Baldwin v. EMI Feist Catalog, Inc. 805 F.3d 18 (2nd Cir. 2015)

ALYSHA ZAPATA*

BACKGROUND

This matter is based on a dispute regarding the copyright duration and termination notices affecting the famous musical composition "Santa Claus is Comin' to Town" written by J. Fred Coots and Haven Gillespie. Plaintiff-appellants in this case are J. Fred Coots' statutory heirs: Gloria Coots Baldwin, Patricia Bergdahl, and Christine Palmitessa. Their rights to bring this action before the United States District Court of Appeals for the Second Circuit derive from the 1976 Copyright Act passed by Congress that grants authors and their statutory heirs the right to terminate previously made grants of copyright. The heirs sought to bring a declaratory action against defendant-appellee, Leo Feist, Inc. ("Feist"), EMI's predecessor.

The copyright dispute at issue originates from an agreement made between Coots and Gillespie and defendant Feist on September 5, 1934. At the time, the 1909 Act was still in effect, which granted a total of 56 years of copyright protection (a 28-year initial term and a 28-year renewal term) In the 1934 agreement, the authors of the song sold the copyright to Feist.[1] In 1951, in a separate agreement between Coots and Feist, Coots granted his 28-year renewal right to Feist. Feist renewed the copyright in 1961, setting in motion an expiration date of September 27, 1990.

The factual history and background of this case derive complexity from the changes implemented by the1976 Copyright Act and the 1998 Sonny Bono Copyright Term Extension Act to U.S. copyright law. In addition to the complexity presented by the changes in the copyright regime, the matter became even more complicated as the parties underwent a series of agreements and termination notices resulting in an uncertainty of recordings with the Copyright Office.

Under the 1976 Act, copyrights that were already in their renewal term (the song fell within this category) had their renewals terms extended to 75 years from the date copyright was originally secured. This effectively extended the expiration date of Feist's copyright in the song to 2009 (instead of the previous 1990 expiration date). The 1976 Act contains a couple mechanisms for the original authors or their heirs to recapture rights in the renewal term despite any contracts made otherwise so that those granted rights before the 1976 Act do not receive an unfair windfall.

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* Ms. Zapata is a 2017 Juris Doctor candidate at the University of San Francisco School of Law.

1 Baldwin v. EMI Feist Catalog, Inc., 805 F.3d 18, 19 (2d Cir. 2015).

Section 304(c) of the '76 Act allows authors or heirs to terminate pre-1978 grants of renewal term rights and §203 allows for termination of post 1978 grants of renewal rights.

PROCEDURAL HISTORY

On December 21, 2012, in the Southern District of New York, plaintiffs brought an action seeking declaratory judgment stating that a 2007 termination notice terminated EMI's rights on December 15, 2016, or, conversely that a 2012 termination notice will terminate EMI's rights on December 16, 2021 depending on which right of renewal grant back provision applies. The district court held that the 1951 agreement granting the copyright renewal term in the song to Feist was valid for which §203 does not apply because it was a grant created before the 1976 Act and a §304 termination was not effectively recorded with the Copyright Office. Therefore EMI's rights were held to be valid until 2029. Plaintiffs appealed to the United States Court of Appeals where the district court's grant of summary judgment went under de novo review for two issues.

ISSUE

The first issue the court sought for review was whether the ownership of the copyright of the song by the grantee derived from the 1951 agreement or from a later 1981 agreement, because the 1981 agreement could be terminated through §203. The second issue (assuming the 1981 agreement is the agreement actually granting copyright in the song to EMI) is whether the 1981 agreement was terminated by a 2007 termination notice.

DECISION

With regard to the first issue, the court held that EMI owned rights to the song under the 1981 agreement because the parties manifested an intention to replace the 1951 agreement and not merely to convey to EMI Coots's future interest in the nineteen-year statutory renewal extension. Therefore, since the 1981 agreement was created after the 1976 Act came into effect, plaintiffs were able to terminate the 1981 Agreement under §203. For the second issue, the court held that the 2007 termination notice, and not the later 2012 termination notice, would terminate the 1981 agreement. This holding therefore reversed the judgment of the district court.

REASONING

In deciding whether the 1981 agreement superseded the 1951 agreement, the court asked the question of intention and whether the parties intended to replace the 1951 with the 1981 agreement. In order to reach a conclusion, the court distinguished the text of the 1981 agreement from the

language posed within agreements in cases proffered by EMI.

EMI's first argument, that the 1981 agreement did not supersede the 1951 agreement was based on the assumption that in the absence of express language to cancel the 1951 agreement, the 1981 agreement could not successfully supersede a prior grant. The relevant language from the 1981 agreement that the court turned to in analyzing its decision included statements such as "*[g]rantor hereby sells, assigns, grants . . . all rights and interests . . . heretofore . . . acquired or possessed by Grantor in and to [the Song] . . . under any and all renewals and extensions of all copyrights therein . . . .*"[2] The court reasoned that the parties would not have included this language for any reason other than to be read as properly replacing the 1951 agreement because it not only grants EMI rights it already owns, it creates a new conveyance. The court explained that it has previously recognized that "an intention to enter into a substitute contract may be express or implied."[3]

The court rejected EMI's next argument, that the 1981 agreement did not supersede the 1951 agreement, because the 1981 agreement stated that Coots issued a 1981 termination notice that was recorded with the Copyright Office, and under which it was agreed that the 1951 agreement would not terminate until 1990. EMI argued that if the 1981 agreement's intent was to replace the 1951 agreement then the effective date of the 1981 termination notice should not be of any significance. However, EMI failed to recognize the importance of the knowledge of the parties at the time. Even though it was discovered in 1982 that the 1981 termination notice was never recorded, the parties at the time thought that it was properly recorded with the Copyright Office and therefore it was only proper for the parties to include language that would unambiguously express that EMI would receive rights that would revert back to Coots on the effective date of the 1981 termination notice.

The court ultimately found that the failure to record the 1981 termination notice was insignificant in determining whether EMI owned rights under the 1951 agreement or the 1981 agreement because the only matter of importance is that the parties agreed to terminate a prior grant (the 1951 agreement) in place of the 1981 agreement.

With regard to the second issue, whether the 2007 termination notice or the 2012 termination notice was binding, the court rejected EMI's argument that the 2007 termination notice would not terminate the 1981 agreement.

EMI's first argument that §203 termination is unavailable because the author did not sign the 1971 agreement was meritless given the fact that it was the author who executed the 1981 agreement. It did not matter that the children signed the 1981 agreement since at the time of signing, Coots was still alive; and therefore the children had no interest to convey because the

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2 *Feist* at 28.

3 DC Comics v. Pac. Pictures Corp., 545 Fed. Appx. 678, 680 (9th Cir. 2013) (unpublished).

future interest vested solely upon Coots.

EMI's second argument that the 2007 termination notice does not terminate the 1981 agreement because the 1981 agreement covers the right to publication of the song was also rejected by the court. EMI argued that since the 1981 agreement provided EMI with the right to publish the song once the 1951 termination date was in effect, meant the publication of the song under the 1981 agreement would occur in 1990. EMI argued that the earliest termination date would be in 2021, covered by the alternative calculation method for grants covered by publication. However, this argument was found to be incorrect by the court because the 1981 agreement was not the agreement that the publication was based on. The court determined that since publication happens only when the work (here, the song) is first sold or distributed to the public, and this can only occur once, then the publication could not have been covered by the 1981 agreement since publication was recognized and expressed in the 1934 agreement when Feist agreed to publish the song within one year. Therefore, EMI's argument that the alternative calculation method based on publication was not even applicable in this case. Conjunctively, given the fact that the author was the executor, and the 1981 agreement did not cover the publication issue, the grant is terminable subject to §203 starting on December 2016, the effective date of termination stated in the 2007 termination notice.