Judge Mathes held that there was neither copyright infringement nor unfair competition. On the question of copyright infringement, Judge Mathes easily disposed of the contention that the defendant's radio broadcasts constituted an actionable copying of "The Maltese Falcon" by finding the works dissimilar. The more difficult question was whether mere use by defendant of the character Sam Spade (and certain other characters which originally appeared in "The Maltese Falcon") infringed upon the rights acquired by Warner Bros. Relying upon the fact that the assignment to Warner Bros. did not expressly refer to the exclusive right to the use of the characters, and relying further upon the usage whereby writers of detective fiction customarily write sequels, Judge Mathes concluded that the grant by Hammett and Knopf to Warner Bros. did not include the right to the exclusive use of the characters depicted in "The Maltese Falcon." Judge Mathes' opinion could have stopped at this point. However, taking his lead from the fact that the agreement did expressly grant to Warner Bros. the exclusive right to use the title of the work, Judge Mathes proceeded to evolve a theory that the right to exclude others from using the title of a work and the right to exclude others from making use of the characters contained in a work are both common law rights which are not surrendered upon obtaining statutory copyright since statutory copyright does not protect these elements of a work. Having found that the "common law rights" to the use of both the title and the characters subsisted in the author, Judge Mathes concluded (by an implicit application of the maxim expressio unius est exclusio alterius) that since Hammett expressly granted to Warner Bros. the exclusive right to the use of the title but made no mention of the right to the exclusive use of the characters, this latter right was reserved by the author.

Comment upon Judge Mathes' characterization of the right to exclude others from making use of the title of a work as a common law right which survives the statutory copyright is beyond the scope of this article. It may be noted, however, that preceding cases would appear to have established that neither common law copyright nor statutory copyright protects the title of a work. Such protection, if forthcoming at all, must be founded upon a theory of unfair competition, not copyright.

The most significant aspect of Judge Mathes' opinion is his conclusion

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that the right to the exclusive use of characters is a common law right which survives even after a statutory copyright is obtained on the work embodying the characters. Since common law rights (as distinguished from the limited term of a statutory copyright) exist in perpetuity, the effect of Judge Mathes' determination would be to create a perpetual monopoly of the right to use literary characters even after the works which embody the characters have entered the public domain. Certainly no preceding cases have even hinted at such an extreme result. This implication is contrary to established copyright law, and seems to extend the scope of copyright protection far beyond the dictates of a wise public policy.

During this past year the Court of Appeals for the Ninth Circuit unanimously affirmed Judge Mathes' decision. Although, in affirming, the court of appeals commended a reading of the Judge Mathes opinion, the appellate court pointed out that it had arrived "at like conclusions through somewhat different reasoning." This might be termed an exercise in judicial understatement since where the district court had by implication extended the scope of copyright protection for characters into a perpetual monopoly, the court of appeals adopted an almost diametrically opposite position by in effect placing characters outside the scope of copyright protection.

Like the lower court, the court of appeals also divided its opinion into a discussion of the contractual aspect of the case and an analysis of its copyright phase. With respect to the contract aspect the court of appeals and the district court were in complete agreement. That is to say, both courts agreed that the assignment to Warner Bros. did not include the exclusive right to the use of "The Maltese Falcon" characters. At this point, however, the approaches of the lower and appellate courts diverged. Where Judge Mathes sought to bolster the above construction of the assignment by a copyright theory which creates a perpetual monopoly in characters, the court of appeals instead invoked copyright law to find that even if the assignment to Warner Bros. could be construed to include the exclusive use of the characters, nevertheless Warner Bros. could not claim this exclusive right since under the copyright law Hammett never had such a right to grant. That is to say, the court of appeals found that the right to the exclusive use of characters is not a property right which may be claimed under the copyright law, and hence, it may not be assigned.

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8 Warner Bros. Pictures v. Columbia Broadcasting System, 216 F.2d 945 (9th Cir. 1954). The court of appeals did, however, modify the district court judgment on a collateral issue not here discussed.

9 216 F.2d at 951.

10 It may be that the court intended to confine its theory of the non-assignability of characters to situations involving the rights of an assignee as against an assignor who is also the author. This is suggested by the following passage from the court of appeals opinion: "If Congress had intended that the sale of the right to publish a copyrighted story would foreclose
Thus, the court stated:

It is conceivable that the character really constitutes the story being told, but if the character is only the chessman in the game of telling the story he is not within the area of protection afforded by the copyright.

The court then concluded that since “The Maltese Falcon” characters are not within the area of protection afforded by the copyright, Hammett had no property right to grant with respect to the characters and, therefore, Warner Bros., regardless of the content of the assignment to them, could not claim to be the grantees of such a right.

It is true that the court of appeals would render a character protectible where “the character really constitutes the story being told,” and is not merely a “chessman in the game of telling the story.” This seems to envisage a “story” devoid of plot where character study constitutes all or substantially all of the work. There may be rare examples of such a work—Aldous Huxley’s “Point Counterpoint” may possibly qualify—but even such works relate in some degree events and incidents in the character’s life. At any rate, such character studies are certainly far from common, so that the court of appeals seems to have excluded from copyright protection the characters contained in the overwhelming majority of literary works. If the district court went too far by indicating that characters may have common law protection in perpetuity, it would seem that the court of appeals went too far in the opposite direction by almost completely excluding characters from copyright protection.

This case could have been decided purely on the contract ground that the assignment to Warner Bros. did not purport to and should not be construed to include the right to the exclusive use of the characters. The respective excursions into copyright law by the district court and by the court of appeals added nothing to the result and seriously confused the law of copyright with respect to characters. They should be regarded as dicta, unnecessary to the holding of the court. The guiding copyright principle with respect to characters has been and, it is suggested, should remain the famous standard laid down by Learned Hand in *Nichols v. Universal Pictures Corporation*:

> If a character is sufficiently developed so as to condition the author's use of its characters in subsequent works for the life of the copyright, it would seem Congress would have made specific provision therefor.” 216 F.2d at 950. (Emphasis added.)

However, the remainder of the opinion includes language sufficiently broad so as to virtually exclude all literary characters from the protection of the copyright law, regardless of the standing or source of rights of the particular parties involved.

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12 See also Lone Ranger v. Cox, 39 F. Supp. 487 (D.S.C. 1941), wherein the court went almost as far by denying copyright protection to “a mere character as such.”

13 45 F.2d 119 (2d Cir. 1930).
stitute "a distinctive word portrait" rather than a mere character type, then the character should be protectible "quite independently of the 'plot' proper." Such protection, however, should be no greater nor more durable than the protection afforded other elements of literary property.

It should also be noted that under the opinion of the court of appeals, in most instances the remedy of unfair competition would be unavailable in prohibiting appropriation of characters. The court affirmed the district court's denial of plaintiff's claim of unfair competition. In doing so, the court indicated that unfair competition would be an available remedy only if defendant's use of the characters was such as to lessen the commercial worth of "The Maltese Falcon" by "degrading or cheapening" the characters, or if the use of the characters was such as to deceive the public into believing that they were witnessing "The Maltese Falcon." Since a sequel by its very nature does not purport to be a repetition of the original work, this leaves it open to anyone to appropriate a character for sequel purposes, providing only that the characters thus appropriated are tastefully treated in the unauthorized sequel so that no claim of degrading or cheapening can be made.

Rushton v. Vitale

This case is of general importance in that it extends the scope of copyright protection to "works of art" other than the fine arts; specifically, it represents an express judicial recognition that a doll can be the object of copyright protection. It was the view of the Copyright Office that only "fine arts," defined as paintings, drawings and sculpture, could qualify for copyright under the statutory classification of "works of art." The Copyright Office Regulations expressly provided that dolls could not be subject to copyright protection.

Although the courts in general recognized and accepted this regulation, there were, nevertheless, two cases of importance in which the unauthorized manufacture and sale of dolls were held infringements of copyright. These cases both involved the copying of cartoon characters. In one case, King Features Syndicate v. Fleischer, the defendant made a horse doll labeled and sold as "Spark Plug." The doll was clearly a copy of the

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15 218 F.2d 434 (2d Cir. 1955).
17 37 C.F.R. § 201.4(b)(7) (1939).
19 299 Fed. 533 (2d Cir. 1924).
then renowned horse of the same name which was appearing daily in the Barney Google comic strip. In the other case, *Fleischer Studios v. Ralph A. Freundlich, Inc.*, defendant made and sold dolls which were copies of plaintiff's cartoon character, Betty Boop. However, neither of these cases is authority for the principle that dolls as such are protectible under the Copyright Act, since in each case that which was found to be protectible was the plaintiff's two-dimensional cartoon drawings. Both the *King Features* case and the *Fleischer* case hold that a two-dimensional picture may be infringed by a three-dimensional doll which copies the features of the picture. Under the then prevailing view of the courts and of the Copyright Office no infringement could have been established if defendants had copied merely plaintiff's dolls rather than their cartoon drawings since, as of that time, dolls were not regarded as protectible. This rule, of course, suggested an obvious subterfuge whereby doll manufacturers might obtain copyright protection for their dolls simply by first copyrighting two-dimensional pictures of the dolls. However, those who pursued this device did so at their peril since the courts tended to regard such a subterfuge as being "a fraud upon the act" which accorded no legal protection.

The argument might well have been raised that by analogy to the reasoning whereby phonograph records were held to be nonprotectible, dolls should be held protectible. That is, under *White Smith Music Co. v. Apollo Co.*, music rolls (and, by extension, phonograph records) were held not to be copies of the music they reproduced. The courts reasoned from this decision that if phonograph records are not copies of music, then they are not protectible under the Copyright Act. The converse of this reasoning might well be that since under the *King Features* and *Fleischer* cases three-dimensional dolls are copies of protectible cartoon drawings, it follows that the dolls as such are protectible and, hence, capable of copyright.

Without resort to such reasoning (or at least without express reference thereto) the Copyright Office in 1948 changed its regulations by redefining "works of art" so as to include "works of artistic craftsmanship, in-so-far as their form but not their mechanical or utilitarian aspects are concerned . . . ." At first the courts seemed disinclined to accept this revision of the copyright concept of "works of art," but in *Mazer v. Stein* the Supreme Court adopted the revised regulation, stating that "It is clear that
Congress intended the scope of the copyright statute to include more than the traditional fine arts. However, it should be noted that the Mazer case involved a holding that a statuette which the court described as a “work of sculpture” is protectible under the Copyright Act notwithstanding the fact that the sculptured work is used as a lamp base. Therefore, the rule of the Mazer case does not extend copyright protection to works of art other than the fine arts, although it is an advance over prior cases since it extends protection to works of fine art notwithstanding their utilitarian use.

Rushton v. Vitale is important in that it extends the scope of copyright protection to a work of “artistic craftsmanship” as distinguished from a work of fine art, thus in effect fully recognizing the revised Copyright Office Regulations. In the Rushton case plaintiffs sued to enjoin defendants from infringing plaintiff's copyright in a doll known as Zippy, the chimpanzee. The Court of Appeals for the Second Circuit, reversing the court below, held that plaintiff was entitled to a preliminary injunction.

Thus, the Rushton case is important to doll manufacturers since it establishes that three-dimensional dolls are protectible under the Copyright Act without resort to the unsatisfactory subterfuge of copyrighting a picture of the dolls. This case is of even greater significance, however, because of its indication that the Copyright Act now protects works of artistic craftsmanship since Zippy, the chimpanzee, can hardly be characterized as a work of fine art. It will be interesting to note whether this decision foreshadows a complete judicial acceptance of the principle that works of artistic craftsmanship such as “artistic jewelry, enamels, glassware, and tapestries” and even toys, dolls, game-boards and fabrics are protectible as to their form (although not as to their utilitarian aspects) under the Copyright Act.

April Productions v. Strand Enterprises

This case is important in that it offers a rare instance of a judicial definition of non-dramatic performing rights and an equally rare judicial interpretation of an ASCAP license agreement. ASCAP—the American Society
of Composers, Authors and Publishers—came into being by virtue of that portion of the Copyright Act which granted to the copyright owner the exclusive right to perform publicly for profit his musical compositions. Composers and publishers found it impractical to attempt to enforce this right on an individual basis since no single person or company could hope to police throughout the United States all public performances for profit of any given musical composition. ASCAP was formed to meet this need.

The membership licensed ASCAP to enforce the respective musical performing rights of its members. However, it was felt that ASCAP need not concern itself with performances of musical compositions in dramatic plays, musical comedies or operas since the relative infrequency of such productions and the period of preparation necessary in connection therewith would enable copyright owners to themselves police and license such performances of their respective musical compositions. Consequently, ASCAP is authorized to license only non-dramatic performing rights (sometimes referred to as "small rights") in connection with its repertory of compositions.

The definition and scope of a non-dramatic performance of a musical composition obviously becomes a question of great importance to licensees of ASCAP, which category includes virtually all motion picture producers, radio and television stations and legitimate stage producers, as well as the proprietors of hotels, taverns, restaurants and night clubs and most other persons engaged in publicly performing music for profit. If the proposed performance of a musical composition is non-dramatic, then it comes within the scope of the ASCAP license (assuming it is a musical composition within the ASCAP repertory); but if the proposed performance is dramatic, then the ASCAP licensee must seek out the copyright owner of the composition and secure a special license for the proposed performance.

In the instant case the plaintiff was the copyright owner of the musical production "The Student Prince." Defendant owned a nightclub called "The Harem," which as a part of the floorshow included a choral group singing songs from "The Student Prince." Plaintiff brought the present action for copyright infringement and defendant defended on the ground that it was a licensee of ASCAP and consequently had the right to publicly perform for profit "The Student Prince" songs. Plaintiff argued that this defense was ineffective since defendant's rendition of the songs was dramatic and the ASCAP license extended only to "non-dramatic renditions." Defendant in turn contended that its rendition was non-dramatic. The issue was, therefore, joined on the question of whether defendant's rendition had been dramatic or non-dramatic.

The Court of Appeals for the Second Circuit affirmed the judgment of the district court in finding that defendant's rendition had been non-dramatic, and therefore, not an infringement of plaintiff's rights. In reaching this conclusion the court confined itself primarily to an analysis of the terms of the ASCAP license agreement, and only incidentally to a consideration of the factual nature of defendant's rendition. The court pointed out that the license agreement permitted instrumental selections to be performed only if they are "instrumentally rendered without words, dialogue, costume accompanying dramatic action or scenic accessory" while elsewhere the license agreement in referring to "songs" (as distinguished from "instrumental selections") prohibited only the rendering thereof when "accompanied either by words, pantomime, dance or visual representation of the work from which the music is taken . . ." From this the court reasoned that although instrumental selections could not under the terms of the license be accompanied by any words, dialogue, costume or accompanying dramatic action, non-instrumental compositions could be rendered under the license so long as the accompanying words (other than the lyrics), pantomimes, dances or visual representations were not taken from the work (i.e., opera, musical play, etc.) in which the song first appeared. From this the court concluded that since defendant could under the terms of the ASCAP license have rendered the music in question accompanied by "words, dialogue, costume accompanying dramatic action or scenic accessory," certainly it was permissible for defendant to interject the songs merely "as an entr'acte," as was done in the present case.

The importance of this decision lies in the fact that the court in delineating the scope of defendant's rights under the ASCAP license agreement did so by in effect defining a non-dramatic rendition. This was necessary since the grant clause of the ASCAP license provided simply that "Society grants . . . a license to publicly perform . . . non-dramatic renditions of the separate musical compositions copyrighted by members of the Society." The language in the license agreement which the court considered a distinction between instrumental and non-instrumental compositions was not contained in the grant clause, but in a later paragraph which begins "This license shall not extend to or be deemed to include . . ." With such a negative preamble, the language referred to might be effective to divest defendant of a right it would otherwise have under the general grant of non-dramatic rights, but it could not confer upon defendant a right which it was not already granted by virtue of the grant of non-dramatic rights.

36 April Productions v. Strand Enterprises, 221 F.2d 292, 295 (2d Cir. 1955).
37 The clause is set out in a note in 221 F.2d at 293. (Emphasis added.)
38 Ibid.
39 License agreement § 3, ibid.
Moreover, it could not be argued that the word "non-dramatic" as contained in the ASCAP license agreement was understood by the parties as embodying performances usually classified as dramatic, since the rights which ASCAP granted could be no greater than the non-dramatic rights acquired by ASCAP from its members. Therefore, when the court concluded that defendant had a right to perform "The Student Prince" music accompanied by "words, dialogue, costume, dramatic action or scenic accessory," it necessarily decided that such a performance is non-dramatic within the meaning of this term as generally understood in the music industry.

This decision, if followed, could mean the virtual extinction of dramatic (or grand) performing rights with respect to non-instrumental musical compositions. Under the rule of this case one could by simply obtaining an ASCAP license perform in a new musical play all of the music from "South Pacific," providing the book for the new production is not borrowed from "South Pacific." Yet, it seems clear that the composers, authors and publishers composing the membership of ASCAP never intended to permit the organization to grant such rights. Indeed, the General Attorney for ASCAP itself has characterized non-dramatic performances as "renditions of a song . . . without dialogue, scenery or costumes." This characterization, however, appears to go beyond the official ASCAP position. In the blanket network television license agreement between ASCAP and its licensees a dramatic performance is defined as

... a performance of a musical composition on a television program in which there is a definite plot depicted by action and where the performance of the musical composition is woven into and carries forward the plot and its accompanying action. The use of dialogue to establish a mere program format or the use of any non-dramatic device merely to introduce a performance of a composition shall not be deemed to make such performance dramatic.

We have, then, three different views as to where the line between dramatic and non-dramatic performances is to be drawn. First, there is the suggestion of Herman Finklestein, General Attorney for ASCAP, that a performance of a song may be rendered dramatic if it is accompanied by dialogue, scenery or costumes. Second, there is the official ASCAP view (at least with respect to television performances) that the accompanying dialogue, scenery or costumes must help to carry forward the plot or "tell the story"

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40 Herman Finklestein, The Composer and the Public Interest—Regulation of Performing Right Societies, 19 LAW & CONTEMP. PROB. 275, 283 n.32 (1954).
42 See Finklestein, note 40 supra.
in order to characterize the performance of a song as dramatic. Finally, there is the extreme view enunciated in the April case that the performance of a non-instrumental musical composition will be dramatic only if it is accompanied by material from the dramatico-musical work of which the composition is a part.

The ASCAP membership could hardly have intended the definition of "non-dramatic" suggested by the April case. To do so would mean that the membership agrees to the performance of their musical compositions in Broadway musicals and similar productions in return for mere payment of the ASCAP fee. However, it also seems unlikely that the ASCAP membership would intend a definition of dramatic performance as broad as that suggested by Mr. Finklestein. A literal acceptance of this definition would mean that any nightclub, vaudeville or television performance would be dramatic if the singer is not dressed in street clothes, or if a backdrop other than the curtain is used or if the singer engages in introductory patter. If would seem then that the ASCAP membership must intend a definition of non-dramatic rights approximating that suggested by the ASCAP television license agreement described above. That is, a performance of a musical composition is dramatic if it aids in telling a story; otherwise it is not. One authority in the field has suggested that this standard may be tested by the following device: Delete the proposed musical performance from the production (be it stage, motion picture or television); if after such deletion the continuity or story line of the production is in no way impeded or obscured, then the proposed performance is non-dramatic—otherwise it is dramatic.

This distinction between dramatic and non-dramatic performances is clearly more consonant with the needs of the entertainment industry and more consistent with the understanding of the persons engaged in this industry. It is to be hoped that future cases will adopt this distinction and will not regard the April case as binding authority on the definition of dramatic and non-dramatic rights.

Capitol Records v. Mercury Records Corporation

This case deals with the highly controversial question of the protectibility of phonograph records. The controversy has its origin in the leading case of White-Smith Music Co. v. Apollo, wherein the United States Supreme Court held that a music roll for mechanical pianos did not constitute

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43 See Timberg, note 41 supra.
44 Ibid.
45 This test has been suggested to the author by Mr. R. Monta of Metro-Goldwyn-Mayer.
46 221 F.2d 657 (2d Cir. 1955).
47 209 U.S. 1 (1908).
a "copy" of the music reproduced by the roll and, therefore, one who made
a roll embodying a given musical composition was not "copying" the com-
position within the meaning of the federal copyright statute. A year after
the White-Smith decision a new copyright statute was enacted whereby
copyright owners of musical compositions are vested with the right to re-
cive certain specified royalties from all persons who make phonograph
records of the composition (subject to certain terms and conditions set
forth in the so-called "compulsory license" provisions of section 1(e) of
the Copyright Act).48 However, notwithstanding this legislation, the courts
have continued to recognize the White-Smith decision as direct authority
for the proposition that a phonograph record is not a "copy" of the music
it reproduces,49 and as indirect authority for the proposition that a phono-
graph record as such is not copyrightable under the federal statute.50 From
these two propositions most members of the Copyright Bar concluded that
the public sale of a phonograph record did not constitute a surrender of
common law rights in the phonograph record itself (since phonograph rec-
ords are not capable of statutory copyright) or in the music reproduced
by the record (since the record is not a copy of the music). Therefore, for
a number of years copyright lawyers have advised their clients that a musi-
cal composition might be recorded on a phonograph record and publicly
sold without surrendering the common law copyright in the music (or, for
that matter, in the record) as long as the music thus recorded was not pub-
licly distributed in sheet music form.

In 1950 the Copyright Bar was shaken by Judge Eygo's dictum in
Shapiro, Bernstein & Co. v. Miracle Record Co.51 that public sale of a
phonograph record constitutes a surrender of common law rights therein.52
The dictum of the Miracle Record case was subsequently followed in
Mills Music v. Cromwell Music53 and Biltmore v. Kittinger.54 All of these
courts, however, were content with rather cursory statements of the prin-
ciple. No attempt was made to reconcile the above set forth reasoning
which stemmed from the White-Smith case. At this point, however, there
were three judicial decisions against and no judicial decision upholding the
principle long cherished by the Copyright Bar that sale of a phonograph
record does not constitute a surrender of common law rights.

In the instant case, Capitol Records v. Mercury Records Corporation,55

49 Corcoran v. Montgomery Ward & Co., 121 F.2d 572 (9th Cir. 1941).
52 However, this ruling was previously suggested by RCA Mfg. Co. v. Whiteman, 114 F.2d
86 (2d Cir. 1940), and by Blanc v. Lantz, 83 U.S.P.Q. 137 (Cal. Super. Ct. 1949).
55 221 F.2d 657 (2d Cir. 1955).
the highly regarded Court of Appeals for the Second Circuit now holds that sale of a phonograph record does not create a surrender of common law rights in the record. The plaintiff had purchased a matrix record of certain musical compositions and the exclusive right to make copy records therefrom. It was stipulated by both parties that the music thus recorded was in the public domain. Therefore, the only question before the court was whether plaintiff's rights were infringed by defendant's manufacture and sale of copy records made from an identical matrix record. The court first determined that plaintiff clearly had no cause of action based upon a statutory copyright theory since by reason of the *White-Smith* case and its implications it is well established that a phonograph record is not subject to copyright protection under the federal statute. Invoking the doctrine of *Erie R. Co. v. Tompkins*, the court proceeded to the question of whether plaintiff was entitled to relief under the law of the State of New York. The court answered this question in the affirmative; that plaintiff was entitled to recover since under New York law the sale of phonograph records by plaintiff did not divest it of its common law rights in such records. The court conceded that it would have found that sale of a phonograph record does constitute a surrender of common law rights by reason of its own precedent in *RCA Mfg. Co. v. Whiteman* but for a single case subsequently decided by the New York courts, i.e., *Metropolitan Opera Ass'n v. Wagner-Nichols R. Corp.* This case the court of appeals found to be conclusive authority for the principle that under New York law the sale of phonograph records does not create a surrender of common law rights therein.

From a study of the *Metropolitan* case one can only conclude that the court of appeals was unjustified in regarding this case as authority for the principle invoked in the *Capitol Records* case. In the *Metropolitan* case the Metropolitan Opera Co. had entered into a contract whereby Columbia Records Inc. was granted the exclusive right to record and sell records of Metropolitan Opera performances. Defendant made tape recordings from "live" radio broadcasts of Metropolitan Opera performances and proceeded to sell such recordings in commercial record form. Both the Metropolitan Opera Co. and Columbia Records as co-plaintiffs brought an action against defendant. The court in the *Capitol Records* case concluded that since Columbia Records had previously sold phonograph records of the Metropolitan performances and was nevertheless granted an injunction against the sale by defendant of the recordings it had made, it follows that

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56 304 U.S. 64 (1938).
57 114 F.2d 86 (2d Cir. 1940).
the Metropolitan court thereby concluded that sale of the records by Columbia did not divest it of its common law rights with respect to the records. The Capitol Records court reasoned that if sale of Columbia's records did constitute a "dedication," the result of the Metropolitan case would be that although defendant was enjoined from recording or selling records of "live" Metropolitan Opera broadcasts, any member of the public could simply copy Columbia's records and thereby achieve the same result. The Capitol Records court refused to believe that the Metropolitan Opera court would have made such a "capricious" distinction and, therefore, concluded that the Metropolitan Opera court must have been of the view that sale of the records by Columbia did not put them in the public domain.

There are several factors which should be considered in pointing out the inadequacy of the court's reasoning as set forth above:

1. It does not appear in the Metropolitan opinion whether the operas recorded by Columbia were the subject of a valid and subsisting federal copyright at the time Columbia sold the records. If they were thus copyrighted (and this seems likely), then under the federal copyright law the sale of the records would not forfeit the copyright and, consequently, without relying on existing state (or common law) rights, there could be no greater right to copy Columbia's records than to copy Metropolitan's live broadcasts. The "capricious" distinction suggested by the Capitol Records court is thereby avoided without relying upon the principle that sale of phonograph records does not surrender common law rights.

2. Were Columbia faced with the situation where persons were copying its records, the New York courts almost certainly would accord it the same relief granted to the Metropolitan Opera Co. in the Metropolitan case; that is, a recovery not on a theory of common law property rights but rather on a theory of unfair competition. Such a cause of action may exist notwithstanding the previous surrender of common law property rights by reason of a sale of the records since, as the United States Supreme Court has put it, "... unfair competition... does not depend upon any general right of property analogous to the common law right of the proprietor of an unpublished work... nor is it foreclosed by showing that the benefits of the copyright act have been waived." Thus, by invoking the principle of unfair competition, as was done in favor of the Metropolitan Opera Co. under similar circumstances, the "capricious" distinction suggested by the Capitol Records case would again be avoided without the necessity of implying a recognition of the principle that sale of a record does not surrender common law rights.

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3. The Metropolitan court found for plaintiff Columbia on the theory that defendant was unjustifiably interfering with Columbia's enjoyment of its contract rights (i.e., the exclusive right to record the Metropolitan operas). In characterizing this theory, the Metropolitan court stated:

The right of the parties to protect their interest in that contract against interference by the intentional acts of third parties is not limited by the analogies of common law property rights.

The above quoted passage seems to indicate that the Metropolitan court was quite willing to grant Columbia greater rights as against those interfering with Columbia's contractual rights than it would permit as against those interfering with Columbia's common law property rights. Does not this indicate that the distinction suggested by the Capitol Records court as being unthinkably capricious might well be adopted by the New York courts as a proper distinction in legal theory between two different factual situations.

The above arguments indicate the inherent weakness of the Capitol Records case in placing its entire reliance upon the Metropolitan Opera case. It might be argued, however, that whether or not the Metropolitan Opera case can be cited as authority, it nevertheless follows from the White-Smith opinion that sale of a phonograph record does not create a surrender of common law rights. This argument assumes the conclusions adopted by many members of the Copyright Bar long before the question was expressly ruled upon by the courts. Yet, the reasoning involved in these conclusions is, it seems to me, highly questionable. It does not logically follow that because phonograph records are not subject to copyright protection under the federal statute, the sale of a record does not surrender common law rights therein. It may well be argued that the surrender of common law rights, where no statutory rights may be substituted therefor, is unfortunate (and should be remedied by Congressional enactment), but this unfortunate result hardly can be considered a logical basis for departing from the rule that publication by sale or other public distribution creates a surrender of common law rights. Likewise, the conclusion that publication of a phonograph record is not a publication of the music reproduced by the record because the record is not a "copy" of the music is questionable.

[Text continues with notes and references]
that a record is not a "copy" of its music is controlling with respect to common law as well as statutory copyright. The White-Smith opinion does not justify such a conclusion. In fact Justice Holmes in a concurring opinion in the White-Smith case indicates that the Copyright Act defines the term "copy" more narrowly than its generally understood meaning.\(^4\)

Such a narrow definition in a federal statute does not affect the common law principle that upon publication of "copies" of a work the common law rights in the work are thereby surrendered. Therefore, if (as I believe to be true) in general usage a record can be regarded as a "copy" of the music it reproduces, then notwithstanding the White-Smith opinion, a sale of the record is a publication of its music.

New federal copyright legislation extending greater protection to phonograph records is called for, but in the absence of such legislation it is suggested that phonograph records cannot, and indeed should not, be accorded treatment which varies from the common law protection accorded other literary and musical property.

*April Productions v. G. Schirmer, Inc.*\(^5\)

This case presents a problem in the construction of a publication agreement. Plaintiff's assignor, the Shubert Theatrical Company acquired from the composers Sigmund Romberg and Rida Johnson Young certain rights in the musical score from "Maytime." Shubert in turn granted to the defendant the publication and mechanical (i.e., recording) rights in return for which defendant agreed to pay Shubert specified royalties computed upon each copy of sheet music sold and upon a specified percentage of monies received from records. Neither the grant of rights by Shubert nor the promise to pay royalties by defendant contained any time limitation. However, as a matter of law Shubert's grant could not be effective beyond the expiration of the musical score's initial copyright term.\(^6\) When the initial term expired the domestic rights acquired by Shubert reverted to Romberg and Johnson's executor, who obtained a renewal copyright. Defendant thereupon entered into a new agreement with Romberg and the Johnson executor under which they were to receive royalties from defendant during the renewal period. At this point plaintiff, having been assigned Shubert's rights, demanded payment of royalties under the original publication agreement between Shubert and defendant. Defendant replied that it was no longer obligated to pay plaintiff any royalties since plaintiff's

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\(^4\) 209 U.S. 1, 18 (1908).
right of copyright had expired. Plaintiff sued defendant for breach of contract on the theory that although plaintiff's grant was limited to the period of the original copyright term, defendant's obligation to pay royalties was not so limited but existed as long as defendant published or exploited the mechanical rights in the music. The trial court and the Appellate Division of the New York Supreme Court sustained plaintiff's position finding that defendant was indeed in breach of contract. The New York Court of Appeals, however, reversed the lower courts and found for defendant.

The importance of this decision lies in the fact that many, perhaps most, publication agreements are similar to the agreement here involved in that they do not include a time limitation on the publishers' obligation to pay royalties. Therefore, the court's reasoning in this case should be of general interest since the problem will undoubtedly arise again in other cases as the copyright term expires on other musical compositions. However, it should be stressed that the April case does not purport to state a principle of law to the effect that an obligation to pay royalties can never extend beyond the period of the grant of rights. Certainly, as a matter of law, a publisher can make a binding promise to pay royalties beyond the period of the grant of rights. It is classical contract law that the courts will not inquire into the adequacy of consideration but will enforce an agreement as long as there is some valid consideration on each side. So, in the instant case Judge Desmond, in a dissenting opinion found the contract to be enforceable under its literal terms, and the majority did not take the position that the contract was unenforceable as a matter of law for lack of or failure of consideration.

The majority opinion rests on the intention of the parties as the court construed such intention. The court found that "A careful reading of the contract itself clearly reveals the parties' intention to require royalty payments only so long as Shubert secured to Schirmer the right to publish the music." At the very least, it would seem that the court's use of the word "clearly" in the above quoted passage is subject to question. The court is forced to find this "clear" intention not from the words of defendant's promise to pay royalties, but from the fact that in the first paragraph of the agreement defendant is granted the right to "publish," which right as a matter of law (although not expressly so stated in the agreement) is limited to the copyright term; while in the next paragraph the obligation to pay royalties is geared to the number of copies "sold." The court then reasons that

The words "publish" and "sold," appearing in such close juxtaposition,

67 126 N.E.2d at 286.
must have been used by the parties as parallel and congruent terms. Consequently, only when the copies "sold" were published pursuant to the authority conferred by the agreement, were royalties to be computed upon such sales and paid.68

This is possible, perhaps even plausible reasoning, but it certainly is not the only possible or reasonable construction of the agreement. It hardly seems to warrant the court's statement that the contract beyond doubt showed the parties' design that payment be made in proportion to benefits derived from the exercise of the rights granted by the agreement.69 However, the court of appeals found it necessary to regard their construction as entirely clear since if the meaning of the language were doubtful then its meaning would become a question of fact, and the trial court having found the fact to be that defendant promised to pay royalties regardless of the expiration of the copyright term, the court of appeals would not be justified in reversing this finding.

Moreover the plaintiff as well as the court of appeals failed to consider that a grant of rights by Shubert to Schirmer apparently included not only domestic but also foreign rights. If this be true, then defendant still holds a valid and subsisting right granted by Shubert, i.e., the right to exploit the music abroad, since the expiration of the initial copyright for the United States does not affect foreign rights. It may be that defendant, by failing to publish simultaneously abroad, lost its rights under the Berne Convention, but this failure by defendant should not penalize plaintiff. True, it might be argued that in any event defendant should only be obligated to pay royalties to plaintiff out of those monies, if any, received from foreign exploitation. However, if foreign rights were granted, then the basic premise that payment of royalties is to be geared to the grant of rights becomes more questionable since it is entirely reasonable to conclude that a purchaser might agree to pay world-wide royalties, at least for the duration of the foreign rights, in return for a grant of one domestic copyright term plus complete foreign rights.

Attorneys representing publishers and other purchasers of literary and musical material would do well to bear in mind that the intention of the parties governs the extent and duration of the obligation to pay royalties regardless of the duration of the rights granted. Therefore, despite the ultimate holding in this case, in drafting agreements involving payment of royalties, express language should be included terminating the obligation for the payment of royalties upon the termination of copyright protection for the work, if this is in fact the intention of the parties.

68 126 N.E.2d at 287.
69 Ibid.