



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

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BALDWIN V. EMI FEIST CATALOG, INC., 805, F.3D 18 (2D CIR. 2015)

The decision in *Baldwin* is rooted in the history and progression of the Copyright Act. As discussed below, two parties entered into several agreements regarding the allocation of copyright interests in the musical composition of “Santa Claus is Comin’ To Town” (“the Song”).¹ Due to the evolution of the Copyright Act and various operative agreement developments, termination rights became available for the author’s heirs.² Whether or not said termination rights were properly exercised is something the court was required to determine. This decision is important because it gives a broad overview of the advancement of the Copyright Act and its implications on contractual agreements for future copyrights. Of legal significance, this decision provides precedent that allows § 203 rights to be exercised even in the event of earlier assertion and withdrawal of § 304(c) termination notice.³ Further, this decision underscores the necessity that every author understand the intricacies of termination rights, specifically when and how to exercise those rights. Lastly, this outcome affects future bargaining and dealing for copyrights; for example, bargaining parties may need to contemplate and explicitly consider future modifications to the Copyright Act.

I. BACKGROUND

A. *Copyright Act Development*

The Copyright Act has endured three major overhauls that affected the instant agreement: the 1909 Act, the 1976 Act, and the 1998 Act. Under the 1909 Act, authors owned a copyright in their work for twenty-eight years from the day the work was published.⁴ Additionally, the author could renew their copyright for an additional twenty-eight years.⁵ The renewal term was implemented

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

² *Id.* at 52.

³ *Id.* at 26-7.

⁴ Pub. L. No. 60-349, 35 Stat. 1075.

⁵ *Id.*

to allow authors in poor bargaining positions to salvage value in the copyright and renegotiate terms of the agreement.⁶

The 1976 Act is considered to be a major overhaul of the Copyright Act as a whole.⁷ That Act eliminated the original twenty-eight year term as well as the renewal term of twenty-eight years for works created on or after January 1, 1978.⁸ Instead, those works created on or after January 1, 1978, were subject to a single copyright term lasting for the life of the author plus seventy years.⁹ Works created before January 1, 1978 retained the original twenty-eight year copyright term, but the renewal term was extended to ninety-five years from the original copyright date.¹⁰

Further, the 1976 Act created termination rights, which allowed authors or their heirs to terminate “the exclusive or nonexclusive grant of a transfer or license of the renewal copyright . . . executed before January 1, 1978.”¹¹ Section 304(c) termination rights allow authors to terminate pre-January 1, 1978 grants of copyright.¹² The termination could be invoked during a five-year period, fifty-six years after the original copyright date or on January 1, 1978, whichever is later.¹³ The use of termination rights are subject to advance notice given to the grantee, which shall not be less than two years or more than ten years before the end of the fifty-six year term.¹⁴

Section 203 termination rights allow author to terminate post-January 1, 1978 grants of copyright.¹⁵ The termination right can be used thirty-five years after the grant’s execution.¹⁶ If the grant includes the right of publication, then that five year period begins either thirty-five years from the work’s publication, or forty

⁶ *Stewart v. Abend*, 495 U.S. 207, 218-20 (1990).

⁷ *Baldwin*, 805 F.3d at 19.

⁸ Pub. L. No. 94-553, 90 Stat. 2541.

⁹ 17 U.S.C. § 302(a) (2012).

¹⁰ § 304(a), (b).

¹¹ § 304(c).

¹² § 304(c)(3).

¹³ *Id.*

¹⁴ § 304(c).

¹⁵ § 203.

¹⁶ *Id.*

years from the grant's execution, whichever is earlier.¹⁷ Post-1978 grants have the same termination notice requirement as pre-1978 termination rights.¹⁸

Lastly, Congress enacted the 1998 Act, which retroactively extended any copyright already within its renewal term of seventy-five years from the original copyright date to ninety-five years within the original copyright date.¹⁹ In addition to the extended term, authors or heirs could use termination rights if their earlier rights had been both unused and expired.²⁰ These new termination rights can be used any time during a five-year period beginning seventy-five years after the original copyright date.²¹

B. Case Facts and Procedural Posture

In a 1934 Agreement, the authors of the song "Santa Claus is Comin' to Town", Coots and Gillespie, sold the copyright therein to EMI Feist's predecessor, Leo Feist, Inc. (hereinafter "Feist").²² The 1934 Agreement contained provisions that required Feist to publish the Song "in saleable form . . . within one year" in exchange for royalties.²³ The 1934 Agreement was formed under the 1909 Copyright Act, which allowed authors to grant renewal rights to third parties.²⁴ In a 1951 Agreement, Coots granted his renewal rights in the Song to Feist.²⁵ Feist renewed the copyright in the Song in 1961.²⁶

Congress later enacted the 1976 Copyright Act, which extended copyright protection to those works in its renewal term, including the Song, to seventy-five years from the original date.²⁷ After passage of the 1976 Act, the Song's copyright protection was

¹⁷ § 203(a)(3).

¹⁸ § 203.

¹⁹ § 304(b).

²⁰ § 304(d).

²¹ § 304(d)(2).

²² *Baldwin*, 805 F.3d at 19-20.

²³ *Id.* at 20.

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.*

²⁷ *Id.*

set to expire in 2009.²⁸ Additionally, the 1976 Act created termination rights, where authors could terminate prior grants of copyrights.²⁹ Consequently, Coots served Feist's successor, Robbins Music Corporation ("Robbins"), with notice of termination (the "1981 Termination Notice") of the 1951 Agreement.³⁰ Coots' attorney sent the 1981 Termination Notice to the Copyright Office to be registered while negotiating a new agreement with Robbins.³¹ During negotiations, the two parties struck a deal (the "1981 Agreement"), which granted the extended copyright renewal term in the Song to Robbins in exchange for a one hundred thousand dollar bonus and additional royalties.³² Due to the 1981 Agreement, the 1981 Termination Notice was rescinded and not recorded in the Copyright Office.³³

Again, Congress revamped the copyright system and passed the Sonny Bono Copyright Term Extension Act (the 1998 Act).³⁴ The 1998 Act extended the renewal term to ninety-five years from the original copyright date, effectively extending the Song's expiration date to December 31, 2029.³⁵ Additionally, the 1998 Act allows expired but unused termination rights to be revived, so long as it follows notice requirements.³⁶ For example, the author here must have exercised the right within a five-year period beginning after seventy-five years from the original copyright date.³⁷

The 1998 Act allowed a large amount of authors and their heirs, including Coots, to take advantage of the new termination rights.³⁸ Coots' heirs were uncertain whether the 1981 Termination Notice constituted use of termination rights under the 1998 Act, so they filed and recorded a § 304(d) termination notice of the 1951

²⁸ *Id.*

²⁹ *Id.* at 22.

³⁰ *Id.*

³¹ *Id.*

³² *Id.* at 22-3.

³³ *Id.* at 23.

³⁴ *Id.*

³⁵ *Id.*

³⁶ 17 U.S.C. § 304(d) (2012).

³⁷ *Baldwin*, 805 F.3d at 23.

³⁸ *Id.* at 24.

Agreement in 2004 (the 2004 Termination Notice).³⁹ EMI Feist (“EMI”), Robbins’ successor, thought the 1981 Agreement was operative, and decided to negotiate with the heirs rather than refute the notice.⁴⁰ During negotiations, the heirs’ attorney thought the agreement was more appropriately terminated under § 203, so the heirs filed a § 203 termination notice in 2007 (the 2007 Termination Notice).⁴¹

In 2009, Warner-Chappell Music, acting copyright administrator for Coots’ heirs, contacted EMI asserting that the heirs had never used their termination rights to end the 1951 Agreement.⁴² EMI claimed that § 304(d) termination rights were unavailable to the heirs due to the 1981 Termination Notice.⁴³ In 2012, Coots’ heirs served and recorded another § 203 termination notice of the 1981 Agreement (the 2012 Termination Notice), assuming the 2007 Termination Notice was premature.⁴⁴

On December 21, 2012, the heirs sought declaratory judgment in the Southern District of New York to determine whether the 2007 or 2012 Termination Notice will terminate EMI’s rights to the copyright in the Song.⁴⁵ Both parties moved for summary judgment, but the district court granted EMI’s motion and denied the heirs’ motion.⁴⁶ The district court held that EMI’s rights in the Song derive from the 1951 Agreement, and because that agreement is pre-1978, § 203 termination rights are unavailable to the heirs.⁴⁷ Further, § 304(c) termination rights were also unavailable to the heirs because they exercised their termination rights via the 1981 Termination Notice and received a substantial, additional economic term.⁴⁸ As a result, EMI owned

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² *Id.*

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ *Id.* at 25.

⁴⁶ *Id.*

⁴⁷ *Id.*

⁴⁸ *Id.*

the copyright until its expiration in 2029.⁴⁹ The heirs filed a timely appeal.⁵⁰

II. LEGAL ANALYSIS

A. *Issues, Arguments, and Holding*

1. *Whether EMI owns its rights in the 1951 or 1981 Agreement.*

The heirs argued that, upon formation, the 1981 Agreement superseded the 1951 Agreement and became the operative agreement and derivation of copyright rights.⁵¹ EMI's argument that the 1981 Agreement did not supersede the 1951 Agreement is threefold.⁵² First, EMI argued that because Coats did not record the 1981 Termination Notice, the 1951 Agreement was never terminated and remained in effect.⁵³ Second, EMI argued that the 1981 Agreement only granted vested future terminable interests to the heirs, while EMI still retained the other two interests in the Song.⁵⁴ Lastly, EMI argued that the 1981 Agreement did not contain explicit language to the effect of replacing the 1951 Agreement.⁵⁵

2. *Whether the 2007 or 2012 Termination Notice will terminate the 1981 Agreement.*

The heirs argued that they own a sufficient interest in the termination rights of the Song, and the 2007 Termination Notice complied with all regulatory procedures to be a successful termination notice.⁵⁶ Therefore, the 2007 Termination Notice

⁴⁹ *Id.*

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² *Id.*

⁵³ *Id.* at 25-6.

⁵⁴ *Id.* at 27.

⁵⁵ *Id.* at 28.

⁵⁶ *Id.* at 32.

should terminate the 1981 Agreement in 2016.⁵⁷ EMI made two arguments against the proposition that the 2007 Termination Notice terminates the 1981 Agreement.⁵⁸ First, EMI argued that the author did not execute the 1981 Agreement, and therefore § 203 termination rights are unavailable to the heirs.⁵⁹ Second, EMI argued that the publication of the Song was in 1990, and because the 1981 Agreement is based on the premise that it covers publication, the 2007 Termination Notice will not terminate the 1981 Agreement.⁶⁰ Instead, EMI advanced an alternative calculation method for grants covering the right of publication, and it claimed that the earliest the 1981 Agreement could be terminated is 2021.⁶¹

3. *EMI's rights stem from the 1981 Agreement, and the 2007 Termination Notice will terminate the prior grant.*

a. *EMI's rights stem from the 1981 Agreement.*

The 1981 Agreement rescinded and replaced the 1951 Agreement, while also granting the heirs a vested future terminable interest.⁶² The court reasoned that if the parties intended for the new agreement to be a substitute for the older agreement, then it need not be explicit and can be implied for the latter agreement to be replaced.⁶³ The court found that the parties implicitly intended that the 1981 Agreement substitute the 1951 Agreement, and did not plainly convey the heirs a vested future interest in the Song.⁶⁴ The 1981 Agreement, along with conveying the heirs' vested future interest, contained very similar language to the 1951 Agreement, which conveyed the same rights as the prior

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ *Id.*

⁶⁰ *Id.* at 33.

⁶¹ *Id.*

⁶² *Id.* at 27.

⁶³ *Id.*

⁶⁴ *Id.* at 28.

agreement.⁶⁵ It would be nonsensical to have two grants coexisting that convey the same rights, thus, by granting the exact same rights EMI already owned and adding an extra term to the 1981 Agreement, the parties clearly intended for the 1981 Agreement to replace the 1951 Agreement.⁶⁶

b. The 2007 Termination Notice will terminate the prior grant.

The court determined that the operative agreement was the 1981 Agreement, and therefore, the heirs can terminate the agreement via § 203 termination rights.⁶⁷ Contrary to EMI's argument, the 1981 Agreement was agreed to by the author, and therefore § 203 termination rights are available.⁶⁸ Coots was identified as the lone grantor and owned all termination rights therein.⁶⁹ Further, Coots' heirs could not have contracted away their future interests at the time, as those rights had not yet vested.⁷⁰ Additionally, publication did not occur in 1990 as suggested by EMI, but instead occurred in the original 1934 Agreement.⁷¹ The 1934 Agreement covered the right of publication when EMI's predecessor, Feist, originally agreed to "publish the Song in saleable form within one year."⁷² Therefore, publication could not have occurred in 1990.⁷³ Lastly, the court did not address whether the heirs could terminate the 1951 Agreement via § 304(c) termination rights, which depended on if the 1981 Termination Notice constituted exercising termination rights.⁷⁴

⁶⁵ *Id.*

⁶⁶ *Id.* at 28-9.

⁶⁷ *Id.* at 31.

⁶⁸ *Id.* at 32.

⁶⁹ *Id.*

⁷⁰ *Id.*

⁷¹ *Id.* at 33.

⁷² *Id.*

⁷³ *Id.*

⁷⁴ *Id.* at 32.

Accordingly, the appellate court held that EMI's arguments were without merit, and the district court's grant of summary judgment for EMI was reversed.⁷⁵

III. FUTURE LEGAL IMPLICATIONS

A. *Withdrawn § 304 Termination Notices Do Not Spoil § 203 Rights*

This decision creates precedent that allows for § 203 rights to be exercised even in the event of earlier assertion and withdrawal of a § 304(c) termination notice.⁷⁶ Unless the termination notice is recorded, notice can be withdrawn and future termination rights are preserved.⁷⁷ An author's interest in a copyright does not again become possessory until the termination notice is recorded.⁷⁸ Therefore, until the Copyright Office records the termination notice, the grant termination does not become effective, and the author can still withdraw the termination notice and preserve his or her terminations rights.⁷⁹ Here, the 1981 Termination Notice was not recorded before execution of the 1981 Agreement, and therefore, the author's earlier assertion of § 304(c) termination rights did not bar his heirs from effectively terminating the 1981 Agreement via § 203 termination rights.⁸⁰ This decision allows authors to withdraw termination notice before recordation and preserve termination rights for future use or further negotiate for a better agreement.⁸¹

⁷⁵ *Id.* at 34.

⁷⁶ *Id.* at 26-7.

⁷⁷ *Id.* at 26.

⁷⁸ 17 U.S.C. § 304(c)(4)(A) (2012)

⁷⁹ *Baldwin*, 805 F.3d at 26-7.

⁸⁰ *Id.*

⁸¹ *Id.*

B. Importance of Understanding the Intricacies of Termination Rights

Understanding the nuances of the Copyright Act, specifically termination rights, is of paramount importance for artists. As evidenced in *Baldwin*, the outcome of the case hinged on which agreement was found enforceable and operative. If the operative agreement been found to be a pre-1978 grant of copyright, the heirs may not have found recourse via termination rights. Further, knowing when to submit a termination notice is key in regaining value in the copyright. Here, the 2007 Termination Notice was found valid and enforceable, allowing the agreement to terminate in 2016 rather than 2021.⁸² Had the 2007 Termination Notice not been filed in a timely manner, the heirs would have lost five years of value in the copyright, as the next served termination notice occurred in 2012. Lastly, it is important to file the correct termination notice. Filing a § 304(c) notice of termination is improper when the operative agreement is a post-1978 grant and the result will be an ineffective termination notice, possibly causing authors to miss the window of termination.

C. EMI Retains Copyright Outside of the United States

Section 203 and 304 termination rights are only derived from US law.⁸³ As a result, EMI still has rights to the copyright outside of the United States. This decision impacts future agreement terminations because it only allows authors and heirs to regain rights in United States copyright, not worldwide. This is of particular importance in copyright-related issues that garner worldwide reproduction, notoriety, and profitability--such as music. For example, the authors and heirs would not receive 100% of the profit for a Sync⁸⁴ license for Santa Claus is Comin' to

⁸² *Id.* at 32.

⁸³ 17 U.S.C. §§ 203, 304 (2012)

⁸⁴ “[Sync license] subjects phonorecords to a compulsory licensing scheme that authorizes any person who complies with its provisions to obtain a license to make and distribute phonorecords of a nondramatic musical work.” *Leadsinger, Inc. v. BMG Music Publishing*, 512 F.3d 522, 526 (9th Cir. 2008).

Town, but rather only the share that properly reflects their US rights. On the other hand, EMI would receive a share of profits that properly reflects its worldwide copyrights in the Song. Consequently, EMI's lessened copyright interest in the Song only puts it in a proportionally less profitable situation than owning copyright in the United States as well. Therefore, in similar situations, the grantee may lose copyright in the United States, but be nearly as profitable due to a large majority of profits flowing from the rest of the world.

D. Future Bargaining Considerations

This decision, as well as the underlying agreements, withstood several overhauls of the Copyright Act, and each time the parties on both sides failed to foresee changes when dealing. Several high profile copyrights, such as Mickey Mouse, are set to expire soon. In the past, Disney has implemented extreme lobbying efforts to keep Mickey Mouse from entering the public domain.⁸⁵ Consequently, the Copyright Term Extension Act of 1998 was passed to save Mickey Mouse and other high profile copyrights from entering the public domain in the 1990s.⁸⁶ With Mickey Mouse's extension coming to an end on January 1, 2024⁸⁷, it seems parties may have to be more forward-looking when granting copyrights and negotiating terms. Given copyright's ever-changing landscape, there is a real likelihood that further legislation will be enacted. Additional modification of the Copyright Act is likely to catch some bargaining parties off guard by retroactively extending copyright terms, just as seen in *Baldwin*.

One way bargaining parties can protect themselves from future issues due to retroactive copyright extension is creating a contractual condition antecedent. The provision can read that in the event Congress retroactively extends copyright terms, the

⁸⁵ Free Mickey Mouse: Copyright Notice, Derivative Works, and the Copyright Act of 1909, 2 VA. SPORTS & ENT. L.J. 254

⁸⁶ *Id.*

⁸⁷ Stephen Carlisle, *Mickey's Headed to the Public Domain! But Will He Go Quietly?*, NOVA (2014), <http://copyright.nova.edu/mickey-public-domain/>.

parties can either bargain for a new contract or continue the prior agreement. The provision has several benefits: it gives both parties an opportunity to protect themselves from being blindsided by major congressional action; it allows parties to assess the current contractual situation and, if necessary, devise a potential exit strategy while providing a chance for both parties to bargain for a better financial position.

E. Increased Dealings for Works Made for Hire

A more practical and safe approach to contracting around termination rights is for parties to deem the work a “work made for hire.” A work made for hire is where “the employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.”⁸⁸ When a work is deemed work for hire, the person who creates the work is not considered the author, and therefore, is excluded from the Copyright Act and termination rights therein.⁸⁹ If, for example, record labels heavily negotiate for work for hire status on their dealings with musicians then musicians will be unable to regain value in their music later on. However, receiving work for hire status from musicians would likely come at a larger upfront cost than a standard grant of copyright. Record labels would need to pay a premium for a work for hire because other record labels may be willing to contract with the same musician at a standard grant of copyright, where the musician would be able to retain some rights in the song. To offset the benefits in retaining rights to the song, and to make its deal for a work for hire more desirable, record labels would need to increase monetary incentive for musicians. It is difficult to determine how much record labels would be willing to pay more for quasi-quiet title⁹⁰ in copyrights, but front-loading

⁸⁸ 17 U.S.C. § 201(b)

⁸⁹ *Id.*

⁹⁰ Quiet title is when a property owner has good title to the property in question and adverse claimants are barred from asserting competing ownership claims. 65 AM. JUR. 2d *Quieting Title* § 1.

2016] *BALDWIN V. EMI FEIST CATALOG, INC.* 159

costs in return for copyright in a song may prove less costly when considering the profound impact of termination rights on future costs.

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