

COPYRIGHT LAW REVISION

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STUDIES

PREPARED FOR THE  
SUBCOMMITTEE ON  
PATENTS, TRADEMARKS, AND COPYRIGHTS

OF THE  
COMMITTEE ON THE JUDICIARY  
UNITED STATES SENATE  
EIGHTY-SIXTH CONGRESS, SECOND SESSION

PURSUANT TO

S. Res. 240

STUDIES 11-13

11. Divisibility of Copyrights
12. Joint Ownership of Copyrights
13. Works Made for Hire and on Commission



Printed for the use of the Committee on the Judiciary

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## FOREWORD

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This committee print is the fourth of a series of such prints of studies on Copyright Law Revision published by the Committee on the Judiciary Subcommittee on Patents, Trademarks and Copyrights. The studies have been prepared under the supervision of the Copyright Office of the Library of Congress with a view to considering a general revision of the copyright law (title 17, United States Code).

Provisions of the present copyright law are essentially the same as those of the statutes enacted in 1909, though that statute was codified in 1947 and has been amended in a number of relatively minor respects. In the half century since 1909 far-reaching changes have occurred in the techniques and methods of reproducing and disseminating the various categories of literary, musical, dramatic, artistic, and other works that are subject to copyright; new uses of these productions and new methods for their dissemination have grown up; and industries that produce or utilize such works have undergone great changes. For some time there has been widespread sentiment that the present copyright law should be reexamined comprehensively with a view to its general revision in the light of present-day conditions.

Beginning in 1955, the Copyright Office of the Library of Congress, pursuant to appropriations by Congress for that purpose, has been conducting a program of studies of the copyright law and practices. The subcommittee believes that these studies will be a valuable contribution to the literature on copyright law and practice, that they will be useful in considering the problems involved in proposals to revise the copyright law, and that their publication and distribution will serve the public interest.

This committee print contains the following three studies relating to the ownership of copyright: No. 11, "Divisibility of Copyrights," by Abraham L. Kaminstein, Chief of the Examining Division of the Copyright Office, with two supplements by Lorna G. Margolis and Arpad Bogsch of the Copyright Office staff; No. 12, "Joint Ownership of Copyrights," by George D. Cary, General Counsel of the Copyright Office; and No. 13, "Works Made for Hire and on Commission," by Borge Varmer, Attorney-Adviser of the Copyright Office.

The Copyright Office invited the members of an advisory panel and others to whom it circulated these studies to submit their views on the issues. The views, which are appended to the studies, are those of individuals affiliated with groups or industries whose private interests may be affected by copyright laws, as well as some independent scholars of copyright problems.

It should be clearly understood that in publishing these studies the subcommittee does not signify its acceptance or approval of any statements therein. The views expressed in the studies are entirely those of the authors.

JOSEPH C. O'MAHONEY,  
*Chairman, Subcommittee on Patents, Trademarks, and Copyrights,  
Committee on the Judiciary, U.S. Senate.*

## COPYRIGHT OFFICE NOTE

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The studies presented herein are part of a series of studies prepared for the Copyright Office of the Library of Congress under a program for the comprehensive reexamination of the copyright law (title 17 of the United States Code) with a view to its general revision.

The Copyright Office has supervised the preparation of the studies in regard to their general subject matter and scope, and has sought to assure their objectivity and general accuracy. However, any views expressed in the studies are those of the authors and not of the Copyright Office.

Each of the studies herein was first submitted in draft form to an advisory panel of specialists appointed by the Librarian of Congress, for their review and comment. The panel members, who are broadly representative of the various industry and scholarly groups concerned with copyright, were also asked to submit their views on the issues presented in the studies. Thereafter each study, as then revised in the light of the panel's comments, was made available to other interested persons who were invited to submit their views on the issues. The views submitted by the panel and others are appended to the studies. These are, of course, the views of the writers alone, some of whom are affiliated with groups or industries whose private interests may be affected, while others are independent scholars of copyright problems.

ABE A. GOLDMAN,  
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## STUDIES IN EARLIER COMMITTEE PRINTS

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**First print:**

1. The History of U.S.A. Copyright Law Revision from 1901 to 1954.
2. Size of the Copyright Industries.
3. The Meaning of "Writings" in the Copyright Clause of the Constitution.
4. The Moral Right of the Author.

**Second print:**

5. The Compulsory License Provisions in the U.S. Copyright Law.
6. The Economic Aspects of the Compulsory License.

**Third print:**

7. Notice of Copyright.
8. Commercial Use of the Copyright Notice.
9. Use of the Copyright Notice by Libraries.
10. False Use of Copyright Notice.

## CONTENTS

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Study No.	Page
11. Divisibility of Copyrights.....	IX
Comments and Views Submitted to the Copyright Office.....	65
12. Joint Ownership of Copyrights.....	83
Comments and Views Submitted to the Copyright Office.....	113
13. Works Made for Hire and on Commission.....	123
Comments and Views Submitted to the Copyright Office.....	145

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STUDY NO. 11  
DIVISIBILITY OF COPYRIGHTS  
BY ABRAHAM L. KAMINSTEIN  
WITH SUPPLEMENTS BY  
LORNA G. MARGOLIS AND ARPAD BOGSCH  
June 1957

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# CONTENTS

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	Page
Introduction.....	1
I. Historical survey.....	2
II. Legislative history.....	6
III. Theory of indivisibility.....	11
A. Definitions.....	11
B. Facets of indivisibility.....	11
C. Assignment or license.....	12
D. Right to sue.....	15
E. Recordation in Copyright Office.....	15
F. Taxation.....	16
G. What indivisibility is not.....	16
IV. Need for divisibility.....	17
A. Commentators.....	17
B. Periodicals—A case study.....	18
C. Books.....	22
D. Music.....	23
E. Dramatic works.....	24
V. Issues.....	25
A. Necessity for legislation.....	25
B. Copyright without formalities.....	25
C. Right to sue.....	26
D. Joinder of parties.....	26
E. Recordation.....	26
F. Subdividing rights.....	27
G. Notice.....	27
H. Title.....	27
VI. Summary of issues.....	28
Appendix. 1909-40: Legislative Battle for Divisibility.....	31
Supplement 1. Divisibility in Relation to Income Tax.....	39
Supplement 2. Divisibility in the Laws of Foreign Countries.....	57

# DIVISIBILITY OF COPYRIGHTS

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## INTRODUCTION

Every major bill to revise the copyright law first enacted in 1909 has included provisions for divisibility as one of the three or four crucial issues. For a time, authors believed divisibility so vital to their interests that they made it their most important legislative goal.

Long debate and such urgency might lead one to believe that it would be simple to define and explain the issue; unfortunately, this is not the case. Copyright has been called the metaphysics of the law. Its details are now embalmed in a statute almost 50 years old. The theory of the indivisibility of copyright is a technical refinement, grafted onto this structure, which affects the transfer of the rights granted under copyright.

When copyright consisted solely in the right to multiply copies, transfers were generally of the entire copyright; as long as the rights and the uses of copyright material remained few, the problems incident to transferring one of a bundle of rights were of little consequence. The present difficulty arises from the fact that a theory enunciated during the period of a limited number of rights and uses of copyright material has been applied to the great proliferation of rights and uses which have developed since the turn of the century. The concept of indivisibility tends to force all sales or transfers of copyrights or rights in copyrights into one of two molds, (*a*) assignment, a complete transfer of all rights, or (*b*) license, a transfer of any portion of those rights. An assignment carries all rights; a license is really a contract not to sue the licensee, and the licensee cannot fully enforce his rights against third parties.

From the viewpoint of ease of tracing title and purposes of suit, it is much simpler to require that only the author or his assignee can control the copyright. But trouble arises because the transferee of less than all the rights may be regarded as a mere licensee and cannot sue to enforce his rights without joining the owner of the residual rights. If the law forces the author to transfer all his rights to the same person at one time, his bargaining power is crippled, since these rights are used in different industries. On the other hand, where the author reserves certain rights and remains the holder of the legal title, he may be in a position to hamper his own transferee. The author may sell dramatic, motion picture, and television rights; economically, these rights may be much more valuable than those retained by the author. The purchaser of the television rights, for example, may wish to enjoin a third party; if the author has gone off to India, the licensee is not in a happy position.

In order to understand the present situation, it will be helpful to have some outline of the origin and application of the theory of indivisibility, the legislative effort to make copyright divisible, the theories of divisibility, and the efforts of the courts to resolve the issue.

## I. HISTORICAL SURVEY

## A. EARLY CASES

Articles and decisions have sometimes attributed the development of the doctrine of "indivisibility" in copyright law to the decision of the Supreme Court in *Waterman v. Mackenzie*.<sup>1</sup> In this leading patent case, the Court said that the patent grant "to make, use, and vend" the invention was "one entire thing, and cannot be divided into parts \* \* \*."<sup>2</sup> The Court listed three permissible types of assignments: the grant of the entire patent, an undivided share of the entire patent, or the exclusive right under the patent for a "specified part of the United States."<sup>3</sup> Anything else was a "license" and licensees could sue only through the licensor.<sup>4</sup> The Court emphasized the need of avoiding multiplicity of suits. Earlier patent cases, and especially *Gayler v. Wilder*<sup>5</sup> had pointed to this result.

There can be little question but that the patent doctrine influenced the course of decision in copyright, but it seems a little incongruous to minimize the influence of the dicta of *Jefferys v. Boosey*,<sup>6</sup> an English copyright case decided more than 36 years before *Waterman v. Mackenzie*. In the *Boosey* case, Bellini composed an opera, assigned it to Ricordi, who in turn assigned to Boosey "Ricordi's interest in the opera \* \* \* for publication in the United Kingdom only." In the course of the litigation, the judges were asked to consider whether limited publication rights could thus be assigned. On this point, Baron Parke felt that "this is an indivisible right, and the owner of it cannot assign a part of the right, as to print in a particular county or place."<sup>7</sup> Lord Chief Baron Pollock thought it—

very doubtful whether copyright can be at all partially assigned \* \* \*. [It is] not capable of being divided into parts and divisions according to local boundaries \* \* \* the assignment being for publication in the United Kingdom only, and not all the British dominions, would operate as a license only \* \* \*.<sup>8</sup>

To Lord Brougham, it appeared that—

if there is one thing which I should be inclined to represent \* \* \* as being more clear than any other \* \* \* it is that copyright is one and indivisible \* \* \*. Nothing could be more absurd or inconvenient than that this abstract right should be divided, as if it were real property, into lots \* \* \*. It is impossible to tell what the inconvenience would be. You might have a separate transfer of the right of publication in every county in the Kingdom.<sup>9</sup>

Lord St. Leonards echoed these sentiments, believing that this was a partial assignment and "wholly void"; Ricordi might have—

published it the very next day in Milan \* \* \* the assignment \* \* \* was void because it was limited to the United Kingdom, and did not extend to the whole of the British dominions \* \* \*.<sup>10</sup>

The language used in *Jefferys v. Boosey* made a strong impression on American courts. The problem discussed in the 1854 decision was whether Ricordi could assign to Boosey a part of the British publishing

<sup>1</sup> 138 U.S. 252 (1891).

<sup>2</sup> *Id.* at 255.

<sup>3</sup> *Ibid.*

<sup>4</sup> *Ibid.*

<sup>5</sup> 10 How. 477, 494-495 (U.S. 1850).

<sup>6</sup> 10 H.L. (Clark) 681 (1854).

<sup>7</sup> *Id.* at 727.

<sup>8</sup> *Id.* at 730.

<sup>9</sup> *Id.* at 750.

<sup>10</sup> *Id.* at 751. Compare the situation under the Copyright Act, 1911, 1 & 2 Geo. 5, c. 46, § 5(2)(f): COPINGER AND SKONE JAMES, COPYRIGHT (8th ed. 1948) 109.

rights; i.e. one which excluded the dominions. But what started as a commonsense notion, presumably in accord with trade practice—i.e., that an author could not subdivide the right of publication territorially into units smaller than an entire state—later turned into a rigid legal doctrine which, when applied to new fields and rights, caused great confusion in the marketing of the author's product.

#### B. A BUNDLE OF RIGHTS

Copyright began with the protection of books against copying. The first Federal statute in the United States also covered maps and charts, but the protection for all three categories was limited to "printing, reprinting, publishing, and vending."<sup>11</sup> The acts of 1802 and 1831 added new materials subject to copyright, but not until 1856 did Congress grant a new type of protection, the right of public performance in dramatic compositions.<sup>12</sup> In 1891 Congress made it unnecessary for authors to reserve the rights of translation or dramatization given to them in 1870.<sup>13</sup> The act of 1897 gave a right of public performance or representation in any copyrighted "dramatic or musical composition."<sup>14</sup>

The turn of the century thus saw copyright departing from its original concentration on the publishing right; it now included rights of translation, dramatization and of public performance in dramatic and musical compositions. Copyright was no longer a single right, but had become an aggregation or bundle of rights, which might conveniently be referred to as "copyright" but was in reality, many copyrights.<sup>15</sup> If each new right had acquired and retained a different name, e.g., "playright" for dramatic rights more attention might have been given to the necessity of distinguishing between them.

The listing of rights in the act of 1909 emphasized this growth.<sup>16</sup> The statute granted the traditional publishing right, "to print, reprint, publish, copy and vend" and also the right to: translate; make other versions of literary works; dramatize nondramatic works; convert dramas to novels or other nondramatic form; arrange or adapt musical works; complete, execute and finish models or designs for works of art; deliver lectures, sermons, addresses or similar productions in public for profit; perform or represent dramatic works publicly; make a record of the dramatic work by or from which it might be exhibited, performed, represented, produced or reproduced, or to exhibit, perform, represent, produce or reproduce it; perform musical compositions publicly for profit, and make any arrangement or setting in any form of record.<sup>17</sup> This is a very different situation from 1790 and the single right of publication.

In the period leading up to the enactment of the 1909 law, although there was disagreement on the extent of protection of some of the rights, there was a fairly general consensus on the kind of protection which was to be given to copyrighted works. Few questioned the need for rights of translation, dramatization and a general performing right for certain types of material but a major portion of the long

<sup>11</sup> *Copyright Laws of the United States of America, 1783-1956*, U.S. Copyright Office, 22 (1956).

<sup>12</sup> *Id.* at 24, 27, 33.

<sup>13</sup> *Id.* at 37, 50.

<sup>14</sup> *Id.* at 56.

<sup>15</sup> WEIL, *AMERICAN COPYRIGHT LAW* 56 (1917).

<sup>16</sup> 35 STAT. 1075, § 1 (1909); codified in 1947 by Act of July 30, 1947 (61 STAT. 652). Amended by Act of July 17, 1952 (66 STAT. 752).

<sup>17</sup> U.S.C. § 1(a)-(e) (1952).

hearings preceding the statute are devoted to arguments on the compulsory licensing of musical compositions for mechanical reproduction.<sup>18</sup>

A reading of the hearings does not indicate any great concern over what we now regard as the problem of indivisibility of copyright. There was a problem in assigning rights under copyright, but except for some difficulty between the authors and the periodical publishers, the problem had not become acute in other areas.

In the book field most rights were sold and held within a single industry; any problem of this type could be resolved or minimized by trade practice within the industry. Some publishers produced both books and periodicals but in any case, sales of rights between book and periodical publishers were covered by customary contractual arrangements.

The dramatic situation was somewhat more complicated. Here there were two industrial groups, but the situation was eased by the fact that many dramatists wrote directly for the stage. Where a novel was published first, arrangements were usually worked out amicably. New York was the center of both the book publishing and theater producing groups; producers knew many of the authors and dealt directly with them.

Music too was sold or used within the music publishing, recording or entertainment fields, all fairly closely related. There were no performance right societies in the United States until 1914.<sup>19</sup>

#### C. DAM V. KIRKE LA SHELLE CO.

The period of closely knit industrial relationships in the book field disappeared with the growth of the motion picture and the advent of talking pictures, radio and television. The motion picture had been invented before 1909 but its need for large quantities of book and periodical material had not been foreseen. The development of the modern motion picture and the need of securing good title to the stories and dramatic compositions on which producers would spend large sums of money brought on a crisis caused in part by statutory procedures and in part by the application of the doctrine of indivisibility in the courts.

The spark which ignited the controversy was the decision in *Dam v. Kirke La Shelle Co.*<sup>20</sup> The courts in the United States had not always applied *Jefferys v. Boosey* and *Waterman v. Mackenzie* in determining the status of the sale of separate rights in the copyright.<sup>21</sup> The *Dam* decision, coming as it did in 1910,<sup>22</sup> when authors were beginning to sell their published stories and books for motion picture production, shocked authors. It led to the immediate formation of the Authors' League,<sup>23</sup> and to a sustained effort to amend the law.

<sup>18</sup> Henn, *The Compulsory License Provisions of the U.S. Copyright Law* (Study No. 5 in the present series of committee prints, p. 11.)

<sup>19</sup> Finkelstein, *Public Performance Rights in Music and Performance Rights Societies*, in SEVEN COPYRIGHT PROBLEMS ANALYZED, 69, 75 (1952).

<sup>20</sup> 166 Fed. 589 (C.C.N.Y. 1908); *aff'd*, 175 Fed. 902 (2d Cir. 1910).

<sup>21</sup> *Roberts v. Myers*, 20 Fed. Cas. 898 (C.C. Mass. 1860); *Aronson v. Fleckstein*, 28 Fed. 75 (C.C. Ill. 1886); *Palmer v. DeWitt*, 47 N.Y. 532 (1872); *Aronson v. Baker*, 43 N.J. Eq. 365, 12 A. 177 (1888); *But see*, *Keene v. Wheatley & Clarke*, 14 Fed. Cas. 180 (C.C. Pa. 1860); *Tams v. Witmark*, 30 N.Y. Misc. 293 (1900); *aff'd* 48 N.Y. App. Div. 632 (1900).

<sup>22</sup> The case arose under the prior statute but was not decided until after the 1909 law had come into effect.

<sup>23</sup> *Hearings Before the House Committee on Patents on H.R. 8913*, 70th Cong., 1st Sess. (1928); Klein, *Protective Societies for Authors and Creators*, in 1953 COPYRIGHT PROBLEMS ANALYZED 19, 42 (1953).

For a long period, the attempts to secure statutory divisibility became the most important legislative aim of the authors and motion picture producers in the copyright area. The history of that legislative effort can only be understood in the light of the *Dam* case.

The plaintiff *Dam* sold a story to *Smart Set* magazine. The only contract was embodied in a receipt accompanying the check for payment, stating that it was "in full payment for story entitled 'The Transmogrification of Dan.'" The story was published in the September 1901 issue of *Smart Set*; there was no separate copyright notice for the story, but there was a notice for the entire magazine in the name of the publisher. After the defendant had used the story as the basis for a play, the magazine assigned to *Dam*, "its copyright" of the September 1901 issue of *Smart Set*, "so far as it applied to, covered or protected said story, all its interest in said story under said copyright \* \* \*."<sup>24</sup>

There was considerable confusion in the theories adopted by counsel for *Dam*, on the question of whether *Dam* had originally transferred all his rights in the story, or whether he had reserved the dramatic, translation, and other rights, and granted only the right of first publication. If *Dam* had transferred all his rights, the copyright of the entire magazine covered his story, for the magazine became the copyright proprietor of the story. On the other hand, if *Dam* had sold only the first publishing rights, then the magazine was a licensee, in which case it could not have secured copyright in the story and the story would have fallen into the public domain. In an effort to help the unfortunate author, the court construed the facts as indicating that the publishing company had become the absolute proprietor of the story. In a dictum, the court added that if *Dam* had retained the dramatic rights to his story when he originally sold it to the magazine, then a separate notice and entry might be required. Absent separate notice, there would be no copyright in the story. There might be disagreement as to what the decision meant,<sup>25</sup> but this was unimportant; it was the implications, as writers interpreted them, which caused consternation in author circles. To writers, the *Dam* case became a symbol of injustice.

At this time, authors and periodicals had given little thought to the sale of motion picture rights. When they did consider it later, the magazines admitted that they purchased only certain publishing rights and the authors certainly hoped to sell the motion picture rights separately. But unless the author transferred all rights to the publisher and took his chances on having the rights assigned back, the *Dam* case indicated that his work would fall into the public domain. Well-known authors might insist upon a separate notice and secure copyright in their own name, but magazines objected to this procedure. Most magazines dealt fairly with authors but in the early days, some periodicals felt entitled to share in the proceeds of the motion picture sale.<sup>26</sup> In order to make sure of their title, motion picture companies were sometimes forced to secure releases from both the author and publisher.<sup>27</sup>

<sup>24</sup> 175 Fed. 902, at 903.

<sup>25</sup> Cf. Laskin, *All Rights Unreserved*, in COPYRIGHT LAW SYMPOSIUM, No. 7 at pp. 91, 97 (1956) and note 21.

<sup>26</sup> *Hearings Before the House Committee on Patents on H.R. 6990*, 71st Cong., 2d Sess. 17 (1930); SPRING, RISKS & RIGHTS 169 (2d ed. 1956).

<sup>27</sup> *Hearings Before the House Committee on Patents on H.R. 6250, H.R. 9137*, 68th Cong., 1st Sess. 312-314 (1924); H. REP. NO. 1689, 71st Cong., 2d Sess. 5 (1930).

The struggle by the author to transfer good title to his work, and the need of the motion picture companies to secure clear title, was the impetus for the introduction of bill after bill to achieve divisibility. The *Dam* case arose under the old law but was not finally decided until after the 1909 act has been enacted. Before discussing the legislative battle for divisibility, we review the history of the 1909 act.

## II. LEGISLATIVE HISTORY

### A. 1905-9: PROLOGUE TO 1909

The task of drafting a new copyright law in 1905 presented a great many problems, but of these, the problem of indivisibility was a rather minor one.

Work on the new law began at conferences called by the Librarian of Congress in 1905. At these meetings it was stated that, although periodicals had, at one time, claimed that the purchase of a short story resulted in an outright sale of all rights, most of them now purchased only the right to publish in the particular periodical or at most, the right to publish in any periodical.<sup>28</sup> Despite this understanding, and in an effort to prevent the unintentional transfer of secondary rights,<sup>29</sup> the authors wished to see a specific provision in the law providing that, unless there was a written contract to the contrary, all rights in an article first published in a periodical reverted to the author at the end of 3 years.<sup>30</sup> Some felt this was a matter of contract and that there was no need to write it into the law—the law would not imply a transfer of secondary rights.<sup>31</sup>

The question of the validity of a single copyright for an entire magazine or periodical had been raised in 1903, in famous cases involving stories by Oliver Wendell Holmes and Harriet Beecher Stowe.<sup>32</sup> It had become the custom to copyright magazines by using one notice covering the entire contents.<sup>33</sup> The Librarian's draft of a new law sought to resolve any doubt as to this procedure by providing for the deposit of copies of the entire periodical and the necessity of using only one notice unless the contributor desired separate registration.<sup>34</sup>

The Librarian's draft stated that "copyright in a book," the dramatic right, the music performing right and the right of oral delivery of a lecture were distinct for purposes of "ownership, publication, performance, representation, delivery, assignment, license, and for all other purposes."<sup>35</sup> The conference added the thought that each right might be "severed" from the copyright for these purposes.<sup>36</sup>

<sup>28</sup> *Stenographic Report of Proceedings of First Session of Conference on Copyright, New York City Club 30, 168-172* (May 31-June 2, 1905), ms. in U.S. Copyright Office.

<sup>29</sup> *Id.* at 169-172.

<sup>30</sup> Memorandum Draft of Bill, U.S. Copyright Office Bull. No. 10, §§ 116, 119 (1905).

<sup>31</sup> *Conferences, supra* note 28, at 168, 175.

<sup>32</sup> *Miffin v. B. F. Dutton*, 190 U.S. 265 (1903); *Miffin v. R. H. White Co.*, 190 U.S. 260 (1903). In the *Holmes* case, the Supreme Court held that the publishers in entering the copyright for two issues of the magazine which included chapters of the book, had evidently sought their own protection for the magazine as a whole, and though it might be inferred that an author placing his book in the hands of a publisher intended to authorize him to secure copyright in his name, there was no such intention here.

<sup>33</sup> *Hearings Before the Senate and House Committees on Patents on S. 6330 and H.R. 19853, 59th Cong., 1st Sess.* at 95 (Dec. 1906).

<sup>34</sup> U.S. Copyright Office Bull. No. 10, § 56 (1905).

<sup>35</sup> *Id.* at § 36.

<sup>36</sup> U.S. Copyright Office Bull. No. 10, 32 (2d Print, March 1906):

"Sec. 56. That the right of representation in the case of a dramatic composition, the right of performance in the case of a musical composition, and the right of oral delivery in the case of a lecture, shall each be deemed a distinct personal property which may be severed from the copyright for the purpose of ownership, publication, performance, representation, delivery, assignment, license, transmission, and for all other purposes."

The draft also provided that the owner of a copyright, or of the translation or other rights mentioned above might—

assign the right before or after publication, either wholly or partially, and either generally or with limitation to particular place or period, or grant any interest therein by lease or license \* \* \*<sup>37</sup>

Provision was made for the recordation of assignments and licenses.<sup>38</sup>

In 1906, a new draft prepared by the Librarian incorporated language providing that, where the author assigned his copyright for a limited term, both author and assignee had a concurrent right to maintain a suit during the term and that action by either one would bar later suit on the same cause of action.<sup>39</sup>

Early Currier and Kittredge bills<sup>40</sup> modified and used the Librarian's draft; as later redrafted for the Patent Committees of both Houses, the provision became:

SEC. 34. That each of the rights specified in section one of this Act shall be deemed a separate estate subject to assignment, lease, license, gift, bequest, inheritance, descent or evolution.<sup>41</sup>

The Committee on Copyright of the Association of the Bar of the City of New York, in commenting on the bills, stated the purpose of the section to be "to determine the separate estates subject to assignment with reference to copyright \* \* \*"<sup>42</sup>

The American (Authors') Copyright League proposed to amend the section to include the right to make "any form of musical record" and to make "any other separable right" subject to assignment or license in whole or in part.<sup>43</sup> Other amendments to provide that enumerated rights were not to pass by assignment unless specifically assigned, were also proposed.<sup>44</sup>

Provisions identical to section 34, except for the change of "evolution" to read "devolution" appeared in succeeding bills.<sup>45</sup> On January 28, 1909, Representative Washburn introduced H.R. 27310<sup>46</sup> with the following language:

SEC. 44. That copyright secured under this or previous Acts of the United States, or any interest therein, may be assigned, granted, mortgaged, or devised by an instrument in writing signed by the proprietor of the copyright, or may pass by operation of law to executors or administrators or trustees in bankruptcy or on execution." [Italics added.]

<sup>37</sup> U.S. Copyright Office Bull. No. 10, § 45 (1905).

<sup>38</sup> *Conferences*, supra note 28, 2d Session (Nov. 1-4, 1905) 352-360; 3d Session (Mar. 13-16, 1906) 562-564.

<sup>39</sup> U.S. Copyright Office Bull. No. 10, 42 (2d Print, March 1906).

<sup>40</sup> "Sec. 38. That the right of translation, the right of dramatization, the right of oral delivery of a lecture, the right of representation in the case of a dramatic composition, the right of performance in the case of a musical composition, where the latter is reserved, as provided in section fourteen hereof, the right to make any mechanical device by which music may be reproduced to the ear, and the right of reproduction of a work of art or of a drawing or plastic work of a scientific or technical character shall each be deemed a separate estate subject to assignment, lease, license, gift, bequest, or inheritance." H.R. 19853, 59th Cong., 1st Sess. (Currier) and S. 6330 (Kittredge) both introduced on May 31 1906.

<sup>41</sup> S. 6330, § 35; H.R. 19853, § 34 (1907).

<sup>42</sup> *Hearings* (Dec. 1906), supra note 33, at 409. The same Committee of the Bar of the City of New York objected to the inclusion of a "right to make any musical device." *Id.* at 410. There was also a question as to whether the right of performance ought be given to a musical composition or only to a "musical-dramatic composition" and whether the right of performance in the case of a musical composition ought be limited to public performance: *Hearings Before the Senate and House Committees on S. 6330 and H.R. 19853*, 59th Cong., 1st Sess. at 138 (June 1906), and *Amendments Proposed to Copyright Bill, Part II*, U.S. Copyright Office 96 (1906).

<sup>43</sup> *Hearings* (Dec. 1906), supra note 33, at 402.

<sup>44</sup> *Hearings* (Dec. 1906), supra note 33, at 422; Cf. Dec. 1906 draft of bill submitted on behalf of Melville Clark Piano Co., in *Amendments Proposed to the Copyright Bill*, Addenda, U.S. Copyright Office, §§ 3, 38 (1906).

<sup>45</sup> S. 8190, 59th Cong., 2d Sess. § 34 (1907, Kittredge); and Sections 44 in the following bills: S. 2900, 60th Cong., 1st Sess. (1907, Kittredge); H.R. 11794, 60th Cong., 1st Sess. (1908, Barchfeld); and H.R. 24782, 60th Cong., 2d Sess. (1908, Barchfeld).

<sup>46</sup> 60th Cong., 2d Sess.

On February 15, 1909, Representative Currier introduced the bill which was eventually to become the 1909 law. In this bill, section 44 was changed to omit the words italicized above and came to read:

SEC. 42. Copyright secured under this title or previous copyright laws of the United States may be assigned, granted, or mortgaged by an instrument in writing signed by the proprietor of the copyright, or may be bequeathed by will.<sup>47</sup>

In commenting on section 42, the report accompanying the bill stated:

Section 42 deals with the matter of the transfer of the copyright. Some doubt has been expressed as to the right to convey a copyright in mortgage. Your committee saw no reason why such a right should not be recognized.<sup>48</sup>

The report thus directs attention to the arguments presented to the Copyright Subcommittee immediately prior to the passage of H.R. 28192, on the question of the effect of bankruptcy on the copyright.<sup>49</sup> The main argument revolved about the decision in the *Bobbs Merrill* case<sup>50</sup> prohibiting retail book price maintenance. Arthur Steuart, chairman of the Copyright Committee of the American Bar Association believed that the copyright proprietor should have a right to set retail prices, and told the committee:

We are in a position where we are confronted with the problem of whether we are going to protect this property fully or only to a limited extent. There is no provision in this act that licenses, (sic) and yet licenses are the common practice of the world and have been recognized by the courts. There is no provision in his act for granting a limited estate under copyright.<sup>51</sup>

Representative Washburn read what he later introduced as section 44 of H.R. 27310 at this hearing; one witness objected to the inclusion of the word "leased" as possibly giving some support to the theory that the proprietor or publisher might impose retail price maintenance under the guise of a lease.<sup>52</sup> Whether the committee, in rewriting section 44 of the Washburn bill, deleted four little words "or any interest therein" for economy of language or because of some feeling that the words might support the argument for price maintenance cannot be determined.

The congressional intent is debatable. Certainly, the problem was called to the attention of the Congress. In the March 1908 hearings, Robert Underwood Johnson, secretary of the American (Authors') Copyright League, comparing the pending bills pointed out that the—

Currier and Smoot bills omit this section (Sec. 34) of the 59th Congress bills. This "separate estate" provision is emphasized by authors and publishers as making clear though not altering the existing law on a mooted point.<sup>53</sup>

Did the committee believe that, if the provision did not alter the law, it was not necessary to include it? <sup>54</sup> A prior committee, in reporting a bill containing a provision for separate estates, had commented, "Sec. 34, while a new provision in the copyright laws, simply provides for a transfer of well-recognized property rights."<sup>55</sup> Even the inclu-

<sup>47</sup> S. 9440, introduced March 1, 1909, used identical language.

<sup>48</sup> H.R. REP. NO. 2222, 60th Cong., 2d Sess. 19 (1909).

<sup>49</sup> *Hearings Before the Copyright Subcommittee of the House Committee on Patents on Common-Law Rights as Applied to Copyright, Section 4, H. R. #1592*, 60th Cong., 1st Sess. 12 (1909).

<sup>50</sup> *Bobbs-Merrill v. Strauss*, 210 U.S. 339 (1908).

<sup>51</sup> *Hearings, supra* note 49, at 13.

<sup>52</sup> *Hearings, supra* note 49, at 18.

<sup>53</sup> *Hearings Before the Senate and House Committees on Patents*, 60th Cong. at 94 (March 1908).

<sup>54</sup> WEIL, AMERICAN COPYRIGHT LAW 552 (1917): "or possibly because of their universal recognition, Congress may have deemed it unnecessary to confer an express power to license \* \* \*."

<sup>55</sup> H.R. REP. NO. 7803, 59th Cong., 2d Sess. 17 (1907). See also, the Minority Report of the same committee, Pt. 2, at 6.

sion of the phrase "or any interest therein" would not have settled the issue conclusively. Weil felt that when the patent statute was amended in 1897, it expressly permitted the assignment of a patent or any interest therein.<sup>55a</sup> But the provision he cites, including the words "or any interest therein" was in the statute at the time of *Waterman v. Mackenzie*<sup>55b</sup> and did not impress the court. It is conceivable, however, that the interpretation of the phrase in copyright decisions might have been different in view of the great difference in the type of rights specified in the 1909 law.

#### B. 1909-40: LEGISLATIVE BATTLE FOR DIVISIBILITY

The history of the effort to revise the 1909 law to include divisibility is so involved and voluminous as to make it wise merely to outline it here and place the details and footnotes in the appendix hereto.

Early bills to revise the 1909 statute in order to permit adherence to the Berne Conventions proposed only those amendments believed absolutely necessary to achieve this purpose. Exclusive of these bills, almost all the revision bills included divisibility sections.

In 1924, the motion picture attorneys drafted a bill designed to give the author "a solid right to transfer." In 1925, the motion picture producers and periodical publishers opposed a bill drafted by the Register of Copyrights and sponsored by the Authors' League, indicating their preference for the earlier bill. In the next Congress, there was agreement on the necessity of making copyright divisible, but the motion picture producers and periodical publishers preferred the Vestal bill and opposed the Perkins bill.

The Vestal bill made all the rights comprised in a copyright "several, distinct and severable," and treated the licensee as the owner "for all purposes, including the right to sue." In 1927, a special bill was introduced which attempted to achieve divisibility by amending three sections of the existing law. Hearings were held; again, almost everyone liked divisibility, but disagreed on the details. The bill was reported out favorably, but no further action was taken.

At later hearings, the Authors' League called the divisibility bill, "the most important piece of copyright legislation that has ever been reported out of a committee since the Copyright Act of 1891." Additional provisions for interpleader having been added, the bill also received the support of the motion picture and book publishing interests. The periodical publishers suggested that they were perfectly happy under the existing law; they approved in principle, but asked that they be given absolute priority over publication in other media. The bill was opposed by the Shubert dramatic interests for fear that it would help the dramatist sell competing motion picture rights while a play was still running.

The House committee, in reporting the bill favorably, noted that it represented the best current business practice, and amended it to make it obligatory on the court to give notice to interested parties. The bill was placed on the consent calendar, was passed over on objection on two occasions, and died.

<sup>55a</sup> WEIL, AMERICAN COPYRIGHT LAW 546 (1917).

<sup>55b</sup> Decided 1891; instrument dated 1884. That portion of section 4898 cited by Weil appears in the Act of July 8, 1870, ch. 230, § 36, 16 STAT. 203.

Separate divisibility bills continued to be introduced, but support shifted to general revision bills which included provisions for divisibility. Periodical publishers were induced to support a new Vestal bill in 1930, but the Shubert interests were still opposed, holding that divisibility would "kill the spoken drama." Committee reports at this time included "divisible copyright" as one of the prime objectives and one of the most important results to be achieved in revision. One committee considered divisibility "absolutely essential to the effective marketing of an author's work." The House of Representatives passed a bill including divisibility sections on January 5, 1931, but after the Senate committee had reported the bill favorably with some amendments, the debate in the Senate was stopped by a filibuster on another matter and the bill was not brought to a vote.

After the death of Representative Vestal, Representative Sirovich, the new chairman of the House Committee on Patents introduced a series of revision bills. Some adopted the recommendation that periodicals be given an exclusive right to complete publication before any other public presentation. Later, the periodical publishers appeared to believe that they could accomplish this purpose by contract. At hearings held in 1932, the only group recorded in opposition to divisibility were the music publishers. To counsel for Songwriters Protective Association, this opposition was "mainly psychological," the music publishers habitually taking an assignment, keeping "the entire copyright and never turning anything back to the author." A bill was reported out but never voted on. In March 1932, Senator Dill introduced a general revision bill which enabled the author to assign or license any right, provided that a license or assignment to make a motion picture was to include all motion picture rights of reproduction and exhibition. No action was taken on the bill.

The Duffy bill, introduced in 1935, contained divisibility features referred to by a Senate committee as "the outstanding contribution of the present bill to the welfare of the authors." A revised version of the bill was passed by the Senate, but, after long hearings in the House, no agreement was reached on the more controversial features of the bill, and no action resulted.

In 1940, the "Shotwell committee bill," the result of 2 years of conferences by the Shotwell committee, was introduced. The conferences indicated that the authors, publishers, motion picture producers and distributors all favored divisibility; the motion picture groups requested a more elaborate system of grants and recordation of rights in the Copyright Office. The Music Publishers Protective Association, Inc., strenuously opposed the divisibility concept because—it will tend to foster organizations created for the purpose of depriving music publishers of the most valuable incidents of musical copyrights.

The Shotwell bill contained elaborate divisibility provisions, including the right of a grantee or exclusive licensee of any right to sue without joining the grantor. The motion picture and radio groups urged additional safeguards in order to prevent multiplicity of suits. These were to include limiting the right to sue to exclusive licensees, giving notice to other interested parties and permitting intervention.

No hearings were held on the bill and the Senate took no action.

## III. THEORY OF INDIVISIBILITY

## A. DEFINITIONS

The rule of indivisibility is a development of case law. The emphasis on the periodical situation is important because this was the setting in which the problem was presented to the Congress. But the rule has had very important effects in other fields, and we turn now to the theories and to the application of the rule.

Henn has summarized the theory of indivisible copyright as—

With respect to a particular work embodied in concrete form, or separable part of such work, there is, at any one time, in any particular jurisdiction, only a single incorporeal legal title or property known as the copyright, which encompasses all the authorial rights recognized by the law of the particular jurisdiction with respect thereto.<sup>56</sup>

Schulman has referred to the rule as requiring "a unity of ownership of legal title to the entire bundle (of rights)."<sup>57</sup> Warner has emphasized the present problem when he finds that indivisibility—

precludes a licensee or transferee from instituting an action for infringement unless he has joined the copyright proprietor as a party to the suit.<sup>58</sup>

## B. FACETS OF INDIVISIBILITY

One might think of a copyright being indivisible in that it could not be assigned (1) for less than its complete term, (2) for a territory less than the jurisdiction conferring the right, and (3) with respect to part rather than all the component rights of the copyright.

## 1. Duration

The courts have not regarded duration as an element of indivisibility.<sup>59</sup> They have permitted assignments of the entire copyright for limited periods, apparently believing that the danger of multiplicity of suits in this situation is minimal.

## 2. Territorial

Although the territorial question played a leading role in *Jeffreys v. Boosey*, the American cases have generally accepted territorial limitations. *Waterman v. MacKenzie*, so frequently cited for the original doctrine of patent indivisibility actually approved a territorial division of those rights. The Supreme Court, in indicating which conveyances would be approved, mentioned the grant of a patent within a "specified part of the United States."<sup>60</sup>

Early American cases dealing with dramatic productions regarded the grant of production rights in a territory limited to certain portions of the United States as assignments rather than licenses.<sup>61</sup> In the

<sup>56</sup> Henn, *Magazine Rights—A Division of Indivisible Copyright*, 40 CORNELL L. Q. 411, 417 (1955) (hereinafter cited as Henn).

<sup>57</sup> Schulman, *Authors' Rights*, in SEVEN COPYRIGHT PROBLEMS ANALYZED 19, 22 (1952).

<sup>58</sup> WARNER, RADIO AND TELEVISION RIGHTS 130 (1953); *Cf.* SPRING, RISKS & RIGHTS 167 (2d ed. 1956).

<sup>59</sup> *Roberts v. Myers*, 20 Fed. Cas. 898 (C.C. Mass. 1860) (1 year); *Aronson v. Baker*, 43 N.J. Eq. 365, 12 A. 177 (1888) (for a stated period); *Aronson v. Fleckstein*, 28 Fed. 75 (C.C. Ill. 1886 (2 years)); *But see*, DRONE, LAW OF PROPERTY IN INTELLECTUAL PRODUCTIONS 337 (1879) for the view that copyright is indivisible as to time.

<sup>60</sup> 138 U.S. at 232, 255 (1891); *But see*, Risdale, *Validity of Doctrine That a Full Exclusive License is in Fact an Assignment*, 34 J. Pat. Off. Soc. 643 (1954).

<sup>61</sup> *Roberts v. Myers*, 20 Fed. Cas. 898 (C.C. Mass. 1860) (right of representation on stage for the United States but excluding Boston, New York, Philadelphia, Baltimore and Cincinnati). See DRONE, LAW OF PROPERTY IN INTELLECTUAL PRODUCTIONS, 622-623 (1879): "playright" may be assigned independently and for any part of the country.

case of the production of a play, it would be perfectly normal to grant exclusive permission to perform in one of the big cities, or for a limited portion of the United States. The same considerations would not be operative in a grant of publishing rights; there is logic in not permitting successive grants within the same jurisdiction. However, what might be perfectly appropriate for the spoken drama might be wholly inappropriate in grants of motion picture, radio, or TV rights, and here, the differing industry practices would have to be taken into account.

### 3. *Partial rights*

The real problem in indivisibility has been the determination of which rights could be split off from the bundle of rights and the ability of the grantor to convey title to one or more but not all the rights in the copyright. At the time of the *Boosey* case, there was really only one basic right; today, the subsidiary rights may be much more valuable than what were formerly regarded as the basic rights. Motion picture rights in a book may be worth much more than the publishing rights; performing rights are much more valuable than the right to print sheet music.<sup>62</sup>

The language of some cases would seem to require a transfer of all rights; any splintering, no matter how small, would make the transfer a license.<sup>63</sup> Modern business conditions make it economically unprofitable, in the usual case, for the author or owner to transfer all his rights to one grantee at one time. The rights may be useful in many different fields; a single owner will not ordinarily operate in all these fields. On the other hand, it is difficult to see how it is feasible to go to the other extreme and regard any exclusive licensee, no matter how limited the license, as having rights as broad as the original proprietor.

## C. ASSIGNMENT OR LICENSE

### 1. *Distinguishing assignments and licenses*

Indivisibility is a rule or theory relied upon by the court; it is usually applied when a court determines that a grant is not an assignment but a license. If the grant is an assignment, the assignee has full rights; if it is a license, then the doctrine of indivisibility may be used to bar the licensee from doing some of the things an assignee could do.

There have been endless attempts to define the distinction between an assignment and a license.<sup>64</sup> According to Weil, who used the patent analogy—

any assignment of a copyright which does not convey the entire and unqualified monopoly of the copyright proprietor, or an individual share thereunder, is to be deemed a license rather than an assignment.<sup>65</sup>

<sup>62</sup> Royalty income from performing rights in 1956 ran somewhere between 70-80%, as compared to 20-30 % for sheet music. See M. P. P. A. statement in support of H.R. 5478, 85th Cong., 1st Sess. (1957).

<sup>63</sup> Photo-Drama Motion Picture Co. v. Social Uplift Film Corp., 213 Fed. 374, 377 (S.D.N.Y. 1914), *aff'd*, 220 Fed. 448 (2d Cir. 1915) ("The test is whether anything remained in him."); Douglas v. Cunningham, 33 U.S.P.Q. 470 (D. Mass. 1933) *modified* in 72 F. 2d 536 (1st Cir. 1934); *Cf.* Witmark & Sons v. Pastime Amusement Co., 298 Fed. 470 (1924), *aff'd*, 2 F. 2d 1020 (4th Cir. 1924).

<sup>64</sup> BALL, LAW OF COPYRIGHT AND LITERARY PROPERTY 530 (1944); DE WOLF, AN OUTLINE OF COPYRIGHT LAW 76 (1925); DRONE, LAW OF PROPERTY IN INTELLECTUAL PRODUCTIONS 305 (1879); HOWELL, THE COPYRIGHT LAW 171 (3d ed. 1952); LADAS, INTERNATIONAL PROTECTION OF LITERARY AND ARTISTIC PROPERTY 797 (1938); 18 C.J.S. 206 (1939).

<sup>65</sup> WEIL, AMERICAN COPYRIGHT LAW 546 (1917).

A license, on the other hand was—

merely a leave to do a thing and a contract by the assignor not to permit anyone else to do it \* \* \* the licensee could not sue.<sup>66</sup>

Assignments carry the right to transfer the copyright and to sue. Licenses are usually personal, contractual, rights and are strictly construed.<sup>67</sup> An exclusive license is ordinarily held to be personal and where there is an indication of reliance upon the person or character of the licensee, it is not transferrable.<sup>68</sup> But where there is no such reliance, it may be transferred,<sup>69</sup> and the courts are also more apt to call it a partial assignment.

## 2. "Partial reservation of rights" test

It has been said that, "the copyright statute provides only for the assignment of the right as a whole," and that, in relation to the right to sue—

copyright is an indivisible thing, and cannot be split up and partially assigned either as to time, place, or particular rights or privileges, less than the sum of all the rights comprehended in the copyright.<sup>70</sup>

Thus, if the proprietor reserves any rights in making a transfer, the grant is not an assignment, which must include all rights, but a license. This test does have the virtue of simplicity and it also expresses some of the purpose behind the rule of indivisibility. Under this test, the original proprietor retains some control over the copyright even though he may have transferred his most important rights. The test is deceptively simple; the original proprietor ought not be able to prejudice his own grantee of substantial rights by retaining a small portion of the rights. The test as applied makes no distinctions on the basis of the importance of the rights transferred or reserved; it has been applied mechanically without regard to the real interest of the parties or to the industrial realities.<sup>71</sup>

## 3. "Assignment of rights included in any subdivision of section 1" test

Some courts and writers sought a middle ground, feeling that the copyright should be divisible if the grant included all the rights covered by one of the subsections of section 1 of the law.<sup>72</sup> They may have thought in terms of different groups using the rights in each subsection, or have been seeking some objective grouping of rights to avoid treating the grant of any right as an assignment.<sup>73</sup> Whatever logic this test might have had in the earlier history of copyright, the fact that rights in section 1(a) affect the newspaper, periodical, book and other trades, and that section 1(d) covers not only the spoken

<sup>66</sup> *Ibid.*: "unless coupled with a grant, it conferred \* \* \* no interest or property in the subject matter \* \* \*"

<sup>67</sup> *Id.* at 549, 554.

<sup>68</sup> *Id.* at 550.

<sup>69</sup> Partial assignments or licenses may be made assignable by express grant. It is easier to find assignability where there is no element of personal trust. *D.H. McBride & Co.*, 132 Fed. 285, 288 (S.D.N.Y. 1904).

<sup>70</sup> *Goldwyn Pictures Corp. v. Howells Sales Co.*, 282 Fed. 9, 11 (2d Cir. 1922), *cert. denied*, 62 U.S. 755 (1923); *M. Witmark & Sons v. Pastime Amusement Co.*, 298 Fed. 470, 474 (E.D.S.C. 1924), *aff'd* 2 F. 2d 1020 (4th Cir. 1924); *Elliot v. Geare-Marston, Inc.*, 30 F. Supp. 301, 306 (E.D. Pa. 1939); *Photo-Drama Motion Picture Co. v. Social Uplift Film Corp.*, 213 Fed. 374, 377 (S.D.N.Y. 1914), *aff'd*, 220 Fed. 448 (2d Cir. 1915).

<sup>71</sup> Henn, *supra* note 56 at 432: "The application of this test frequently involves the mechanistic tracing of the progress of a metaphysical concept through a chain of transfers."

<sup>72</sup> *Fitch v. Young*, 230 Fed. 743 (S.D.N.Y. 1916); *Public Ledger v. New York Times*, 275 Fed. 562 (S.D.N.Y. 1921), *aff'd* 279 Fed. 747 (2d Cir. 1922), *cert. denied*, 258 U.S. 627 (1922); *Houghton Mifflin Co. v. Stackpole Sons, Inc.*, 104 F. 2d 306 (2d Cir. 1939), *cert. denied*, 308 U.S. 597 (1939); Neu, *The Rights of a Copyright Owner*, 17 NOTRE DAME LAW, 373, 391 (1942).

<sup>73</sup> Bergstrom, *The Businessman Deals with Copyright*, in THIRD COPYRIGHT LAW SYMPOSIUM 248, 270 (1941). Cf. WARNER, RADIO AND TELEVISION RIGHTS 127 (1953).

drama, but also motion pictures, television and other rights would make any such distinction useless from a practical point of view. It has been said that—

In each paragraph there is listed, in the alternative, a more detailed subdivision of the various rights. Each of these rights is substantial and exists separately from the others, and has, of course, been considered a property right \* \* \*.<sup>74</sup>

A similar distinction which would have treated any grant of rights included in one of the subdivisions of section 5 of the law has been suggested.<sup>75</sup> But section 5 is a classification of the kinds of works and not of rights, and this attempt only led to confusion between the right granted and the end result of the exercise of the right to which we will refer later.<sup>76</sup>

#### 4. "Manifested-intention-to-transfer-the-proprietorship" test

Analyzing the cases, Henn has discarded the other tests and proposed a more realistic one arrived at by "examining the intention of the parties in order to determine whether or not the proprietorship was intended to be transferred."<sup>77</sup> Under this test, the author might reserve some rights, but if the intention to transfer the proprietorship is clear, the transfer is an assignment.<sup>78</sup> In the case of an unpublished work, the intent would be "unequivocally manifested" if the author transferred the common law copyright or the right to secure statutory copyright in the grantee's own name; for published works, the transfer of the statutory copyright would equally manifest such an intention.<sup>79</sup>

In stressing the intent of the parties and the comprehensiveness of the grant, the formulation has definite advantages over other tests. Insofar as it proposes that certain words or phrases shall unequivocally manifest intent, however, the test abandons the search for the intent of the parties and opens the door to mechanical application.<sup>80</sup> We will apply the theory in the periodical situation in a later section.<sup>81</sup>

The danger of relying upon the use of words of art is illustrated in *Fitch v. Young*,<sup>82</sup> where the publisher, having secured statutory copyright by publishing a play, "assigned the copyright" to the author but reserved the publishing right. Judge Hand, finding that the publisher clearly intended to convey only the "playright" and reserve the copyright, dismissed an action by the author for infringement of the published play, because the author was only a licensee. This case may be cited as an example of the "partial reservation" test, the "intent to transfer proprietorship" test, and of the test requiring "a statutory division of the various rights before they can be separately assigned." Much depends upon the attitude of the court toward indivisibility in general and the desire to reach an equitable result, two aims which are not always reconcilable. Ingenious attempts to reconcile the decisions may be unrewarding; no better test is available

<sup>74</sup> Frankfurter, J., *dissenting* in *Commissioner of Internal Revenue v. Wodehouse*, 337 U.S. 386, 421 (1949).

<sup>75</sup> *Photo-Drama Motion Picture Co., Inc. v. Social Uplift Film Corp.*, 220 Fed. 448 (2d Cir. 1915). It has even been argued that a grant of newspaper rights only, since it is less than the whole of section 5(b), Title 17, U.S.C., does not make the grantee a proprietor and he cannot secure separate copyright when he exercises his rights; the court rejected the argument. *National Comics Publications, Inc. v. Fawcett Publications, Inc.*, 93 F. Supp. 349 (S.D.N.Y. 1950), *modified on other grounds* 191 F. 2d 594 (2d Cir. 1951).

<sup>76</sup> Bergstrom, *The Businessman Deals with Copyright*, in *THIRD COPYRIGHT LAW SYMPOSIUM* 248, 270 (1941); See Section III G(2), *Derivative Works, infra*.

<sup>77</sup> Henn, *supra* note 56, at 433.

<sup>78</sup> *Id.* at 434.

<sup>79</sup> *Ibid.*

<sup>80</sup> See Section IV B(3), *Retransfer with Reservations, infra*.

<sup>81</sup> See Section IV B, *Periodicals—A Case Study, infra*.

<sup>82</sup> 230 Fed. 743 (S.D.N.Y. 1916).

if we agree with Mr. Justice Frankfurter, dissenting in *Commissioner of Internal Revenue v. Wodehouse*,<sup>83</sup> that—

The notion that the attributes of literary property are by nature indivisible and therefore incapable of being sold separately, is derived from a misapplication by lower courts of two early cases in this Court. \* \* \* The inherent nature of the interests in intellectual property and their commercial negotiability were not involved. The Court determined the procedural problem before it so that the infringer would not "be harassed by a multiplicity of suits instead of one," and would not be subjected to "successive recoveries of damages by different persons holding different portions of the patent right in the same place." *Gayler v. Wilder*, 10 How. 477, 494-95 (U.S. 1850); *Waterman v. Mackenzie*, 138 U.S. 252, 255.

#### D. RIGHT TO SUE

Weil felt that the chief distinction between an assignment and license under the present statute was "the right to sue on infringement, or rather as to the extent of the relief obtainable in such actions, and with respect to the right to reassign."<sup>84</sup> While assignees may, of course, reassign the copyright and licensees cannot, a partial assignment or license may be made assignable by express grant.<sup>85</sup> A licensee may not ordinarily grant sublicenses but he may do so if expressly authorized to do so by the licensor.<sup>86</sup>

There is extreme confusion in the cases and today many courts permit the licensee to sue, provided that he meets procedural requirements.<sup>87</sup> The decisions are strewn with distinctions between assignments, partial assignments, assignments with conditions, grants, conveyances, "exclusive" and "mere" licenses. The distinctions are not applied uniformly, and the tests become circuitous: if the grant is interpreted to permit suit, it is therefore an assignment; if the transferee is not permitted to sue, the grant is a license. To a great extent, the distinction has become a verbal one.<sup>88</sup>

#### E. RECORDATION IN COPYRIGHT OFFICE

Whether a transfer is an assignment or license may also make a difference with respect to the effect of recordation in the Copyright Office. The statute provides for the recordation of assignments of copyright in the Copyright Office; if not recorded, the assignment is void against a subsequent purchaser or mortgagee for valuable consideration, without notice, who does record his assignment.<sup>89</sup> The statute is silent on the recordation of licenses, but the practice of the Copyright Office has been to record partial assignments and licenses.<sup>90</sup>

Some writers have felt that recordation of licenses does not give constructive notice.<sup>91</sup> The decisions have not finally settled this

<sup>83</sup> 337 U.S. 369, 419 (1949). The application of an essentially different statutory privilege to the copyright situation has been criticized. See e.g., Leskin, *All Rights Unreserved*, in *COPYRIGHT LAW SYMPOSIUM*, No. 7, at pp. 91, 105 (1956).

<sup>84</sup> *AMERICAN COPYRIGHT LAW* 549 (1917).

<sup>85</sup> *Id.* at 550.

<sup>86</sup> *Ibid.*

<sup>87</sup> *Cf.* *Photo-Drama Motion Picture Co., Inc. v. Social Uplift Film Corp.*, 213 Fed. 374 (S.D.N.Y. 1914), *aff'd*, 220 Fed. 448 (2d Cir. 1915); *Buck v. Elm Lodge Inc.*, 83 F. 2d 201 (2d Cir. 1936); *Stephens v. Howells Sales Co., Inc.*, 16 F. 2d 805 (S.D.N.Y. 1926); *Machaty v. Astra Pictures, Inc.*, 197 F. 2d 138 (2d Cir. 1952); *Widenski v. Shapiro, Bernstein & Co., Inc.*, 147 F. Supp. 909 (1st Cir. 1945).

<sup>88</sup> *Cohn, Old Licenses and New Uses*, 19 *LAW & CONTEMP. PROB.* 184, 186 (1954).

<sup>89</sup> 17 U.S.C. § 30 (1952).

<sup>90</sup> Code of Federal Regulations, Title 37, Ch. II, § 201.4, 21 *FED. REG.* 6021 (1956); DE WOLF, *AN OUTLINE OF COPYRIGHT LAW* 78 (1925).

<sup>91</sup> WEIL, *AMERICAN COPYRIGHT LAW* 563-564 (1917); BALL, *LAW OF COPYRIGHT AND LITERARY PROPERTY* 550 (1944); *Cf. Witwer v. Harold Lloyd Corp.*, 46 F. 2d 792, 795 (S.D. Cal. 1930), *rev'd* on other grounds, 65 F. 2d 1 (9th Cir. 1933), *petition for cert. dismissed per stipulation of counsel*, 296 U.S. 669 (1933), in which the court stated, "While the circumstance is not controlling, it may be noted that the instrument apparently is deemed sufficient as an assignment by the Copyright Office, as it was regularly registered therein as an assignment."

point. In his dissent in *Commissioner of Internal Revenue v. Wodehouse*,<sup>92</sup> Justice Frankfurter said—

Moreover, the Copyright Office will record these partial assignments, thus protecting the transferee and thereby increasing the marketability of the separate rights.<sup>93</sup>

There being no way of predicting with any degree of accuracy whether a court will regard a particular transaction as an assignment or license, it is safer to record exclusive licenses as well as assignments. In *Photo-Drama Motion Picture Co., Inc. v. Social Uplift Film Corp.*,<sup>94</sup> Judge Hand felt it was not necessary to consider whether the grant of the right to dramatize was a license or assignment and came within the recording provisions because—

a license falls before an assignment taken in good faith anyway. It would be absurd to protect a subsequent purchaser against a prior unrecorded assignee and leave him open to prior unrecorded licenses which should defeat him.<sup>95</sup>

The appellate court commented that—

As to the recording section 44 (now 30), we find it difficult to appreciate complainant's point. If a book can be copyrighted, if a drama giving the story of the book can be copyrighted, if a moving picture showing such picture fictionally also can be copyrighted, then each of these copyrights can be separately assigned and must be recorded to avail of the constructive notice which the section contemplates.<sup>96</sup>

The court apparently confused the rights comprising the copyright with the derivative copyrights resulting from the exercise of these rights. The decision has been read as indicating that an unrecorded license may be void against a subsequent licensee for value and without notice.<sup>97</sup>

#### F. TAXATION

Historically, the rule of indivisibility has played a major role in shaping the tax effect of assignments or licenses of copyright material. This subject is treated in a separate memorandum.<sup>98</sup>

#### G. WHAT INDIVISIBILITY IS NOT

There are two areas presenting similar problems which are sometimes confused with indivisibility.<sup>99</sup>

##### 1. Coownership

Suits by one coowner against an infringer occasionally present much the same problems, especially with respect to possible joinder of parties and multiple recovery as do cases involving divisibility.<sup>100</sup>

<sup>92</sup> 337 U.S. 369, 401 (1949).

<sup>93</sup> *Id.* at 422.

<sup>94</sup> 213 Fed. 374 (S.D.N.Y. 1914), *aff'd*, 220 Fed. 448 (2d Cir. 1915).

<sup>95</sup> *Id.* 213 Fed. 374, at 377.

<sup>96</sup> *Id.* 220 F. 448, at 449.

<sup>97</sup> Kaplan, *Literary and Artistic Property (Including Copyright) As Security*, 19 LAW & CONTEMP. PROB. 254, 266-267 (1954).

<sup>98</sup> See Margolis, *Divisibility of Copyrights in Relation to Income Tax*, annexed hereto as Supplement 1. That memorandum indicates that the basis for the taxation of income derived from copyrights is governed by the provisions of the Internal Revenue Code; that in most situations divisibility of copyright is not a factor; and where it is a factor, the recent court decisions and the Treasury ruling based thereon treat copyrights as divisible for tax purposes.

<sup>99</sup> Indivisibility may sometimes be confused with composite works. A title such as *Indivisibility and Destination*, 14 REVUE INTERNATIONALE DU DROIT D'AUTEUR 190 (1957) may be misleading, in this context.

<sup>100</sup> Kupferman, *Copyright Co-Owners*, 19 ST. JOHN'S L.R. 95, 107, 108 (1945); Schulman, *Authors' Rights*, in SEVEN COPYRIGHT PROBLEMS ANALYZED 19, 30 (1952); Taubman, *Joint Authorship and Co-Ownership in American Copyright Law*, 31 N.Y.U.L. REV. 1246 (1956); Rosengart, *Principles of Co-Authorship in American, Comparative and International Copyright Law*, 25 SO. CAL. L.R. 247, 256 (1952); Redleaf, *Co-Ownership of Copyright*, 119 N.Y.L.J. 760, 782, 802, 822 (Mar. 1-4, 1948).

However, in *Waterman v. MacKenzie* the Supreme Court stated that it was perfectly possible to assign an undivided share in the entire patent.<sup>101</sup>

## 2. Derivative works

Upon occasion, the courts have confused a grant of rights under the copyright with the end product of a right; e.g., the grant of motion picture rights in a book may result in a motion picture, which itself is separately copyrightable. Some have used this as a test of whether the transfer is an assignment or license; i.e., if the grant of a right could lead to a new version, the grant is an assignment.<sup>102</sup> There is no basis for such a distinction;<sup>103</sup> the fact that dramatic rights may be the basis of a new copyright in a motion picture is no reason for treating their transfer as an assignment while calling a grant of performing rights, which may be just as valuable, but will not lead to a new copyright, a license.

## IV. NEED FOR DIVISIBILITY

### A. COMMENTATORS

The commentators have always had reservations about the indivisibility doctrine.<sup>104</sup>

Despite any belief that the indivisibility rule may still be good law, members of the copyright bar treat it as an anachronism and, except for procedural purposes, tend to disregard it. As a practitioner rather than a text writer, Weil felt strongly that, under commercial practice, "all these rights are divisible;" it was a purely accidental thing that they happen to be "technically part of an indivisible whole."<sup>105</sup> He added, "I cannot for the life of me see just what reason there is for opposing divisibility \* \* \* in the long run, the rules of business will count."<sup>106</sup> Attorneys find that "the legal concept of an indivisible copyright is not reflected in business dealings,"<sup>107</sup> and that a copyright is "industrially divisible."<sup>108</sup> The rule has been characterized as "fictitious," "fairly meaningless," an "outmoded fiction," or just a misapplication of *Waterman v. Mackenzie*.<sup>109</sup> If it ever had any meaning, some feel it has now fallen into disrepute.<sup>110</sup>

Henn however has been impressed with the fact that the present law, in its constant references to the "copyright proprietor" can be "made consistent" only on the assumption of a single proprietorship.<sup>111</sup> Henn therefore believes that the doctrine of indivisibility is an "estab-

<sup>101</sup> 138 U.S. 252, at 255 (1891).

<sup>102</sup> Photo-Drama Motion Picture Co., Inc. v. Social Uplift Film Corp., 220 Fed. 448 (2d Cir. 1915).

<sup>103</sup> Henn, *supra* note 56, at 433.

<sup>104</sup> AMDUR, COPYRIGHT LAW AND PRACTICES 789 (1936); DE WOLF, AN OUTLINE OF COPYRIGHT LAW viii (1925); LADAS, INTERNATIONAL PROTECTION OF LITERARY AND ARTISTIC PROPERTY 795 (1938); WEIL, AMERICAN COPYRIGHT LAW 548 (1917); Solberg, *The Present Copyright Situation*, 40 YALE L.J. 184, 190-191 (1930); *Contra*: BALL, LAW OF COPYRIGHT AND LITERARY PROPERTY 545 (1914).

<sup>105</sup> *Hearings on General Revision Before House Committee on Patents*, 71st Cong., 2d Sess. 224 (1930); *Cf. WEIL, AMERICAN COPYRIGHT LAW 547 (1917).*

<sup>106</sup> *Ibid.*

<sup>107</sup> Schulman, *Authors' Rights*, in SEVEN COPYRIGHT PROBLEMS ANALYZED 19, 28 (1952).

<sup>108</sup> Burton, *Business Practices in the Copyright Field*, in SEVEN COPYRIGHT PROBLEMS ANALYZED 87, 88 (1952).

<sup>109</sup> Cohn, *Old Licenses and New Uses*, 19 LAW & CONTEMP. PROB. 184, 187 (1954); Finkelstein, *The Copyright Law—A Reappraisal*, 104 U. OF PA. L. REV. 1025, 1061 (1956); Pilpel, *Tax Aspects of Copyright Property*, in 1953 COPYRIGHT PROBLEMS ANALYZED 177, 181 (1953); Sargoy, *Re-Examining Some Basic Copyright Concepts*, Outline of Address at Copyright Symposium, A.B.A., IV(F) (Aug. 20, 1955); WARNER, RADIO AND TELEVISION RIGHTS 157 (1953).

<sup>110</sup> Kaplan, *Literary and Artistic Property (Including Copyright) as Security*, 19 LAW & CONTEMP. PROB. 254, 265 (1954).

<sup>111</sup> Henn, *supra* note 56, at 416-418. See also Wasserstrom, *Magazine, Newspaper and Syndication Problems*, in 1953 COPYRIGHT PROBLEMS ANALYZED 159, 166 (1953).

lished element of the American copyright system" and a "worthwhile, if not essential element thereof."<sup>112</sup>

The greatest difficulty with indivisibility has occurred in the periodical field and an examination of the application of the doctrine in that field should be helpful.

#### B. PERIODICALS—A CASE STUDY<sup>113</sup>

The periodical situation has been complicated by the problem of the copyright notice. The copyright in an entire issue of a periodical does not protect a particular article unless the rights in the article have been assigned to the publisher,<sup>114</sup> or unless the publisher or an employee has written the article. If the publisher is the copyright proprietor of a particular article, the general notice will protect it and there is no need for a separate notice; if he is not the proprietor and there is no separate notice, the article falls into the public domain.

A well-known writer, aware of his rights, may insist upon the use of a separate copyright notice in his own name on his story, but this is still rather unusual.<sup>115</sup> Most writers either do not have the bargaining power to secure a separate notice or are perfectly content to leave the copyright details to the publisher. Despite the warning of the *Dam* case, there is no standard practice with respect to the transfer of rights.

In many cases, the only contract is one similar to that entered into in the *Dam* case; i.e., providing for payment but saying nothing as to the transfer or return of any rights. Sometimes the receipt for payment is more specific; e.g., *Colliers* has used this form:

Received from (Collier's) the above sum as payment \* \* \* for \* \* \* all literary property and other rights therein, including complete publication rights and the right to copyright the same in (Collier's) name \* \* \*. After publication, (Collier's) upon request will transfer and assign to the author all rights in and to the copyright secured on said work.<sup>116</sup>

If nothing is said of the transfer of any rights, as in the *Dam* case, the courts must fall back on trade custom. If the transaction is spelled out as in the case of *Collier's*, the courts will give effect to the agreement.<sup>117</sup> But the transaction is not always clear cut and the same procedure is not always followed by smaller periodicals.

The most important difficulties with the present practices are as follows:

##### 1. *No initial transfer*

Where there is no specific transfer of the literary property, resort must be had to the trade practice. According to Wasserstrom, this practice is that "authors who contribute their literary or artistic material to those media authorize the publishers thereof to copyright the contributions in the name of the publishers, usually under blanket or general notices of copyright imprinted on the periodicals, and to

<sup>112</sup> Henn, *Divisibility of Copyright*, Outline of Address at Copyright Symposium, A. B. A., 6 (Aug. 20, 1955).

<sup>113</sup> For the distinction between periodical, magazine, first and second serial rights, see: Wasserstrom, *Magazine, Newspaper and Syndication Problems*, in 1953 *COPYRIGHT PROBLEMS ANALYZED* 159, 164-165 (1953); Henn, *supra* note 56 at 421-423.

<sup>114</sup> *Morse v. Fields*, 127 F. Supp. 63, 65 (S.D.N.Y. 1954); *Plyin v. Avon Publications, Inc.*, 144 F. Supp. 368, 372 (S.D.N.Y. 1956).

<sup>115</sup> " \* \* \* it is too much to expect a publisher to copyright each entry in a thick periodical \* \* \*. Only the seasoned author will reserve rights under a contract or even trouble to make a contract at all": Laskin, *All Rights Unreserved*, in *COPYRIGHT LAW SYMPOSIUM*, No. 7 at pp. 91, 98 (1956).

<sup>116</sup> *Morse v. Fields and Hearst Corp.*, 127 F. Supp. 63, 65 (S.D.N.Y. 1954).

<sup>117</sup> *Ibid.*

hold such copyrights for the authors to the extent that they have retained rights in the contributions."<sup>118</sup>

It is sometimes said that the trade practice is that the publisher secures copyright and holds it in trust for the author. A trade practice would ordinarily refer to the customary method of doing business. There are limits to what the courts will regard as custom or trade practice,<sup>119</sup> and here the trade practice appears to cover not only a method of doing business but also certain conclusions of law. The author has no intention of transferring the entire literary property except as a means to an end; neither the author nor publisher intend to sell or purchase the book, motion picture, or any rights except certain periodical rights. The actual intent is at complete odds with the presumed intent. It is also apparent that there is no agreement on what the trade practice covers with respect to the second half of the transaction, the return of rights to the author. Some courts may question the custom itself or make a distinction as to different types of material; in one recent case in which an article was accepted for "exclusive publication" in a technical journal, and nothing further was said about rights, the court said it would presume that the author transferred the article without reservations, that the author was not the equitable owner, and that the publisher had become the absolute proprietor of the copyright.<sup>120</sup>

The purpose of the initial fiction is desirable. Both author and publisher wish to secure copyright protection and the courts will, as in cases dealing with publication,<sup>121</sup> do everything possible to prevent the work falling into the public domain. Once protection is achieved, however, the aims of author and publisher are no longer necessarily similar. The publisher has no real incentive to retransfer except his good faith. The courts will require him to do so, but the suit is frequently between the author and infringer, and the publisher, holder of the legal title, may be unavailable or unwilling to join. In such cases, the courts might consider whether the infringer ought be permitted to raise this question,<sup>122</sup> but it would be simpler to abandon the rule of indivisibility.

## 2. Reservations by author

If the author is aware of copyright and specifically tries to reserve book, dramatic, motion picture, or other rights, or any of them when he transfers his story to the periodical, he may defeat his own purpose and lose all his rights. In these cases, the publisher is only a licensee

<sup>118</sup> *The Copyrighting of Contributions to Composite Works*, 31 NOTRE DAME LAW. 381, 401 (1956); Cf. Henn, *supra* note 56, at 438.

<sup>119</sup> See *Murphy v. Warner Bros. Pictures, Inc.*, 112 F. 2d 746 (9th Cir. 1940); *Avedon v. Exstein*, 141 F. Supp. 278 (S.D.N.Y. 1956); Note, *Contracts-Construction-Evidence of Trade Usage Inadmissible to Vary "Rule of Law" Vesting Ownership of Photograph in the Photographer's Customer*, 70 HARV. L. REV. 553 (1957). Even where there is a contract, the courts will look not only at the words used but to the object of the contract, and the rights granted: *April Productions, Inc. v. G. Schirmer, Inc.*, 308 N.Y. 366, 377 (1955) ("There is no more likely way to misapprehend the meaning of language—be it in a constitution, a statute, a will or a contract—than to read the words literally, forgetting the object which the document as a whole is meant to secure.")

<sup>120</sup> *Alexander v. Irving Trust Company*, 132 F. Supp. 364, 369 (S.D.N.Y. 1955), *aff'd on grounds of no infringement*, 228 F. 2d 221 (2d Cir. 1955), *cert. denied*, 350 U.S. 996 (1956).

<sup>121</sup> *Bisel v. Ladner*, 1 F. 2d 436 (3d Cir. 1924); *National Comics Publications, Inc. v. Fawcett Publications, Inc.*, 191 F. 2d 594 (2d Cir. 1951); *American Visuals Corp. v. Holland*, 239 F. 2d 740, 744 (2d Cir. 1956); DE WOLF, AN OUTLINE OF COPYRIGHT LAW 32 (1925); Henn, *The Quest for International Copyright Protection*, 39 CORNELL L.Q. 43, 51 n. 39 (1953); Kaplan, *Publication in Copyright Law: The Question of Phonograph Records*, 103 U. PA. L. REV. 469, 484 (1955); Cf. WARNER, RADIO AND TELEVISION RIGHTS 120 (1953).

<sup>122</sup> See note 114 *supra*.

and cannot secure copyright in the story.<sup>123</sup> It appears illogical, however, to sanction the transfer of all rights by the author, giving the publisher legal title to serial rights, but making the author equitable of the remaining four-fifths of the rights, and yet refuse to permit the author to grant one-fifth of his rights and retain legal ownership of the other four-fifths.<sup>124</sup>

### 3. Retransfer with reservations

A complete transfer of all rights back will protect the author, but it is more usual, and perfectly proper, for the publisher in making the reconveyance, to retain certain serial or reprint rights.<sup>125</sup> Some periodicals retain "North and South American digest and pocket-size magazine rights" as well as the right to reprint in books or anthologies published by the periodical itself. The Saturday Evening Post, sometimes retains United States and Canadian serial rights in the story, abridgements, adaptations, arrangements, dramatizations, translations, or other versions; in addition, the author may not exercise radio or television rights without written consent until 90 days after publication is completed. To some, this is not an assignment back but a license.<sup>126</sup>

In *Eliot v. Geare-Marston, Inc.*,<sup>127</sup> the publisher, after securing copyright, conveyed back to the author, "all rights except American serial rights." The court held that, though the author now held all rights except the serial rights, the magazine remained the copyright proprietor and the author was a licensee. In *Witwer v. Harold Lloyd Corporation*,<sup>128</sup> in a similar situation, the publisher assigned back to the author "the copyright \* \* \* together with all rights \* \* \* except the right of magazine publication." The court held that the author became the copyright proprietor and the publisher a licensee.

Henn has distinguished the two cases on the theory that the *Eliot* case contains no clear manifestation of an intention to transfer the copyright back, while the *Witwer* case does.<sup>129</sup> While the *Witwer* transfer does include the word "copyright" and this should be given due weight, it is difficult to see how a transfer of "the copyright \* \* \* together with all rights \* \* \* except the right of magazine publication" can show an intent opposite to "all rights except American serial rights." In each case, the rights returned were the same; the attempted distinction would make everything depend upon the use of a word of art rather than the intent of the parties. The danger of relying upon words of art is illustrated in a case in which the transfer covered "the sole, exclusive, absolute and unlimited right, license, privilege, and authority to copyright, publish, print, reprint, copy and vend the music, lyrics and titles of all the musical compositions of the operetta"; the court said that since the term "to copyright" did not have "an invariable meaning in the law," this was not the language of a sale and did not, on its face, disclose an intention to transfer the

<sup>123</sup> Cf. *Witwer v. Harold Lloyd Corp.*, 46 F. 2d 792, 795, (S.D. Cal. 1930), *rev'd on other grounds*, 65 F. 2d 1 (9th Cir. 1933), *petition for cert. dismissed per stipulation of counsel*, 296 U.S. 669 (1933). ("Why, then, should a similar situation not arise when the result is accomplished by the execution of one instrument instead of two?").

<sup>124</sup> See articles in note 113 *supra*.

<sup>125</sup> 337 U.S. 400 (1949).

<sup>126</sup> Colton, *Contracts in the Entertainment and Literary Fields*, in 1953 COPYRIGHT PROBLEMS ANALYZED 139, 147 (1953).

<sup>127</sup> 30 F. Supp. 301 (E.D. Pa. 1939).

<sup>128</sup> 46 F. 2d 792 (S.D. Cal. 1930), *rev'd on other grounds*, 65 F. 2d 1 (9th Cir. 1933), *petition for cert. dismissed on stipulation*, 296 U.S. 669 (1933).

<sup>129</sup> Henn, *supra* note 56, at 437-38.

performance rights of the separate songs.<sup>130</sup> These cases illustrate a weakness in the "manifested-intention-to-transfer-the-proprietaryship" test. An individual publisher may not be particularly interested in reconveying, but he is under a duty to return the rights held in trust for the author. Requiring or stressing the use of particular language would permit him to prejudice the beneficial owner by knowingly or unwittingly failing to use the requisite word of art; the transfer back ought not depend upon the good will of the publisher.<sup>131</sup> In the language of Judge Pecora, "Trust responsibility is not a garment to be doffed at the mere pleasure of the wearer."<sup>132</sup>

It is equally fruitless to attempt to reconcile extreme applications of the theory of indivisibility. In *Douglas v. Cunningham and Post Publishing Co.*,<sup>133</sup> the district court said that where the publisher had secured copyright in an entire issue of a magazine, a transfer of all its rights in a short story in that issue was only a license, since the magazine had assigned only the rights in one part of the copyright and not the "entire copyright in the issue."<sup>134</sup> The court attempted to distinguish another case by stating that it was not clear whether in that instance the story had been separately copyrighted, but in any case, copyright in the entire issue had been assigned back.<sup>135</sup> And it would appear that publishers have, in some cases, inadvertently or unknowingly transferred the copyright in an entire issue.<sup>136</sup>

#### 4. Complete retransfer

In this legal maze, a few magazines follow the doctrine implicitly. In transferring rights back to the author, they assign the copyright in the story back to the author, and in a companion document, take a license from the author for the rights they wish to retain. Careful attention to procedure is not a waste of time.

#### 5. Failure to assign back

Usually, publishers are perfectly willing to return copyright to the author, at least with respect to everything except enumerated serial or reprint rights. There have been allegations that smaller publishers sometimes believe that they are entitled to share in the subsidiary rights and refuse to reassign, or insist upon sharing part of the profits of sales to motion picture, television or dramatic users.<sup>137</sup> In these cases, the author must undertake the burden of proving his contract with the publisher and demonstrating his capacity to sue.

More frequently, the author may face an equally complicated situation when he discovers that, not having secured an assignment at the time his work was first published, this has become difficult if not impossible because the publisher has gone into bankruptcy or out of business.<sup>138</sup>

<sup>130</sup> *Philipp v. Remick*, 145 F. Supp. 756 (S.D.N.Y. 1936).

<sup>131</sup> 74 CONG. REC. 6245 (February 27, 1931).

<sup>132</sup> *Broadcast Music, Inc. v. Taylor*, 55 N.Y.S. 2d 94, 104 (Sup. Ct. 1945).

<sup>133</sup> 33 U.S.P.Q. 470 (D. Mass. 1933).

<sup>134</sup> *Id.* at 471.

<sup>135</sup> *Ibid.* The question was resolved when the plaintiff joined the publisher as party plaintiff: *Cunningham and Post Publishing Co. v. Douglas*, 72 F. 2d 536 (1st Cir. 1934); *rev'd on other grounds*, 294 U.S. 207 (1935); *Contra*, *Kaplan v. Fox Film Corp.*, 19 F. Supp. 780, 782 (S.D.N.Y. 1937).

<sup>136</sup> In one case where the copyright for the entire magazine was assigned inadvertently, counsel for the author refused to return it and permit an assignment of the story alone stating:

"After consulting the authorities, I am convinced that any lesser assignment might seriously jeopardize my client's rights \* \* \* because a copyright is not divisible and it is doubtful whether the assignment of a portion of a copyright is valid for any purpose." *Witwer v. Harold Lloyd Corp.*, 65 F. 2d 1, 43.

<sup>137</sup> SPRING, RISKS & RIGHTS 169 (2d ed. 1956).

<sup>138</sup> 74 CONG. REC. 6245 (February 27, 1931); *Appleman, Compromise in Copyright*, 19 B.U.L. REV. 619, 623 (1939).

### 6. Problems in suing: joinder

To some commentators, since copyright is now industrially divisible, there is no problem except the procedural one of the right of the licensee to sue.

The courts have made real strides, with the aid of more lenient rules on joinder of parties,<sup>139</sup> in resolving this procedural point. But there must still be a determination as to whether a transfer is an assignment or license, and the plaintiff must be able to predict which it is. If it is a license, then he must join the copyright proprietor as party plaintiff, or if the latter is unavailable or unwilling, then as involuntary party plaintiff or defendant.<sup>140</sup>

Where there is no question and the proprietor must be joined, the licensee may find that the original proprietor is unavailable for a number of reasons or that the periodical has gone out of business.<sup>141</sup> Some courts have permitted considerable latitude on questions of joinder, and have even suggested the joinder of a foreign copyright proprietor as involuntary party plaintiff.<sup>142</sup> But delay in the issuance of an injunction can amount to a denial of justice,<sup>143</sup> and a mistake in naming the original parties or the time necessary to join others may be serious.

The plaintiff may also find that he can be too cautious in matters of joinder. In an older case, the copyright owner of a play transferred the performing stage rights to E, reserving the motion picture rights to himself. When T undertook to make a motion picture based on the play, the copyright owner sued T, and joined E, as party plaintiff, on the theory that T's action might damage E; the court dismissed the complaint, with leave to amend and exclude the licensee, because of misjoinder of party plaintiffs, believing that E had no interest in the case.<sup>144</sup>

Where a licensee wished to make sure that his grantor would join the suit as party plaintiff, paid him to do so and agreed to hold him harmless for all expenses incidental to the litigation, the defendants raised the objection that this was collusive.<sup>145</sup> It is little wonder that it has been said that the problem of whom to join has "fattened the purses of lawyers."<sup>146</sup>

### C. BOOKS

It would be a mistake to believe that the doctrine of indivisibility had no application in fields other than periodicals. The same problem is present, in varying degrees, in other copyright areas. Copyright in books, plays and music is divided and subdivided every day. The doctrine may have caused less difficulty in certain fields because the circumstances and practices are different.

Literary rights in the case of books include: publication, serial, reprint, book club, abridgment, foreign and translation rights.<sup>147</sup> The

<sup>139</sup> Fed. Rules Civ. Proc. rule 19, 28 U.S.C.A.

<sup>140</sup> *Feld v. True Comics, Inc.*, 89 F. Supp. 611, 613 (S.D.N.Y. 1950); Karp, *Copyright Litigation*, in SEVEN COPYRIGHT PROBLEMS ANALYZED 143, 146 (1952).

<sup>141</sup> See note 138, *supra*.

<sup>142</sup> *Ilyin v. Avon Publications, Inc.*, 144 F. Supp. 368, 374 (S.D.N.Y. 1956).

<sup>143</sup> *Cf. Inge v. Twentieth Century-Fox Film Corp.*, 143 F. Supp. 294, 300 (S.D.N.Y. 1956).

<sup>144</sup> *Tully v. Triangle Film Corp.*, 229 F. 297 (S.D.N.Y. 1916).

<sup>145</sup> *Stephens v. Howells Sales Co., Inc.*, 16 F. 2d 805 (S.D.N.Y. 1926); the court threw out the charge that the action was collusive.

<sup>146</sup> Appleman, *Compromise in Copyright*, 19 B.U.L. REV. 619, 624 (1939).

<sup>147</sup> Schulman, *Authors' Rights*, in SEVEN COPYRIGHT PROBLEMS ANALYZED 19, 28 (1952); Laskin, *All Rights Unreserved*, in COPYRIGHT LAW SYMPOSIUM, No. 7 at pp. 91, 103 (1956).

nonliterary rights have become increasingly important and include: oral delivery, radio, recording, dramatic and stage rights, motion picture and synchronization rights, television, and similar rights.<sup>148</sup>

In this field, statutory copyright is frequently secured in the name of the author, as provided in some standard contracts,<sup>149</sup> but it is not unusual to find the publisher's name in the copyright notice.<sup>150</sup> Varying practices could cause trouble, but this has been avoided in great part by the great particularity with which contracts between the author and publisher are now drawn. The contracts provide for a division of royalties in the case of reprint, book club, and foreign rights.<sup>151</sup> In addition, if motion picture rights are sold within a certain period, the publisher may be entitled to a share in the proceeds, whether or not he acts as agent for the author.<sup>152</sup> The publisher also shares in the proceeds of any "first serial, dramatic, radio and television broadcasting rights, and reproduction by phonograph records or other mechanical devices."<sup>153</sup> Although the practice does not go as far in books as it does in music publishing, book contracts frequently empower the publisher to act as exclusive agent of the author in disposing of some of the subsidiary rights.<sup>154</sup>

#### D. MUSIC

In the music industry, the prevailing custom is that statutory copyright in sheet music is secured in the name of the publisher.<sup>155</sup> The publisher then holds the copyright in trust for the composer with respect to all rights or portions of rights not transferred to the publisher.<sup>156</sup>

The music industry deals with a great variety of different and distinct rights.<sup>157</sup> These may be outlined as follows:

1. Publication rights.
2. Nondramatic rights: This includes performances in hotels, restaurants, theaters, night clubs, dance halls, etc., and also nondramatic use on radio and television.
3. Dramatic rights:
  - (a) Use on stage or in vaudeville;
  - (b) Dramatic use on radio;
  - (c) Dramatic use in television.
4. Recording rights:
  - (a) Reproduction on phonograph records;
  - (b) Use on electrical transcriptions or other sound recordings.
5. Synchronization right: Use in motion pictures.

<sup>148</sup> Schulman, *supra* note 147, at 28; McDonald, *The Law of Broadcasting*, in SEVEN COPYRIGHT PROBLEMS ANALYZED 30, 58-65 (1952).

<sup>149</sup> See *e.g.*, Random House, Inc. contract in 1953 COPYRIGHT PROBLEMS ANALYZED 109 (1953).

<sup>150</sup> SPRING, RISKS & RIGHTS 169 (2d ed. 1956).

<sup>151</sup> Random House, Inc. contract, in 1953 COPYRIGHT PROBLEMS ANALYZED, 109, 111 (1953).

<sup>152</sup> *Id.* at 112.

<sup>153</sup> *Ibid.*

<sup>154</sup> *Ibid.*, clause XI.

<sup>155</sup> April Productions, Inc. v. G. Schirmer, Inc., 308 N.Y. 366, 370 (1955); *Cf.* H.R. 8734, 68th Cong., 1st Sess. (1924), introduced by Representative Johnson, who felt his bill would prevent monopoly control by performing societies. He also thought it would prevent publishers from controlling the copyright: "The law intended to afford protection to the composer. In practice the law has conferred an exclusive monopoly upon a few publishers, and the intent of the statute has been perverted." *Hearings Before the House Committee on Patents on H.R. 6250 and H.R. 9137*, 68th Cong., 1st Sess. at 2-6 (1924).

<sup>156</sup> April Productions, Inc. v. G. Schirmer, Inc., 308 N.Y. 366, 375 (1955).

<sup>157</sup> McDonald, *The Law of Broadcasting*, in SEVEN COPYRIGHT PROBLEMS ANALYZED 31, 64 (1952); Burton, *Business Practices in the Copyright Field*, in *id.*, 87, 110.

The listing is not complete; there are other specialized uses; e.g., the "cavalcade" rights.<sup>158</sup>

The music publisher exercises the publishing right and retains legal title to and contracts for the recording, synchronization, and grand performing rights.<sup>159</sup> There is some question as to whether the publisher ever acquires the small performing rights since, in most instances, these are usually vested in a performing rights organization by virtue of contracts with the author.<sup>160</sup>

An author or composer is commonly a member of ASCAP or BMI. Members of ASCAP execute an assignment vesting in ASCAP the right to license nondramatic public performances of the member's works, both in being and those to be created.<sup>161</sup> BMI writers grant sole and exclusive public performance rights to the organization, both for existing works and those to be composed during the contract period.<sup>162</sup>

The composer may also be a member of Songwriters Protective Association, in which case he assigns to SPA the mechanical rights in all compositions, actual and potential.<sup>163</sup> SPA members also sign standard contracts with publishers subject to the provisions of the basic contracts between SPA and the particular publisher, and subject to the existing agreements with the performing rights societies.<sup>164</sup>

If the periodical analogy is applied here, some of the same problems are raised. Indivisibility would seem to require that the composer grant all his rights to the publisher without reservations in order to permit the publisher to secure the statutory copyright. But if the composer has already agreed to grant the small performing right in future compositions to ASCAP or BMI he cannot transfer this right to the publisher.

The performing rights are a major source of income in the music industry, and one might imagine that this point would have caused the sort of concern it has in the periodical field. That it has not may be due to the fact that relationships in the music industry are closely regulated by industry contracts.

#### E. DRAMATIC WORKS

The economic battle between the dramatists and the producers which provoked the Schubert attack on attempts to write divisibility into the law has now been resolved by the use of standard agreements.<sup>165</sup> The author retains title to subsidiary rights, including motion picture and television uses, but the contracts usually spell out in detail the division of royalties between the producer and dramatist.<sup>166</sup> For example, the producer may receive 40 percent of income from uses other than first run production,<sup>167</sup> and the contract may also spell out

<sup>158</sup> The right to use snatches from one composition, all of another and a combination of other compositions by the same author in a motion picture. In re Hart, 83 N.Y. Supp. 2d 635 (Surr. Ct. N.Y. County 1948).

<sup>159</sup> See note 156 *supra*; Timberg, *The Antitrust Aspects of Merchandising Modern Music*, 19 LAW & CONTEMP. PROB. 294, 296 (1954).

<sup>160</sup> Cf. *Broadcast Music, Inc. v. Taylor*, 55 N.Y.S. 2d 94, 103 (Sup. Ct. 1945).

<sup>161</sup> ROTHENBERG, *COPYRIGHT AND PUBLIC PERFORMANCE OF MUSIC* 30 (1954); WARNER, *RADIO AND TELEVISION RIGHTS* 420 (1953).

<sup>162</sup> ROTHENBERG, *supra* note 161, at 161. The procedures of SESAC do not parallel those of ASCAP and BMI. Cf. WARNER, *RADIO AND TELEVISION RIGHTS* 324 (1953).

<sup>163</sup> Klein, *Protective Societies for Authors and Creators*, in 1953 *COPYRIGHT PROBLEMS ANALYZED* 19, 35 (1953).

<sup>164</sup> *Id.* at 80.

<sup>165</sup> *Id.* at 59.

<sup>166</sup> *Ibid.*

<sup>167</sup> Burton, *Business Practices in the Copyright Field*, in *SEVEN COPYRIGHT PROBLEMS ANALYZED* 87, 109 (1952).

the exact time periods which must elapse before the play is used in motion pictures or television.

There is a sharp contrast here with the situation in music where the composer does not retain legal title to the copyright; many dramatists insist that, "nothing must be allowed to interfere with the writer's sole control of his own copyright."<sup>168</sup>

## V. ISSUES

### A. NECESSITY FOR LEGISLATION

Despite continuing dissatisfaction, there has been no recent drive for divisibility legislation, nor any new development which would appear to make immediate consideration, apart from general revision, urgent. Industrial practice has gone far in surmounting the difficulties. Insofar as everyday arrangements are concerned, the problems center around the right to sue, the question of joinder of parties, and the special situation in periodicals. The periodical problem stems primarily from the requirement of a copyright notice naming the proprietor.

The periodical problem might be alleviated by standardization of industry practice and the use of contracts acceptable to both publishers and authors. It would be difficult to achieve a common pattern here since there is no common authoritative voice in this area to speak for authors as there is in the book field; on the other hand, it should be possible to educate authors to protect themselves by contract. In addition, this periodical problem might be largely disposed of by a legislative resolution of the related problem of the copyright notice in periodicals.

Aside from the periodical field, the achievement of relative industrial balance elsewhere raises the question of how necessary legislation really is. In practice, an exclusive license has operated with substantially the same effect as an assignment of the particular right, except that the exclusive licensee is not able to sue in his own right. Most commentators have not been satisfied with the present situation, but have found it desirable to modify or abolish the concept of indivisibility, and expressly make the copyright divisible.<sup>169</sup> There is some question as to how necessary it is to go this far or whether provisions on suit by an exclusive licensee and joinder might not be sufficient. Various alternatives are available dependent on the system of copyright; some believe that adoption of a system of copyright without formalities would eliminate any need for a theory of indivisibility.<sup>170</sup> If the present system of formalities is maintained or modified, it is generally felt that specific provisions for divisibility would appear to be advisable.<sup>171</sup>

### B. COPYRIGHT WITHOUT FORMALITIES

Henn has said that, if a copyright system of no formalities were adopted, "retention of the indivisible copyright theory would appear

<sup>168</sup> *Variety*, May 1957, p. 71, col. 5.

<sup>169</sup> See notes 104-110 *supra*. See also *Hearings Before the House Committee on Patents on General Revision*, 72d Cong., 1st Sess. 5, 21 (1932); *SPRING, RISKS & RIGHTS* 176 (2d ed. 1956); Stern, *Reflections on Copyright Law*, 21 N.Y.U.L.Q. REV. 506, 511, 513 (1946); Note, *Revision of the Copyright Law*, 51 HARV. L. REV. 906, 921 (1938).

<sup>170</sup> Henn, *Divisibility of Copyright*, Outline of Address at Copyright Symposium, A.B.A. 6 (Aug. 20, 1955); Finkelstein, *The Copyright Law—A Reappraisal*, 194 U. PA. L. REV. 1025, 1061 (1956).

<sup>171</sup> Henn, *supra* note 170, at 7. See also note 169 *supra*.

pointless.”<sup>172</sup> This may be true, but dispensing with the theory would not solve some of the problems which brought the rule into being. It would resolve the major difficulty in the periodical field, if notice were no longer required, but there would still remain the need for determining and tracing the ownership of copyrights and the right of a transferee to sue. A separate study of foreign systems which do not rely upon formalities, has been prepared in order to see what difficulties they have experienced with divisibility.<sup>173</sup> It is apparent, from the English experience alone, that under any copyright system the theory of divisibility raises problems as to the right of transferees to sue, joinder of parties, and also as to the extent to which rights may be divided and subdivided.

#### C. RIGHT TO SUE

Courts in foreign countries operating under systems of copyright without formalities have experienced difficulties in determining whether a partial transferee may sue, at least without joining his grantor.<sup>174</sup> Where the courts have required joinder, the transferee may, because of the absence of his grantor, find himself in the same situation as the licensee in the United States. The new English statute provides that an exclusive license shall be treated as though it were an assignment,<sup>175</sup> but nevertheless makes provision for the joinder of other parties.

#### D. JOINDER OF PARTIES

It will also be necessary to determine, under any system of copyright, which parties should or may be joined in suits, and the new English statute contains elaborate provisions for joinder of the owner of the copyright where the assignee or exclusive licensee brings an action, and for protecting defendants against double proceedings and damages.<sup>176</sup> Similar provisions would have to be written into any revision of our law providing for divisibility, and we have seen that various proposals have been made either to enable the defendant to join anyone who has recorded a claim in the Copyright Office or to permit joinder of anyone with an interest, upon order of the court.<sup>177</sup>

#### E. RECORDATION

Some foreign copyright systems require no formalities for the initiation of copyright but do provide for the recordation of transfers. Proposals for the introduction of similar systems in the United States have included provisions for recordation of transfers and of rights in the copyright.<sup>178</sup> Again, no matter which system is used, there will probably need to be provision for voluntary or mandatory recordation of both assignments and licenses.<sup>179</sup> Whether this should

<sup>172</sup> *Id.* at 6.

<sup>173</sup> See Bogisch, *Divisibility in the Laws of Foreign Countries*, annexed hereto as Supplement 2. That memorandum indicates that in most foreign countries copyright is divisible and the assignee or exclusive licensee of a particular right may sue in his own name; but that problems remain unresolved as to the joinder of other copyright owners whose rights may be involved, and the extent to which rights may be divided.

<sup>174</sup> Report of the Copyright Committee, Cmd. 8662 at 101 (1952); COPINGER AND SKONE JAMES, *COPYRIGHT*, 103-116 (8th ed. 1948).

<sup>175</sup> Copyright Act, 1956, 4 & 5 Eliz. 2, c. 74, § 19.

<sup>176</sup> *Ibid.*

<sup>177</sup> See Appendix, pp. 32, 33, 37.

<sup>178</sup> See, e.g., Chafee, *Reflections on the Law of Copyright*, 45 COLUM. L. REV. 503, 515, 732 (1945).

<sup>179</sup> See Appendix, pp. 31, 32, 34, 35, 37. See also, S. 3043, 76th Cong., 3d Sess. § 16, (1940).

include nonexclusive licenses and compulsory licenses is an open question.

#### F. SUBDIVIDING RIGHTS

Any revision providing for divisibility will have to face the task of determining whether to list a number of specific and distinct copyright monopolies, as section 1 of the present law does<sup>180</sup> or whether to outline some single general clause such as that suggested by Chafee, "to produce or reproduce the work or any substantial part thereof in any material form whatsoever."<sup>181</sup> Once this is decided, it will be necessary to determine how far the rights may be divided, giving due consideration to industry practice, but remembering that endless division of rights will complicate the tracing of ownership and will raise difficult problems of the right of transferees to sue.

The new English statute names the rights covered by the copyright,<sup>182</sup> and permits the assignment of one or more of the specified classes of exclusive rights as well as assignments for a partial term, or for one or more countries.<sup>183</sup> Apparently each class of rights, is transferrable as a unit but may not be further subdivided. A specific statement, making copyrights divisible in this manner, certainly warrants consideration in any revision providing for divisibility.

#### G. NOTICE

Even a system of no formalities may include provisions for the optional use of the copyright notice. If notice provisions are included, either as a requirement or optionally, divisibility would raise various problems relating to whose name is to appear in the notice. An assignee of the entire copyright may use his own name in the copyright notice after recordation in the Copyright Office.<sup>184</sup> Assuming divisibility, will it be best to require that this rule be adhered to for each transfer of a particular right? Will the partial transferee be permitted to substitute his name in the copyright notice for his particular right? If so, will the right of substitution be granted for any partial transferee or only for enumerated rights; and should the partial transferee be required to state in the notice what rights he holds?

It will also be necessary to provide a legislative solution to the periodical notice problem. This might take the form of permitting one notice on a periodical in the name of the publisher to cover all articles and stories in the periodical, and granting an individual copyright to any author whose name appears in connection with the story or article, subject to the author's assignment or license to the periodical.<sup>185</sup>

#### H. TITLE

Foreign systems of copyright without formalities are generally based upon the premise that copyright in a work belongs to the author, and that all rights must come from him. The old English law provided that the author was the first owner of copyright except in cases

<sup>180</sup> 17 U.S.C. § 1 (1952).

<sup>181</sup> Chafee, *Reflections on the Law of Copyright*, 45 COLUM. L. REV. 503, 522 (1945).

<sup>182</sup> Copyright Act, 1956, 4 & 5 Eliz. 2 c. 74 § 2.

<sup>183</sup> *Id.* § 36.

<sup>184</sup> 17 U.S.C. § 32 (1952).

<sup>185</sup> Cf. Laskin, *All Rights Unreserved* in COPYRIGHT LAW SYMPOSIUM, No. 7 at pp. 91, 100 (1956).

of certain photographs and where the author was an employee for hire.<sup>186</sup> Subject to the same general exceptions, the author is the owner of copyright under the new English statute.<sup>187</sup> Where his name appears on the copies, he is presumed to be the owner; where his name is missing, then a publisher whose name does appear will be presumed to be the owner of the copyright at the time of publication.<sup>188</sup> These provisions become even more important where copyright without notice is combined with a term dependent upon the life of the author.

During the debates on the new British copyright law, there were long discussions of the rights in works commissioned for publication in newspapers and magazines, and these provisions were changed on several occasions. The upshot was a compromise in which the publisher secured newspaper and magazine rights, but thereafter, copyright reverted to the author. The authors regarded this as—

an unwarrantable departure from the basic principle that copyright vests in the creator of a work unless and until he chooses to part with it or with an interest in it by express contract. At every stage in the Bill the Society [of Authors] and its supporters have fought for the reinstatement of this basic principle \* \* \*<sup>189</sup>

Any system of copyright without formalities would have to be adapted to the needs of American business practice. At present, the author is rarely the first copyright proprietor in the case of periodicals or music, nor is he always the copyright proprietor in the case of books. The function of the publisher in the United States is different here than it is abroad; in the case of music, for example, the printing of sheet music has become a minor part of the work of the publisher. The control of rights is an important bone of contention between authors and publishers, and authors believe that—

The author as creator of the property is fundamentally the person properly entitled to the ownership of all the rights therein. The idea that ownership of copyright should properly vest in any person other than the creator, is an anomaly and is repugnant to commonsense; and its existence is an error in our American jurisprudence.<sup>190</sup>

It is conceivable that a reconciliation of the divergent points of view of the author and publisher might be worked out on a practical industry basis, but divisibility, particularly without formalities, would seem to make it necessary to specify in the law who is the initial copyright owner.<sup>191</sup>

## VI. SUMMARY OF ISSUES

### 1. *Right to sue*

(a) Should the law include a provision permitting an exclusive licensee to sue without joining his grantor?

(b) Should such a provision be restricted to exclusive licensees of enumerated rights?

### 2. *Joinder of parties*

(a) Should the law permit the joinder within the discretion of the court of—

1. Any interested party, or

2. Any person named in an assignment or license recorded in the Copyright Office?

<sup>186</sup> Report of Copyright Committee, Cmd. 8662, at 98 (1952).

<sup>187</sup> Copyright Act, 1956, 4 & 5 Eliz. 2 c. 74, §§ 4, 20.

<sup>188</sup> *Id.* §§ 20(4), 37.

<sup>189</sup> *The Author*, 2-3 (Autumn 1956).

<sup>190</sup> *Assignment of Copyright to the Author*, 9 Authors' League Bulletin 4-5 (1921).

<sup>191</sup> *Cf.* S. 3043, 76th Cong., 3d Sess., § 8 (1940).

(b) Should there be a provision dealing with avoidance of overlapping suits or damages, e.g., barring suit by an exclusive licensee unless he has recorded his license in the Copyright Office?

### 3. *Recordation*

(a) Should the law require recordation of all assignments and licenses, as against third parties without notice?

(b) If there is such a provision, should it exclude nonexclusive licenses?

(c) Should recordation be permissive?

(d) If permissive, what effect should be given to recordation, and what should be the effect of failure to record?

### 4. *Divisibility*

(a) Should the law contain a specific clause making copyright divisible?

(b) Would this be necessary or advisable if the statute provided for the right of exclusive licensees to sue, joinder of parties and recordation?

(c) If copyright is made divisible, should there be a list of the rights in which separate ownership will be recognized for the purposes of suit?

(d) Should there be any restriction on how far rights may be divided as to time or territory?

### 5. *Notice*

(a) If the statute provides for copyright notice either as a requirement or optionally, should partial or exclusive licensees be permitted to substitute their name in the notice:

(i) In all cases;

(ii) For enumerated rights only; or

(iii) In no case?

(b) If such substitution is permitted, should the notice be required to indicate that the person named holds only certain rights? If so, what should be the effect of omitting such indication?

(c) Should there be an exemption for contributions published in newspapers and periodicals, waiving specific notice for the contribution where a general notice on the entire work is used? If so, should the author whose name appears on a contribution be deemed the copyright owner, subject to his assignment or license to the publisher?

## APPENDIX

### 1909-40: LEGISLATIVE BATTLE FOR DIVISIBILITY

Early attempts to revise the 1909 statute were concentrated on adherence to the Berne Convention and sought to amend the law only to the extent felt absolutely necessary to permit adherence to the Convention.<sup>A1</sup> Later bills included complete revisions of the statute both because it was felt that fundamental changes were required to bring us into the Convention and to cure defects in the existing law.

The more elaborate bills all included sections on divisibility. On March 24, 1924, Representative Dallinger introduced H.R. 8177.<sup>A2</sup> This bill provided for copyright in the complete work and each copyrightable part,<sup>A3</sup> and the right to assign or license the entire copyright or any right and limit it for a certain time or territory.<sup>A4</sup> The assignee or licensee became the owner of the particular right or rights as though they were several and distinct, and could record the transfer in the Copyright Office.<sup>A5</sup>

A revised version of this bill was introduced on May 9, 1924,<sup>A6</sup> and divisibility was considered at hearings beginning on May 15, 1924.<sup>A7</sup> The motion-picture attorneys who had drafted the measure<sup>A8</sup> wanted a bill which gave the author a "solid right to transfer,"<sup>A9</sup> and laid special emphasis upon the necessity of recording all transfers.<sup>A10</sup>

In 1925, the Perkins bill, H.R. 11258, drafted by the Register of Copyrights and sponsored by the Authors' League, was introduced.<sup>A11</sup> The bill permitted the written assignment or license of any of the separate rights listed in the bill, for limited times or specified territories.<sup>A12</sup> Both assignments and licenses could be recorded in the Copyright Office and assignees could sue, but not before their assignments were recorded.<sup>A13</sup> There were special provisions for periodicals: under section 13, the periodical publisher secured only a license to print and publish, in the absence of an agreement to the contrary.<sup>A14</sup> A periodical could sue for infringement under its general copyright, but it had no such power when it held only a license under section 13.<sup>A15</sup>

At hearings on the bill, the Register, supported strongly by the author groups, pointed to the need for a division of rights and clear title.<sup>A16</sup> The motion-picture producers and periodical publishers opposed the bill, preferring the earlier Dallinger bill; <sup>A17</sup> the periodical publishers objected to the special provisions covering periodicals.

In the next Congress, the Perkins bill was reintroduced,<sup>A18</sup> and a new bill,<sup>A19</sup> omitting the features objected to in H.R. 11258 by the periodical publishers, was submitted by Representative Vestal. There was no real disagreement on the necessity of "making the copyright divisible" but the motion-picture producers and the periodical publishers supported the new Vestal bill and opposed passage of the Perkins bill.<sup>A20</sup>

<sup>A1</sup> Goldman, *A History of U.S.A. Copyright Law Revision 1901-1954*, at p. 4 (Study No. 1 in the present series of committee prints.)

<sup>A2</sup> 68th Cong., 1st Sess.

<sup>A3</sup> *Id.* § 7.

<sup>A4</sup> *Id.* §§ 45, 46.

<sup>A5</sup> *Id.* §§ 46, 47.

<sup>A6</sup> H.R. 9137, 68th Cong., 1st Sess.

<sup>A7</sup> *Hearings Before the House Committee on Patents*, 68th Cong., 1st Sess. (1924);

<sup>A8</sup> *Id.* at 337.

<sup>A9</sup> *Id.* *Hearings, supra*, at 312.

<sup>A10</sup> *Id.* at 321.

<sup>A11</sup> 68th Cong., 2d Sess.; also introduced in the Senate: S. 4355.

<sup>A12</sup> *Id.* § 15.

<sup>A13</sup> *Id.* §§ 17, 34.

<sup>A14</sup> *Id.* §§ 6, 22.

<sup>A15</sup> *Id.* § 36.

<sup>A16</sup> *Hearings Before the House Committee on Patents*, 68th Cong., 2d Sess. at 84 (1925).

<sup>A17</sup> *Id.* at 428; *Hearings Before the House Committee on Patents on H.R. 10434*, 69th Cong., 1st Sess. 117 (1926).

<sup>A18</sup> H.R. 5841, 69th Cong., 1st Sess. (1925); *Cf.* §§ 15, 17, 18, 34, 35, 36.

<sup>A19</sup> H.R. 10434, 69th Cong., 1st Sess. (1926); *Cf.* §§ 9, 11, 21, 23.

<sup>A20</sup> *Hearings Before the House Committee on Patents on H.R. 10434*, 69th Cong., 1st Sess. at 117, 120, 248 (1926).

The Vestal bill formed the basis of some later bills on the subject of divisibility. It specifically provided for the written assignment or license of the entire copyright or "any rights comprised therein," for a limited time or specified territory.<sup>A21</sup> It also enabled any person securing such a right or interest to protect and enforce such rights as he held, in his own name.<sup>A22</sup> It stated that all the rights comprised in a copyright are "several, distinct, and severable," and that the assignee or licensee of any of these rights was to be treated "for all purposes, including the right to sue," as the owner of such rights.<sup>A23</sup> Licenses and assignments could be recorded in the Copyright Office; failure to file did not affect the validity of the instrument, but no unrecorded instrument was to be valid against any previously recorded document of a transfer for value without notice.<sup>A24</sup> An exception to this last rule requiring recordation was made in the case of instruments by which magazine or newspaper publication rights were assigned or conveyed.<sup>A25</sup>

The desire for "divisibility" was great, and a separate bill was introduced in 1927 to provide that "all rights comprised in a copyright are several, distinct, and severable."<sup>A26</sup> In essence, this bill tried to secure "divisibility" by amending three sections of the existing law on assignment, recordation and, damages. The provisions were borrowed from the original Vestal bill and later amended to include more detailed language for the joinder of other parties. Hearings were held;<sup>A27</sup> almost everyone spoke for "divisibility" but disagreed on the details.<sup>A28</sup> The authors wished to secure the original copyright in a magazine contribution; the periodical publishers stated that they had no objection to divisibility, as alleged during discussion on the Vestal bill, and favored it—provided there were appropriate safeguards.<sup>A29</sup> The bill was reported out with a favorable recommendation and placed on the House Calendar, but no further action was taken at that session; it was introduced in the next Congress.<sup>A30</sup>

In its report, the House committee found that, as new inventions had put new methods at the service of the author for the exploitation and production of his work, the author had been handicapped by the fact that, although he could license separate uses of his work, he could not "sell" such separate rights.<sup>A31</sup> Some users wanted more than "merely a license or exclusive license to use. Such licensee cannot bring suit to protect the rights \* \* \*."<sup>A32</sup> The committee found that the bill achieved this purpose, enabled the licensee to sue to protect his right, and safeguarded the rights of all owners by providing for notice to other owners.<sup>A33</sup> The committee felt it preferable to provide for notification and permission to appear rather than giving the court power to compel attendance of any party who might seem to have an interest.<sup>A34</sup>

Further hearings were now held, at which the representative of the Authors' League called the bill "the most important piece of copyright legislation that has ever been reported out of a committee since the Copyright Act of 1891."<sup>A35</sup> With the addition of provision for interpleader, the motion-picture interests and the book publishers supported the bill.<sup>A36</sup> The periodical publishers agreed that the principle of the bill was sound, but indicated that they were perfectly happy under the existing law, and that "under the proposed act we should not have quite that assurance that we have now."<sup>A37</sup> The periodical publishers approved the bill but asked for "a little clearer delimitation of the rights of the various assignees,"<sup>A38</sup> i.e., that the bill specifically provide that other assignees could not exercise any right until after serial publication had been completed. The Shubert interests opposed the "divisible portion" of the bill because of the fear that it would strengthen the hand of the dramatist and enable the dramatist to sell competing motion-picture rights while the play was still running.<sup>A39</sup> At the time, the Basic

<sup>A21</sup> H. R. 10434, 69th Cong., 1st Sess., § 9 (1926).

<sup>A22</sup> *Id.* § 9.

<sup>A23</sup> *Id.* § 3.

<sup>A24</sup> *Id.* § 11.

<sup>A25</sup> *Ibid.*

<sup>A26</sup> H. R. 16808, 69th Cong., 2d Sess. (1929).

<sup>A27</sup> *Hearings Before the House Committee on Patents on H. R. 16808*, 69th Cong., 2d Sess. (1927).

<sup>A28</sup> *Id.* at 4, 7, 9, 24.

<sup>A29</sup> *Id.* at 28.

<sup>A30</sup> H. R. 8913, 70th Cong., 1st Sess. (1928).

<sup>A31</sup> H. R. REP. NO. 2225, 69th Cong., 2d Sess. 2 (1927).

<sup>A32</sup> *Id.* at 3.

<sup>A33</sup> *Ibid.*

<sup>A34</sup> *Ibid.*

<sup>A35</sup> *Hearings Before the House Committee on Patents on H. R. 8913*, 70th Cong., 1st Sess. (1928).

<sup>A36</sup> *Id.* at 53, 82.

<sup>A37</sup> *Id.* at 44.

<sup>A38</sup> *Id.* at 47.

<sup>A39</sup> *Id.* at 57.

Dramatists Guild Agreement covered the arrangements between the dramatist and the producer, but the Shuberts feared that, if the bill passed, ways would be devised of circumventing or abrogating the agreement.<sup>A40</sup> The usual agreement provided that the producer dramatist and both shared equally in the sale of motion-picture rights.

The committee reported the bill out favorably with an amendment to make it obligatory on the court, rather than permissive, to require that notice of any action be given to all persons on record in the Copyright Office.<sup>A41</sup> The committee pointed out that "the best business practice is already in accordance with what the bill proposes, what is desired is to legalize this practice so that it may prevail uniformly and not be confined to the better class of publishers and producers of books, plays, music, etc."<sup>A42</sup> The bill was brought up on the consent calendar of the House on two occasions, but upon objection was passed over, and no further action was taken at the session.<sup>A43</sup>

Although its supporters did not give up the attempt to enact separate "divisibility" legislation,<sup>A44</sup> the effort shifted to support of the general revision bills.<sup>A45</sup> The Vestal bill, H.R. 10434, was reintroduced in the 70th Congress, and again in the 71st Congress.<sup>A46</sup> Hearings were held in April and May 1930 and divisibility received a good deal of attention.<sup>A47</sup> Under a compromise, the periodical publishers were not to be required to record assignments made by the author.<sup>A48</sup> Subject to these amendments, the periodical publishers agreed that, although some might consider them as "sitting pretty" under the existing law, this was shortsighted, and they would support the bill.<sup>A49</sup> The Shubert interests were still opposed, stating that if "divisibility" became the law, it would "kill the spoken drama."<sup>A50</sup> After the hearings, Representative Vestal introduced a revised bill, H.R. 12549, which was reported out by the House Committee on Patents.<sup>A51</sup> The committee found that the whole pattern of disposing of copyrights had changed since 1909, and with it, methods of distributing and division of rights.<sup>A52</sup> In place of the old practice of merely selling a manuscript or a book, the author now sold separate rights, and the trade practices had made "the act of 1909 impracticable and obsolete."<sup>A53</sup> The committee found general support for divisible copyright, stating:

"Divisible copyright, which permits the assignee, grantee, or licensee to protect and enforce any right which he acquires from an author without the complications incident to the old law."<sup>A54</sup>

The report recognized the trade practice of dividing and selling the different rights,<sup>A55</sup> in existence for more than a quarter of a century between authors and reputable publishers, and said the main difficulty came in the enforcement of rights, where it became necessary to join the copyright proprietor. The report pointed out that, in the case of the purchase of motion-picture stories from magazines, there was difficulty because, in 9 cases out of 10, "the legal copyright ownership is in a magazine, which purchased only magazine rights, and the other rights which have been granted are mere licenses";<sup>A56</sup> the motion-picture concern then found it advisable to "obtain releases from all the intervening parties and from the copyright proprietor, merely because the act of 1909 recognized only one legal title."<sup>A57</sup> The divisibility feature was considered to be "one of the most important revisions of domestic legislation and \* \* \* absolutely essential to the effective marketing of an author's work. It is highly important to the author, since easy marketing and clear title increase the immediate demand \* \* \*. What the good authors want and what the reputable purchasers need is good titles to all pieces of work."<sup>A58</sup>

<sup>A40</sup> *Id.* at 100.

<sup>A41</sup> H. R. REP. NO. 1103, 70th Cong., 1st Sess. (1928).

<sup>A42</sup> *Id.* at 2.

<sup>A43</sup> *Report of U.S. Register of Copyrights* 9 (1928); a similar bill was introduced in the 71st Cong.; H. R. 6987, 71st Cong., 2d Sess. (1929).

<sup>A44</sup> H. R. 6987, 71st Cong., 2d Sess. (1929).

<sup>A45</sup> See, e.g., Mr. Weil's statement, *Hearings Before House Committee on Patents on H.R. 9639*, 71st Cong., 2d Sess. 39 (1930).

<sup>A46</sup> H. R. 8912, 70th Cong., 1st Sess. (1928); H. R. 6990, 71st Cong., 2d Sess. (1929).

<sup>A47</sup> *Hearings Before the House Committee on Patents on H.R. 6990*, 71st Cong., 2d Sess. (1930).

<sup>A48</sup> *Id.* at 112, 133.

<sup>A49</sup> *Id.* at 114.

<sup>A50</sup> *Id.* at 168.

<sup>A51</sup> H. R. REP. NO. 1689, 71st Cong., 2d Sess. (1930).

<sup>A52</sup> *Id.* at 2.

<sup>A53</sup> *Id.* at 3.

<sup>A54</sup> *Ibid.*

<sup>A55</sup> *Id.* at 5.

<sup>A56</sup> *Ibid.*

<sup>A57</sup> *Ibid.*

<sup>A58</sup> *Ibid.*

The report also indicated that special provision had been made in case of periodicals to exempt them from the usual recording requirement since each issue carried literally hundreds of separate copyrightable items, and publication of a magazine was "fair notice to the world in general that the magazine or newspaper has a property right to the extent of its newspaper or magazine right in the material contained in the particular issue."<sup>A59</sup> The committee also felt that the recording provisions would make the recording of assignments and licenses as "advisable as is the recording of deeds."<sup>A60</sup> A vigorous dissenting report was filed by Representative Sirovich, in which he concentrated on the divisibility feature of the bill.<sup>A61</sup> Representative Sirovich felt the bill would benefit the motion picture companies at the expense of the dramatic producer, who, up to this point, had been entitled to up to a "50 percent interest in the motion picture, talkie, television, etc., rights in a play," and the divisibility feature would "annihilate the spoken drama."<sup>A62</sup>

The bill was discussed extensively on the floor of the House. Representative Vestal said that most of those who had testified had endorsed the bill, but that there had been objections to the divisibility feature; he felt that this opposition had been withdrawn.<sup>A63</sup> He urged the House to permit assignees or licensees to protect and enforce their rights and to recognize the "universal commercial practice of treating the separable rights \* \* \* comprised in a copyright as assignable."<sup>A64</sup> In reviewing the difficulties under the present law, he emphasized the need for good title, terming the suggestion that this section would destroy the spoken drama "erroneous indeed" since it would not change the trade practice.<sup>A65</sup> Representative Busby opposed the divisibility portions of the bill strongly, arguing that the dramatic producers had not changed their position, and that divisibility was not necessary and could be "misleading to every user of copyright and be destructive of the American interests that have to rely upon them."<sup>A66</sup> The House passed the bill on January 5, 1931.

The Senate committee held hearings and heard arguments from the proponents and the opponents of divisibility as well as some who didn't see that it made much difference.<sup>A67</sup> The Association of the Bar of the City of New York favored divisibility because it would give legal sanction to a "trade practice of doubtful legal effect" and would obviate the necessity of joining the record owners in a suit, where they might have no interest in the particular right.<sup>A68</sup> The Senate committee reported the bill with amendments, some of which related to the recording of assignments and the necessity of an assignment being in writing.<sup>A69</sup> The usual arguments were presented in a report, and in the Senate.<sup>A70</sup> The debate in the Senate was stopped by a filibuster on another matter and the bill was not brought to a vote.

The next Congress saw the reintroduction of the Vestal bill in the House and Senate, but no action was taken on these bills.<sup>A71</sup> After the death of Representative Vestal, Representative Sirovich, the new chairman of the House Committee on Patents held hearings and introduced a series of revision bills.<sup>A72</sup>

The bills followed the general pattern of the Vestal bills on the question of divisibility and permitted the author or owner to license any part of his rights and enabled him to license these for "a particular mode, form, or medium of expression, or to a particular type of presentation \* \* \*",<sup>A73</sup> and enabled the licensee to proceed against an infringer in his own name, without joining the owner.<sup>A74</sup> The bill specifically stated that a license for first publication in newspapers or periodicals was to secure "an exclusive right to complete the publication of such work prior to its public presentation in any mode, form, or medium of expression by anyone else, including the owner of the copyright,"<sup>A75</sup> a provision the periodical publishers had strongly urged. The periodical license was to expire automatically

<sup>A59</sup> *Id.* at 8.

<sup>A60</sup> *Id.* at 10.

<sup>A61</sup> H. R. REP. NO. 1689, Part 2, 71st Cong., 2d Sess. (1930).

<sup>A62</sup> *Id.* at 10, 11.

<sup>A63</sup> 72 CONG. REC. 11997 (1930).

<sup>A64</sup> *Ibid.*

<sup>A65</sup> *Id.* at 11997.

<sup>A66</sup> 74 CONG. REC. 6244 (1931).

<sup>A67</sup> *Hearings Before Senate Committee on Patents*, 71st Cong., 3d Sess., 56, 117, 199, 273 (1931).

<sup>A68</sup> *Id.* at 273.

<sup>A69</sup> S. REP. NO. 1732, 71st Cong., 3d Sess., 30, 31 (1931).

<sup>A70</sup> 74 CONG. REC. 6244, 6245, 6725.

<sup>A71</sup> There were some amendments: H. R. 139, 72d Cong., 1st Sess. (1931); S. 176, 72d Cong., 1st Sess. (1931).

<sup>A72</sup> 72d Cong., 1st Sess. (1932): H. R. 10364; H. R. 10740; H. R. 10976; H. R. 11948; H. R. 12094, and H. R.

12425.

<sup>A73</sup> H. R. 10364, § 12.

<sup>A74</sup> *Id.* § 13.

<sup>A75</sup> *Id.* § 12.

in 90 days after completion of publication, or become a nonexclusive license in 3 years, if not exercised, unless the contract specifically provided otherwise.<sup>A76</sup> A further provision was added in the later bills to the effect that any assignment or license by the owner of a copyrighted motion picture to exhibit the picture in any theater was to include the right to reproduce the sound recorded in the film, and no owner could license the exhibition of film unless he had authority to license the reproduction of the sound and music in the picture.<sup>A77</sup> Hearings which had begun before these bills were introduced were held on the general principles of a new bill and later on the specific bills.<sup>A78</sup>

There was general agreement that one of the main objectives of a new bill should be "divisibility" and those who testified in favor of such a provision included the former register, Mr. Solberg, the acting register, Mr. Brown, representatives of the Authors' League, the Dramatists Guild, the periodical publishers, the broadcasters, and the motion picture producers and distributors.<sup>A79</sup> Several witnesses wished to see safeguards with respect to adequate recordation of assignments and licenses.<sup>A80</sup> The authors alleged that some magazines refused to retransfer rights, but the periodical publishers felt that no reputable magazine would do this in 1932.<sup>A81</sup> The periodical publishers insisted on priority, but felt that they could accomplish this by contract.<sup>A82</sup> The only group opposing "divisibility" on principle appeared to be the music publishers.<sup>A83</sup> According to counsel for Songwriters Protective Association, this opposition was "mainly psychological," the music publishers having been in the habit of taking an assignment of the entire copyright, and keeping it.<sup>A84</sup> At hearings held the next month, ASCAP felt some provisions gave the licensees too much, but the periodical publishers who had secured some additional concessions in other areas, approved.<sup>A85</sup>

After further hearings, the committee reported out H.R. 10976<sup>A86</sup> but the House finally considered a similar bill, H.R. 12094,<sup>A87</sup> debated it for a few hours and recommitted it to the committee.

The committee report included the following paragraphs: <sup>A88</sup>

*"License under copyright.*—The author may also license any part or interest in his work. This means that an author has complete legal right to convey any and all privileges to licensees. As an illustration of this provision, an author of a novel may legally license magazine rights to a magazine, book rights to a book publisher, theatrical rights to a manager, motion picture rights to a producer, and radio rights to a broadcaster.

*"Licensees.*—The bill further protects a licensee to the same extent as the present act protects a copyright proprietor. Without looking to anybody else the licensee has the absolute legal right to enforce and protect his license. This again makes for clarity of titles and clarity of title is as essential to the author as it is to the licensee."

The exact language is also contained in the report accompanying H.R. 12094.<sup>A89</sup>

During March 1932, Senator Dill introduced another general revision bill.<sup>A90</sup> This bill would have enabled the author or owner to assign or license the entire copyright or any right, wholly or separately, generally or subject to limitations, for the entire or a limited term or a specified territory, but added: "Provided, That a license or assignment to make a motion picture shall be deemed to include all motion-picture rights of reproduction and exhibition of same from the film so licensed, no matter by whom it is exhibited."<sup>A91</sup> The same section provided that any person deriving an interest in the copyright might "prevent infringement of, or interference with any or all of his rights in the copyright by legal means and may obtain damages." Assignments were to be recorded and recordation was required before the assignee could bring suit.<sup>A92</sup> Senator Dill reintroduced substantially the same bill in the 73d Congress.<sup>A96</sup>

<sup>A76</sup> *Ibid.*

<sup>A77</sup> § 13 of H. R. 11048, H. R. 12094 and H. R. 12425, all introduced in the 72d Cong., 1st Sess. (1932).

<sup>A78</sup> *Hearings Before the House Committee on Patents on General Revision*, 72d Cong., 1st Sess. (1932).

<sup>A79</sup> *Id.* at 5, 21, 40, 43, 96, 167, 236, 241, 299, 348.

<sup>A80</sup> *Id.* at 236, 243, 299.

<sup>A81</sup> *Id.* at 59, 349, 354.

<sup>A82</sup> *Id.* at 354.

<sup>A83</sup> *Id.* at 83, 96, 144.

<sup>A84</sup> *Id.* at 83.

<sup>A85</sup> *Hearings Before the House Committee on Patents on H. R. 10976*, 72d Cong., 1st Sess. 95, 185 (1932).

<sup>A86</sup> H. R. REP. NO. 1008, 72d Cong., 1st Sess. (1932).

<sup>A87</sup> H. R. REP. NO. 1361, 72d Cong., 1st Sess. (1932).

<sup>A88</sup> H. R. REP. NO. 1008, 72d Cong., 1st Sess., 3 (1932).

<sup>A89</sup> H. R. REP. NO. 1361, 72d Cong., 1st Sess. (1932).

<sup>A90</sup> S. 3986, 72d Cong., 1st Sess.

<sup>A91</sup> *Id.* § 15.

<sup>A92</sup> *Id.* §§ 16, 17.

<sup>A96</sup> S. 342, 73d Cong., 1st Sess. (1933)

The 73d Congress also saw the introduction of the Cutting bill <sup>A94</sup> which provided for adherence to the Berne Convention, but contained no divisibility provisions. After hearings, the Senate Committee on Foreign Relations asked the State Department to organize an informal interdepartmental committee to reconcile the different points of view. As a result, Senator Duffy introduced S. 2465 in the 74th Congress.<sup>A95</sup>

This bill gave the author or owner the right to assign or license the entire copyright or any right comprised therein, separately, for limited times, or specified territories, and permitted anyone deriving such an interest to sue and enforce his rights separately "in his own name."<sup>A96</sup> The same section contained the following language:

"In the absence of any agreement to the contrary, license to publish a work in book form, or in a newspaper, magazine, or periodical, shall not be deemed to convey any other right than the right of publication as a book, or in a newspaper, magazine, or periodical, respectively; nor shall license for any use of a work be deemed to convey a right to use it in any other manner."

In its report, the Committee on Foreign Relations referred to the complete recognition of the principle of divisibility in the bill as "the outstanding contribution of the present bill to the welfare of authors," and added:

"After the passage of the bill, authors can control in a thoroughgoing manner the use of their works and enjoy more fully than ever before the emoluments arising from such use. Various rights, such as periodical, book, motion picture, broadcasting, and others will be separate and distinct and no implication will exist that the assignment of any portion of copyright transfers the copyright itself. \* \* \* The principle of divisibility extends not merely to varieties of use. It includes time considerations and place considerations. \* \* \*"<sup>A97</sup>

A revised version of the bill was introduced by Senator Duffy and this bill was reported favorably by the Senate Committee on Patents.<sup>A98</sup> The report referred to the existing procedure for licenses as "awkward and unsatisfactory" and stated that, under the bill, the author would sell his rights to different persons and industries.<sup>A99</sup> The bill was amended in other respects and passed by the Senate on August 7, 1935.<sup>A100</sup>

In the second session, Representative Daly introduced H.R. 10632,<sup>A101</sup> containing divisibility provisions similar to the Duffy bill, except that the author could not assign or license his work for more than 28 years.<sup>A102</sup> Representative Sirovich introduced a new bill, H.R. 11420,<sup>A103</sup> with long sections on divisibility.<sup>A104</sup> Licenses for first publication in periodicals gave the licensee a right to complete publication prior to any other public presentation,<sup>A105</sup> but in the absence of express contract provisions, the license expired 90 days after completion of the publication, and became a nonexclusive license if it were not exercised within a period of 3 years after delivery.<sup>A106</sup> Provision was also made for disposition of any rights held by a debtor who became bankrupt.<sup>A107</sup>

Long hearings were held on the Duffy, Daly, and Sirovich bills,<sup>A108</sup> but there were no legislative results. In 1937, Senator Duffy introduced a revised version of S. 3047,<sup>A109</sup> which had passed the Senate on August 7, 1935, but the Senate took no action.

In 1938 the Committee for the Study of Copyright (Shotwell committee) <sup>A110</sup> was set up, and during the next 2 years the committee undertook to develop a general revision bill. The committee considered various memoranda and proposals submitted by the interested groups; <sup>A111</sup> divisibility was, of course, one of the subjects for discussion. The Authors' League of America, the National Publishers

<sup>A94</sup> H.R. 5853, S. 1925, 73d Cong., 1st Sess. (1933).

<sup>A95</sup> 74th Cong., 1st Sess. (1935).

<sup>A96</sup> *Id.* § 42.

<sup>A97</sup> EXEC. REP. NO. 4, 74th Cong., 1st Sess., 16 (1935).

<sup>A98</sup> S. 3047, S. REP. NO. 896, 74th Cong., 1st Sess. (1935).

<sup>A99</sup> S. REP. NO. 896, 74th Cong., 1st Sess., 6 (1935); See Goldman, *supra* note A1, at 9.

<sup>A100</sup> The bill was introduced in the House as H.R. 8557, 74th Cong., 1st Sess. (1935).

<sup>A101</sup> 74th Cong., 2d Sess. (1936).

<sup>A102</sup> *Id.* § 42.

<sup>A103</sup> 74th Cong., 2d Sess. (1936).

<sup>A104</sup> *Id.* §§ 42, 43, 44, 46, 49.

<sup>A105</sup> *Id.* § 42.

<sup>A106</sup> *Ibid.*

<sup>A107</sup> *Ibid.*

<sup>A108</sup> *Hearings Before the House Committee on Patents*, 74th Cong., 2d Sess. (1936).

<sup>A109</sup> S. 7, 75th Cong., 1st Sess. (1937); H.R. 2695 and H.R. 3004, 75th Cong., 1st Sess. (1937); Cf. H.R. 5275, 75th Cong., 1st Sess. (1937), containing added performing artist sections.

<sup>A110</sup> See Goldman, *supra* note A1, at 10.

<sup>A111</sup> The memoranda and papers of the Shotwell Committee are in the collections of the U.S. Copyright Office.

Association and the motion picture producers and distributors all favored divisibility,<sup>A112</sup> but the motion picture groups requested a more elaborate system of grants and recordation of rights in the Copyright Office, together with the right of the licensee to sue without joining the grantor.<sup>A113</sup> The radio broadcasters were worried about multiple suits.<sup>A114</sup> The Music Publishers Protective Association, Inc., strenuously opposed the divisibility concept because "it will tend to foster organizations created for the purpose of depriving music publishers of the most valuable incidents of musical copyrights."<sup>A115</sup>

The "Shotwell committee bill," S. 3043, was introduced by Senator Thomas on January 8, 1940, and provided for the granting of all or any rights in the copyright,<sup>A116</sup> license of any right given the author,<sup>A117</sup> the recordation of such grants,<sup>A118</sup> and safeguards against involuntary transfer in receivership and bankruptcy,<sup>A119</sup> as well as a reversion to the author, despite any agreement, at the end of 25 years from the making of any grant,<sup>A120</sup> except where there was a royalty publication contract which was still functioning.<sup>A121</sup>

The owner of any right given by the bill was permitted to sue without joining the grantor, and any exclusive licensee was to be treated as an owner of copyright to the extent of his interest.<sup>A122</sup> A memorandum accompanying the bill was read into the Congressional Record, and divisibility was stressed as modernizing the law to conform to actual practice.<sup>A123</sup> The motion picture producers and distributors had objected to some provisions, and although they did not object to divisibility, they offered a long amendment dealing with the right of the grantee to sue independently.<sup>A124</sup> They felt that some "rights of exclusivity in respect of licenses may be limited to small territories, whereas radio broadcasts or motion picture exhibitions may well take place over the entire United States. Thus an infringer, whether deliberate or innocent, may be subjected to a multiplicity of suits for statutory damage on the part of a multitude of exclusive but limited licenses." The remedy proposed was to permit intervention by the parties or on motion of the court in order to finally determine the whole controversy.<sup>A125</sup> No hearings were held, and the bill was not considered by the Senate.<sup>A126</sup>

<sup>A112</sup> 1 Shotwell, *Conferences on Copyright Legislation* 50, 92 (1938).

<sup>A113</sup> *Id.* at 121.

<sup>A114</sup> 3 Shotwell, *Conferences on Copyright Legislation* 290, 295, 296, 517 (1939).

<sup>A115</sup> *Id.* at 246.

<sup>A116</sup> 76th Cong., 3d Sess. § 4(h) (1940).

<sup>A117</sup> *Id.* at § 13.

<sup>A118</sup> *Id.* at § 16.

<sup>A119</sup> *Id.* at § 13.

<sup>A120</sup> *Ibid.*

<sup>A121</sup> *Ibid.*

<sup>A122</sup> *Id.* §§ 19, 21.

<sup>A123</sup> 86 CONG. REC. NO. 3, 148 (Jan. 8, 1940); Leland, *The New Copyright Bill*, Educational Record, 240 (April 1940).

<sup>A124</sup> 4 Shotwell, *Conferences on Copyright Legislation* 220, (1939-1941).

<sup>A125</sup> *Id.* at 220, § 216.

<sup>A126</sup> See Goldman, *supra* note A1, at 11.

## SUPPLEMENT 1

### DIVISIBILITY IN RELATION TO INCOME TAX

(By Lorna G. Margolis)

Historically, the doctrine of divisibility or indivisibility of copyright, i.e., whether a transfer of one of the "bundle of rights" comprising a copyright is a sale or merely a license, has played a key role in determining whether income from copyrighted material is taxable as capital gains or ordinary income. The latter, of course, means a higher tax. For the purpose of taxation, a creative artist is a tradesman; his activities are as much subject to taxes as the ordinary businessman's. While in the case of a resident writer, it is to his advantage that income from his works be treated as capital gains, since the tax is lower; it is even more to the advantage of a nonresident author, since the income from the sale of a capital asset of a nonresident author is completely free from tax. Thus, taxwise, it is to the advantage of a copyright owner that the proceeds from a copyright be treated as capital gains. The important question is whether the transfer of one of the "bundle of rights" comprising a copyright is treated for tax purposes as a sale of a capital asset or a license of income-producing property.

Other factors besides the divisibility or indivisibility of copyrights have been and are important in determining whether income from copyrights is treated for tax purposes as capital gains or ordinary income. These other factors will also be considered in this paper, in order to appraise the importance of divisibility in this determination.<sup>1</sup>

There is the same lack of unity in the court decisions involving taxes on the transfer of less than an entire copyright that there is in other aspects of the indivisibility theory. Added to this is the confusion brought about by varying Internal Revenue rulings, some of which were based on continual changes in the legal connotation of the indivisibility theory.

For instance, in 1921, the Bureau of Internal Revenue had issued its office decision <sup>1a</sup> holding that receipts from the absolute transfer by a nonresident alien of the rights to a serial publication in the United States of certain literary works were not derived from a source in the United States, because the transaction constituted a sale and not a license for use. In 1925, the Treasury held that an author's sale of the movie rights to his play fell within the category of the sale of a capital asset.<sup>2</sup> Subsequently, however, this ruling was repudiated by I.T. 2735, XII-2 Cum. Bull. 131 (1933), in which the Treasury stated that a copyright constitutes a single unit of property and that grants of anything less than the whole were licenses merely, and the amounts paid for them were royalties to be taxed as ordinary income.

<sup>1</sup> There are, of course, various devices by which a copyright owner may reduce the amount of the taxes on the income from his copyrights. For example, he may transfer a part of the copyright, such as motion picture rights or an undivided interest in the entire copyright, to another member of his family who will pay taxes at a lower rate. Such devices for reducing the amount of taxes are not within the scope of this paper.

<sup>1a</sup> O.D. 988, 5 Cum. Bull. 117 (1921).

<sup>2</sup> I.T. 2169, IV-1 Cum. Bull. 13 (1925).

This ruling is in line with the *Sabatini* case.<sup>3</sup> There, the taxpayer was an alien writer. The income sought to be taxed was that received under contracts covering (1) volume and second serial rights; (2) motion picture rights; and (3) dramatic rights. Judge Chase, speaking for himself and Justices Learned Hand and Augustus N. Hand, held that as to (1), the percentage payments on the number of volumes sold fell within the gross income contemplated by the then section 119(a)(4) of the Internal Revenue Code which provided that taxable income includes:

Rentals or royalties from property located in the United States or from any interest in such property, including rentals or royalties for the use of or for the privilege of using in the United States, patents, copyrights, secret processes and formulas, good will, trademarks, trade brands, franchises and other like property.

As to (2), since the author granted an exclusive worldwide right to produce motion pictures based on five of his works for a stated period, the author remained the owner of his works and merely licensed their use for a particular object for a period. There was no transfer of title necessary to a completed sale. Even though in a lump sum, the payment was for the purpose of using a literary property in the United States and was held taxable as a royalty paid in advance. As to (3), the income from sale of dramatic rights to "Scaramouche" was held to be payment for licensing, and therefore taxable as income.

The indivisibility doctrine was undoubtedly strengthened by this decision, as it was by the Board of Tax Appeals in the case of *Irving Berlin v. Commissioner*<sup>4</sup> and *Ehrlich v. Higgins*.<sup>5</sup> In the first case, the Board of Tax Appeals cited the *Sabatini* decision with approval and treated the contract in which Berlin agreed to write songs for a motion picture, the copyrights to be taken out in Berlin's name and certain rights to be reserved to Berlin, as a license and not a sale; the proceeds to be taxed as ordinary income for personal services. In the *Ehrlich* case, the proceeds from a contract for the use of certain material for a limited time for a motion picture, the family to retain all other rights in connection with the material, were also held to be ordinary income, since only "use" rights were transferred, which did not constitute a "sale."

In the case of *Goldsmith v. Commissioner of Internal Revenue*,<sup>6</sup> the indivisibility doctrine was upheld by Justice Chase and rejected by Justices Learned Hand and Swan. In this case, Goldsmith had reported as capital gains, resulting from the sale of capital assets, payments made to him by Paramount Pictures Corp. for the exclusive motion picture rights in a play he had written. The Commissioner, however, treated such payments as ordinary income, taxable at ordinary income rates. The Tax Court sustained the Commissioner on the ground that the transaction was not a sale, and that, even if it had been a sale, it was not the sale of a capital asset as that term is

<sup>3</sup> *Sabatini v. Commissioner of Internal Revenue and Commissioner of Internal Revenue v. Sabatini*, 98 F. 2d 753 (2d Cir. 1938).

<sup>4</sup> 42 BTA 668 (1940).

<sup>5</sup> 52 F. Supp. 805 (D.C.N.Y. 1943).

<sup>6</sup> 143 F. 2d 466 (2d Cir. 1944).

defined in section 117(a)(1) of the Revenue Act of 1938<sup>7</sup> since the property was used in trade or business and was subject to an allowance for depreciation. Under this section, proceeds from the sale of a depreciable asset, used in trade or business, were taxable as ordinary income. On appeal by Goldsmith, Judge Chase, in affirming the Tax Court, cited the copyright cases upholding the indivisibility doctrine,<sup>8</sup> as well as the *Sabatini* case, saying:

\* \* \* If he (assignee) gets only the rights of a licensee, the so-called assignment amounts only to a license \* \* \* And when that is so, the amount which the assignee pays for what he gets is for tax purposes to be treated as ordinary income to the recipient because it is in fact royalty income. *Unless the assignment conveys to the assignee the copyright, no sale of property is made.* [Emphasis supplied.]

It is, of course, not surprising, in view of his decision in *Photo Drama Motion Picture Co. Inc. v. Social Uplift Film Corp.*,<sup>9</sup> that Justice Learned Hand, while agreeing in the outcome, did not agree with Judge Chase's reasons. Judge Learned Hand, with the approval of Judge Swan, rejected the indivisibility theory, as follows:

\* \* \* Nor does it seem to me to be material that the exclusive license which the author granted to the Paramount Co. did not convey "title" to either [copyrighted or literary property], as I assume it did not. I do think that both were "property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business." Clifford Goldsmith was "in business" as a playwright. \* \* \* Although he had written only one play, he spent his time in exploiting it in various ways \* \* \*. This he did by licenses to producers of a stage play, by licenses to broadcasters and by licenses to moving picture producers, whose proceeds are here in suit \* \* \*. An exclusive license requires the author to protect the licensee against infringement, and is for most purposes treated as "property." I think it is "property" within Section 117(a)(1); that its grant is a "sale" and that the licensee is a "customer" in the ordinary course of business when the author is in business.

Section 117(a)(1) of the Internal Revenue Code of 1939 specifically excludes "property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business" from the definition of the term "capital assets."<sup>10</sup>

The case of *Rohmer v. Commissioner of Internal Revenue*<sup>11</sup> was another case decided upon the theory of indivisibility of copyright. In that case, a nonresident alien sold the American and Canadian serial rights in one of his stories, "Island of Fu Manchu," to Liberty magazine for \$10,000, retaining all other rights. The taxpayer contended that the proceeds were capital gains because payment was made in a lump sum and the magazine acquired in toto a specific part of the author's "bundle of rights"; thus, he contended, payment was

<sup>7</sup> Section 117(a)(1) of the Revenue Act of 1938 reads as follows:

"SECTION 117. CAPITAL GAINS AND LOSSES.

"(a) DEFINITIONS.—As used in this title—

"(1) CAPITAL ASSETS.—The term 'capital assets' means property held by the taxpayer (whether or not connected with his trade or business), but does not include stock in trade of the taxpayer or other property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year, or property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business, or property, used in the trade or business, of a character which is subject to the allowance for depreciation provided in Section 23(1); \* \* \*." (Section 23(1) defines, as one of the deductions from gross income, "DEPRECIATION.—A reasonable allowance for the exhaustion, wear and tear of property used in the trade or business, including a reasonable allowance for obsolescence \* \* \*")

<sup>8</sup> *Goldwyn Pictures Corp. v. Howells Sales Co.*, 282 Fed. 9 (2d Cir. 1922); *M. Witmark & Sons v. Pastime Amusement Co.*, 298 Fed. 470 (D.C.E.D.S. Car. May 1924), *aff'd*, 2 F. 2d 1020 (4 Cir. Dec. 1924).

<sup>9</sup> 220 Fed. 448 (2d Cir. 1915).

<sup>10</sup> See note 7 *supra*.

<sup>11</sup> 153 F. 2d 61 (2d Cir. 1946).

not a "royalty" under section 211(a)(1)(A),<sup>12</sup> but payment of the purchase price on a *sale* of personal property. If his contention were upheld, he would have to pay no taxes on the proceeds of the sale of these serial rights, since a 1936 amendment to the Internal Revenue Code excluded from taxation the proceeds of sales by non-resident aliens not engaged in trade or business in this country and not having an office or place of business here.<sup>13</sup>

Judge Frank, however, held that—

\* \* \* where a copyright owner transfers to any particular transferee substantially less than the entire "bundle of rights" conferred by the copyright, then payment therefor, whether in one sum or in several payments, constitutes royalties within the meaning of section 211(a)(1)(A). For such a transfer is the grant of a license \* \* \*

In referring to the opinion of Justices Learned Hand and Swan in the *Goldsmith* case, Judge Frank indicated that their decision was rendered on an interpretation of section 117 of the 1938 act,<sup>14</sup> which has a different history and purpose than section 211(a)(1)(A). Judge Frank remarked, in this connection that—

it is well to remember that the concepts employed in construing one section of a statute are not necessarily pertinent when construing another with a distinguishable background.

When P. G. Wodehouse, a nonresident alien author sold several of his stories in 1938 and 1941 to a magazine publisher, for a lump sum, under which the magazine was to obtain the copyright and reassign all but the serial rights to the author on demand, Wodehouse claimed the income did not fall within the purview of section 211(a)(1)(A) for the following reasons:

1. Because it was received in payment for personal property sold by him; and
2. Because the payments were not made in annual or periodical amounts as described in the statute but in a lump sum.

The Fourth Circuit repudiated the decision of the Second Circuit in the *Rohmer* case and agreed with Mr. Wodehouse on both counts, Judge Soper saying:

\* \* \* serial rights, book rights, dramatic production rights and motion picture rights of a literary production are property rights which may be and are separately and effectively bought and sold in the literary market \* \* \* the authorities cited in *Rohmer v. Commissioner* on the indivisibility of the copyright do not

<sup>12</sup> "SEC. 211. TAX ON NONRESIDENT ALIEN INDIVIDUALS.

"(a) NO UNITED STATES BUSINESS OR OFFICE.—

"(1) GENERAL RULE.—

"(A) IMPOSITION OF TAX.—There shall be levied, collected, paid for each taxable year, in lieu of the tax imposed by sections 11 and 12, upon the amount received, by every non-resident alien individual not engaged in trade or business within the United States and not having an office or place of business therein, from sources within the United States as interest (except interest on deposits with persons carrying on the banking business), dividends, rents, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable annual or periodical gains, profits, and income, a tax of 15 per centum of such amount \* \* \*." 53 Stat. 75, 54 Stat. 518. (Although this section does not specifically mention "royalties," "rentals or royalties for the use of \* \* \* copyrights" is included in Section 119, which defines the items of gross income that shall be treated as income from sources within the United States, and Treasury Regulations have interpreted Section 211(a)(1)(A) to include "rentals or royalties for the use of \* \* \* copyrights.")

<sup>13</sup> The 1936 amendment excluded the proceeds of sales, theretofore taxed, from the taxable incomes of nonresident aliens not engaged in trade or business in this country and not having office or place of business here. At the time of enacting that amendment, the Congressional Committee Reports stated that the purpose was to tax "gross income from interest, dividends, rents, wages, and salaries and other fixed and determinable income," but that, by the amendment, "the tax on capital gains of such aliens was to be excluded, it having been found impossible to effectively collect this latter tax \* \* \*."

<sup>14</sup> In the *Goldsmith* case, Justices Hand and Swan held that it was immaterial whether "title" passed; that the grant of an exclusive license was a "sale," but not of a "capital asset," as defined in Section 117(a)(1), because the license was "held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business." See note 7, *supra*, for the contents of Section 117(a)(1).

show that there is anything inherent in the nature of a copyright which renders impossible the separate sales of the several parts which comprise the whole.

\* \* \* In addition to and apart from the conclusion that the lump sum payments received by the author were exempt from taxation since they constituted the proceeds of the sales of personal property, we are satisfied that they do not come within the positive terms of the taxing statute, Section 211(a)(1)(A), because they do not answer to the description "annual or periodical gains." This seems immediately obvious since the payment of a single sum for a right or privilege can hardly be said to be annual or periodical \* \* \* It seems to us that this [excising from the act the words "annual or periodical"] amounts to an amendment of the Act which the court is powerless to make \* \* \*."

Judge Dobie dissented on the authority and reasoning of the *Rohmer* decision.

In view of the conflicting decisions in the Second and Fourth Circuits on almost parallel facts, the Supreme Court granted certiorari. Here was a chance to clear up the confusion surrounding the theory of indivisibility of copyrights. But, the question of divisibility or indivisibility of the copyright was not even mentioned in the majority opinion written by Justice Burton.<sup>15</sup> The majority reversed the Fourth Circuit and held that the income was subject to taxation by the United States. The decision was based largely on the historical development of the Internal Revenue Code, and great stress was placed on the fact that had the case been governed by the Revenue Act of 1934, the income would unquestionably have been taxable.

The receipts unquestionably would have been taxed to a nonresident alien individual if received by him under the Revenue Act of 1934. \* \* \* Throughout the history of our Federal income taxes since the 16th Amendment to our Constitution, the Revenue Acts have expressly subjected to taxation the income received by nonresident alien individuals from sources within the United States \* \* \*. The statutes and regulations<sup>16</sup> show that under the act of 1934 Congress sought to tax (and withhold all or part of the tax on) the income of a nonresident alien individual insofar as it was derived from payments for the use of or for the privilege of using copyrights in the United States. It also sought to tax (although it could not generally withhold the tax on) any gain which the taxpayer derived from the sale of personal property produced by him without the United States but sold within the United States. Accordingly, if the receipts now before us had been received by the respondent under the act of 1934, they would have been taxable whether they were treated as payments in the nature of royalties for the use of the copyright under section 119(a)<sup>17</sup> or were treated as payments of a sale's price for certain interests in copyrights under section 119(e).<sup>18</sup>

Justice Burton indicated that, in his opinion, the decisions of the Court of Appeals of the Second Circuit in the *Sabatini* case (in 1938) in relation to the Revenue Act of 1928 and in the *Rohmer* case (in 1946) in relation to the Internal Revenue Code, as amended in 1940, reflected the same point of view.

With regard to payments in a lump sum, the majority opinion had this to say:

\* \* \* The receipt of the respective amounts by the respondent in single lump sums as payment in full, in advance, for certain rights under the respective copyrights did not exempt those receipts from taxation. Once it has been determined that the receipts of the respondent would have been required to be included in

<sup>15</sup> Commissioner of Internal Revenue v. Wodehouse, 337 U.S. 369.

<sup>16</sup> Revenue Act of 1934, c. 277, 48 Stat. 680 *et seq.*, 26 U.S.C.A. Int. Rev. Acts, page 659 *et seq.*, Treasury Regulations 86, Article 143-2 (1934).

<sup>17</sup> "SECTION 119. INCOME FROM SOURCES WITHIN UNITED STATES.

"(a) GROSS INCOME FROM SOURCES IN UNITED STATES.—The following items of gross income shall be treated as income from sources within the United States: \* \* \*

(4) RENTALS AND ROYALTIES.—Rentals or royalties from property located in the United States or from any interest in such property, including rentals or royalties for the use of or for the privilege of using in the United States, patents, copyrights, secret processes and formulas, good will, trade-marks, trade brands, franchises, and other like property; \* \* \*"

<sup>18</sup> Section 119(e) regulates "income from sources partly within and partly without United States."

his gross income for Federal income tax purposes if they had been received in annual payments, or from time to time, during the life of the respective copyrights, it becomes equally clear that the receipt of those same sums by him in single lump sums as payments in full, in advance, for the same rights to be enjoyed throughout the entire life of the respective copyrights cannot, solely by reason of the consolidation of the payment into one sum, render it tax exempt. No Revenue Act can be interpreted to reach such a result in the absence of inescapably clear provisions to that effect. There are none such here \* \* \*.

In conclusion, Mr. Justice Burton pointed out that, under the construction of the Internal Revenue Code by the Fourth Circuit, resident authors would be discriminated against in favor of nonresident aliens, and "No such purpose to discriminate can be implied."

Mr. Justice Frankfurter (joined by Justices Murphy and Jackson) delivered an oft-referred-to dissenting opinion in this case. Although the majority opinion avoided any mention of divisibility or indivisibility, Justice Frankfurter scoffed at the claim of the Commissioner of Internal Revenue that—

a ruling of the Treasury and a supporting decision of the Court of Appeals for the Second Circuit have made taxability turn on the notion that a copyright is indivisible.

Referring to Justice Burton's majority opinion, he said:

By the plain implication of its silence regarding the basis of the Government's claim and of the decisions that have heretofore sustained it, this Court likewise rejects the notion of indivisibility while clinging to a conclusion hitherto entirely derived from it.

The dissenting opinion pointed out that the majority opinion was guided by the urgent need for revenue and that the doctrine of "long prior practice" invoked to support the fiscal considerations was based upon a "single pronouncement by the Treasury, constituting not the formulation of a fiscal policy but expressing a metaphysical view of copyright law not adopted by this Court." Mr. Frankfurter's reasoning, regarding the fiscal aspects of the case, were as follows:

\* \* \* By the Revenue Act of 1936, Congress changed the scheme of taxing nonresident aliens (49 Stat. 1914). \* \* \* as to those who are "not engaged in trade or business within the United States" the only type of proceeds to be taxed were those which were attributable to sources within the United States *but only if there were "fixed or determinable annual or periodical gains, profits, and income."* Such has remained the law and controls this case. [Emphasis supplied.]

In support of this theory, Justice Frankfurter made a detailed analysis of the various Revenue Acts and the regulations implementing the same, which it may be well to summarize:

1. The Commissioner of Internal Revenue, sustained by the Tax Court, determined a deficiency under Sec. 211(c)(1).<sup>19</sup> That section deals with gross incomes of more than \$24,000 received by nonresident aliens "not engaged in trade or business within the United States \* \* \* from sources specified in subsection (a)(1)."<sup>20</sup> That subsection provides for levy of tax on "the amount received from sources within the United States as \* \* \* other fixed or determinable annual or periodical gains, profits, and income."

<sup>19</sup> "SEC. 211. TAX ON NONRESIDENT INDIVIDUALS.

"(c) NO UNITED STATES BUSINESS OR OFFICE AND GROSS INCOME OF MORE THAN \$24,000.—A nonresident alien individual not engaged in trade or business within the United States and not having an office or place of business therein who has a gross income for any taxable year of more than \$24,000 from the sources specified in subsection (a)(1), shall be taxable without regard to the provisions of subsection (a)(1), except that—

"(1) The gross income shall include only income from the sources specified in subsection (a)(1) \* \* \*"

(53 Stat. 76, 54 Stat. 518.)

<sup>20</sup> See note 12 *supra*.

2. The Court draws on section 119(a)(4)<sup>21</sup> to support the tax. But proceeds within section 119(a) cannot be considered within section 211(a)(1)(A) unless the definition of section 211(a)(1)(A) is also satisfied; that is, unless the proceeds are "fixed or determinable annual or periodical income."

3. Until 1936, whatever was gross income from a source in the United States was taxed. By the Revenue Act of 1936, as to those who are not "engaged in trade or business within the United States," only proceeds which were attributable to sources within the United States were taxable, but only if they were "fixed or determinable annual or periodical gains, profits, and income."

To be taxable under section 211(a)(1)(A) the proceeds must be from sources within the United States, as set forth in section 119(a), but also of the nature defined in section 211(a)(1)(A). Since the reach of section 211(a)(1)(A) does not include the proceeds of a sale, receipts from a sale are not taxable even though such proceeds are from a source within the United States, and, as such, are listed in section 119(a).

The changes made in the method of taxing income of a nonresident alien "not engaged in trade or business within the United States" make the taxing provisions coterminous, not with section 119(a), but with section 143(b), the section providing for withholding taxes at the source. Section 143(b) emphasizes that proceeds within section 119(a) do not come within the scope of section 143(b) unless the additional qualification contained in section 143(b) is also met. Section 143(b) provides that the tax should be withheld on income which is fixed or determinable annual or periodical gains, profits, and income (but only to the extent that any of the above items constitute gross income from sources within the United States). Here, again, since the "income derived from the sale in the United States of property, whether real or personal," is not "fixed or determinable annual or periodical income," it is not included.

His conclusion was:

\* \* \* A lump-sum payment for an exclusive property right, transferable and transferred by the taxpayer, simply does not meet the qualification of being "fixed or determinable annual or periodical gains, profits, and income." Unless there is something inherent in the copyright law to prevent it, such a transaction is the familiar "sale of personal property." As the sale of a capital asset, it is not subject to the tax \* \* \*

Returning to the indivisibility theory, Justice Frankfurter commented:

\* \* \* In 1921, the Bureau ruled that receipts from the absolute transfer by a nonresident alien of the rights to serial publication in the United States of certain literary works were not derived from a source in the United States. The reason given was that the transaction did not constitute a license for use but a sale.

In 1933, the Bureau made a contrary ruling which expressly revoked the one made in 1921.<sup>23</sup> Plainly the Bureau was not interpreting tax law but copyright law, and the Bureau's determination, therefore, has little weight. The decision in the *Sabatini* case was based primarily on the doctrine of the indivisibility of a copyright. When that doctrine is rejected, it has been held to follow that the proceeds are not included [as taxable income].

<sup>21</sup> See note 17 *supra*.

<sup>22</sup> The reports of both the House and Senate stated specifically that a result of Section 211(a)(1)(A) is that "such a nonresident alien will not be subject to the tax on capital gains \* \* \*" S. Rept. No. 2156, 84th Cong., 2d Session, p. 21 (1936); H.R. Rep. No. 2475, 84th Cong., 2d Session, pp. 9-10 (1936). See also note 13 *supra*.

<sup>23</sup> The 1933 ruling followed the *Sabatini* case.

Thus we are brought to the question which the Treasury, the courts, and the parties here have regarded as determinative of this controversy: may serial rights under a copyright be sold in law as they constantly are sold in a literary market? The notion that the attributes of literary property are by nature indivisible and therefore incapable of being sold separately, is derived from a misapplication by lower courts of two early cases in this court.<sup>24</sup> These were concerned with the right of the transferee of less than all the rights conferred by a patent to sue an infringer. The inherent nature of the interests in intellectual property and their commercial negotiability were not involved. The Court determined the procedural problem before it so that the infringer would not "be harassed by a multiplicity of suits instead of one," and would not be subjected to "successive recoveries of damages by different persons holding different portions of the patent right in the same place." We find scant illumination of the intrinsic and legal nature of property rights in a copyright in the procedural analysis of these cases.

\* \* \* To treat the transfer of any one of the various rights conferred by the Copyright Law as a sale would accord not only with analysis of their essential character and the scheme of the copyright law, but with the way these rights are treated by authors and purveyors of products of the mind for whose protection the copyright law was designed because of the belief that the interests of society would be furthered. The various exclusive rights have different attributes and therefore different significance. For that reason they may be sold separately and form the basis for a new copyright.

In conclusion, on this point, Mr. Justice Frankfurter remarked:

\* \* \* Thus it would seem as a matter of legal doctrine that where a person transfers absolutely to another, under terms of payment which do not depend on future use by the transferee, a distinct right conferred by the copyright law granting the transferee a monopoly in all the territory to which the copyright law itself extends, legal doctrine should reflect business practice in recognizing that the proceeds are from "the sale of personal property," rather than amounts received as "fixed or determinable annual or periodical gains, profits and income."

As to Mr. Burton's opinion that an alien author should be taxed for the serial rights because such proceeds are taxable to an American author, Justice Frankfurter said:

\* \* \* By this mode of reasoning the Court ought to hold that since an American author is taxed when he sells all his rights, the proceeds derived by an alien author from the sale of all his rights in this country are also taxable for that is a much larger source of potential revenue. Yet Congress has chosen not to tax the alien author for such larger income than is received from the sale of serial rights, although the native author is so taxed. \* \* \* As the revenue laws now stand, it is non-taxable.<sup>25</sup>

There were several other *Wodehouse* cases which concerned themselves with a possible deduction in tax for proceeds which were apportionable to the Canadian serial rights and for the assignment of one-half interest to Mr. Wodehouse's spouse. These are not in point here and we need not discuss them.

There followed the case of *Fields v. Commissioner of Internal Revenue*,<sup>26</sup> in which the taxpayer appealed a decision of the Tax Court holding that receipts of the playwright, Fields, from the sale of motion-picture rights to copyrighted plays were taxable as current income rather than as capital gains. Circuit Judge Augustus N. Hand found that after the plays "My Sister Eileen" and "The Dough Girls," of which petitioner was coauthor, had appeared on Broadway, he and his coauthors sold the exclusive motion-picture rights in them to certain motion-picture corporations, the price to be paid over several years. The taxpayer treated the income received from this source in 1943 as a gain from the sale of a capital asset. The Commissioner and Tax Court both held it to be current income.

<sup>24</sup> *Gayler v. Wilder*, 10 Huv. 477 (1850); *Waterman v. Mackenzie*, 138 U.S. 252.

<sup>25</sup> See notes 13 and 22 *supra*.

<sup>26</sup> 189 F. 2d 950 (2d Cir. 1951).

In this case, both parties had agreed that the transaction giving rise to this income was a sale [emphasis supplied]; that the asset sold was depreciable and had been held for more than 6 months and that the rights sold did not constitute a capital asset within the meaning of section 117(a)(1) of the Internal Revenue Code, 26 U.S.C.A., sec. 117(a)(1).<sup>27</sup> However, section 117(j) of the Code treats certain sales defined in section 117(j)(1) as if they were sales of capital assets though not within the terms of section 117(a)(1), and taxpayer contended that this transaction qualifies for such treatment by meeting the requirements of section 117(j)(1), which follows:

SECTION 117.

(j) GAINS AND LOSSES FROM INVOLUNTARY CONVERSION AND FROM THE SALE OR EXCHANGE OF CERTAIN PROPERTY used IN THE TRADE OR BUSINESS. [Emphasis supplied.]

(1) DEFINITION OF PROPERTY USED IN THE TRADE OR BUSINESS.—For the purposes of this subsection, the term “property used in the trade or business” means property used in the trade or business of a character which is subject to the allowance for depreciation provided in section 23(1), held for more than 6 months, and real property used in the trade or business, held for more than 6 months, which is not (A) property of a kind which would properly be includible in the inventory of the taxpayer if on hand at the close of the taxable year, or (B) property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business. Such term also includes timber with respect to which subsection (k) (1) or (2) is applicable.

Taxpayer argued that he came under subsection (A), and that subclause (B) does not apply because the rights sold were not “property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business” and, even if they were, subclause (B) only applied to real property because the statute reads “property \* \* \* which is” \* \* \* and not “property \* \* \* or real property which is,” or “property \* \* \* and real property which are \* \* \*”

Justice Augustus Hand held that the contention that the motion-picture rights were not held primarily for sale in the ordinary course of trade or business is without merit, citing Judge Learned Hand’s opinion in *Goldsmith v. Commissioner* in which he said:

I do think that both [copyright and literary property] were “property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business.”

Judge Augustus Hand felt that—

property held for use as distinguished from property held for sale would comprehend such items as writing tools, novels, or ideas acquired by the writer for dramatization, etc., rather than the finished, copyrighted product involved in this appeal.

As to subclause (B), the question apparently had never been authoritatively decided, but “cases have held that where the intent of Congress seems clear but is frustrated by the use of the singular in the statutory wording, the statute is permitted to be read in the plural,”<sup>28</sup> and Judge Augustus Hand therefore held that subclause (B) modifies “property” as well as “real property” and that the income was not the result of a sale of a capital asset.

It is noteworthy that both parties accepted the fact that the transfer was a sale. Thus, the question of divisibility or indivisibility of a copyright was not in issue.

<sup>27</sup> See note 7 *supra*.

<sup>28</sup> *United States v. American Trucking Ass'n*, 310 U.S. 534.

The next important case, taxwise, is that of *Herwig v. United States*,<sup>29</sup> brought by Kathleen Winsor (Herwig) for a refund of Federal income taxes paid on the income in 1945 from the sale of motion-picture rights to her book entitled "Forever Amber." The court found that Kathleen Winsor completed in 1943 the novel originally entitled "Wings of the Morning" and later entitled "Forever Amber." On March 2, 1944, she entered into a contract with the Macmillan Co. for the publication of her book, reserving to herself the motion-picture and certain other specified rights to the literary work.

On January 8, 1945, Miss Winsor entered into a contract with 20th Century-Fox Film Corp., in which she, as owner, did "grant, convey, and assign" the exclusive motion-picture rights in and to her literary property for a sum which netted her \$165,000 after deduction of commissions.

The principal issue before the court was whether her profit was taxable as long-term capital gain, as she contended. That in turn depended upon whether the transaction constituted a sale of capital assets held for over 6 months. It was not disputed that the property was held for more than 6 months.

However, in order to ascertain whether the motion-picture rights were a capital asset, the court felt it was necessary first to determine whether the transaction between Miss Winsor and the 20th Century-Fox Film Corp., disposing of such rights in "Forever Amber" constituted a "license" or a "sale." In the event the transaction be regarded as a sale, it must then be decided whether the property transferred was held primarily by Miss Winsor for sale to customers in the ordinary course of her trade or business, since section 117(a)(1) of the Internal Revenue Code of 1946<sup>30</sup> excludes from the definition of the term "capital assets"—"property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business."

As to whether the transaction constituted a sale or license, the Commissioner of Internal Revenue relied upon the indivisibility of a copyright. Under this theory, of course, the transfer of the motion-picture rights would be regarded merely as a "license," subject to ordinary income tax, as paid. The court, however, pointed to *Goldsmith v. Commissioner of Internal Revenue* which "unanimously held in result but not in theory that an author's assignment of motion-picture rights constituted a sale," and also pointed to Judge Learned Hand's concurring opinion which rejected the theory of indivisibility of a copyright.

The court also referred to the case of *Wodehouse v. Commissioner of Internal Revenue* (166 F. 2d 986) where Judge Soper of the Fourth Circuit rejected the indivisibility theory. It is true that this decision was reversed in *Commissioner v. Wodehouse*, 337 U.S. 369, but upon the proper interpretation of section 211(a) of the Revenue Act of 1938, rather than the divisibility of the author's rights. Needless to say, the court also referred to Justice Frankfurter's claim that such a transaction is a familiar "sale of personal property" and that "surely

<sup>29</sup> 105 F. Supp. 384 (U.S. Ct. of Claims 1952).

<sup>30</sup> See note 7 *supra*.

it is a sale of a capital asset." The court concluded on this point that—

it is not only logical but also practical and just to consider the exclusive and perpetual grant of any one of the "bundle of rights" which go to make up a copyright as a "sale" of personal property rather than a mere license, \* \* \* and lest there be any concern with a multiplicity of suits which might result from such a split up of the "bundle of rights" in violation of the theory of indivisibility, we observe that the modern rules of practice and procedure and the interests of the parties concerned would undoubtedly insure a final and conclusive judgment in each case involving the "naked, legal title" and the "equitable interests" as they might appear.<sup>31</sup>

After finding that a sale had taken place, the court held that Miss Winsor did not hold her motion-picture rights "primarily for sale to customers in the ordinary course of business"; that she did not continue the exploitation of her book after she disposed of the motion-picture rights, and that she had written the book, in the first place, as a result of her great interest in the English Restoration period of history and not for the sole purpose of having it published. Not having been held for sale in the ordinary course of Miss Winsor's business, the court found that it was the sale of a capital asset, and thus taxable at capital-gains rates.

As a result of the *Herwig* case, Revenue Ruling 54-409, 1954, 39 IRB 10, was issued. This ruling revoked the Treasury's ruling, I.T. 2735, which had held that a copyright is not divisible and that a grant of less than all the rights conferred by a copyright was a license, the income from which was taxable at ordinary-income rates. The new ruling pointed to the *Herwig* and *Wodehouse* cases and decided they were not incompatible with the copyright concepts drawn from the *Waterman v. Mackenzie* case which held a copyright to be indivisible for purely procedural purposes. Holding that "a copyright proprietor's grant of the exclusive right to exploit a copyrighted work in a particular medium effects a transfer of property, and that a grant of less confers only a license on the grantee," the Treasury Department continued that this "does not necessarily mean that the consideration received for the grant is in the nature of proceeds from a sale." It was therefore held that—

when the proprietor of a copyright grants the exclusive right to exploit the copyrighted work throughout the life of the copyright in a medium of publication or expression which is not measured by a percentage of receipts from the sale, performance, exhibition, or publication of the copyrighted work, is not measured by the number of copies sold, performances given, or exhibitions made of the copyrighted work, and is not payable periodically over a period generally coterminous with the grantee's use of the copyrighted work, the consideration is to be treated as the proceeds of a sale of property and not as rentals or royalties.

The ruling went on as follows:

Whether a copyright is a capital asset within the meaning of section 117 of the Internal Revenue Code of 1939 and when the provisions of section 107(b) of the code with respect to copyrights would apply are separate and distinct questions. The taxability of the income of a nonresident alien derived from a copyrighted work is also distinct from the question dealt with here. *Commissioner v. Pelham G. Wodehouse, supra*. To the extent that I.T. 2735, *supra*, holds copyrights to be indivisible, it is modified. This modification does not affect O.D. 988, C.B. 5,

<sup>31</sup> In *Parke, Davis & Co.*, 31 B.T.A. 427, the Board of Tax Appeals pointed out that a right to maintain a suit at law is controlled by the question of the possession of the "naked, legal title," and deemed the question to be "entirely different" from the tax problem presented, saying that the "legal title" is of little consequence, and the inquiry is as to the ownership of the beneficial interest.

117 (1921) and I.T. 1231, C.B. I-1, 206 (1922) which were revoked and modified, respectively, by I.T. 2735.

In 1955, the Tax Court held, in the case of *Cory et al. v. Commissioner of Internal Revenue*,<sup>32</sup> that essential elements of a sale were lacking in a transfer of publishing rights. The 1944 proceeds of the transaction were therefore held to be taxable at ordinary-income rates, as the proceeds of a license.

This case arose in 1942 when George Santayana turned over his manuscripts for three separate works to Daniel M. Cory, feeling partly responsible for having kept him from gainful employment during the best years of his life, while Cory was studying with Santayana and acting as his secretary. Through Santayana's efforts, Cory contracted with Charles Scribner's Sons for the publication of one of the manuscripts, "Persons and Places," Scribner's agreeing to pay Cory 10 percent of their trade-list retail price for the first 5,000 copies and 15 percent for all copies sold thereafter, with profits divided equally between them from sale in other than book form.

Cory claimed that the manuscript was given to him as a gift and that the income in 1944 from Scribner's was part of the gift from Santayana and was not taxable income to him. In the alternative, the transaction with Scribner's was a sale and the gain was capital gain. Judge Turner's opinion was in the form of an exhaustive summary of precedent, which covers the subject so completely that it may be worthwhile to report it fully here.

In the first place, Judge Turner held that—

\* \* \* prior to November 10, 1942, petitioner, by gift from Santayana, had become the owner of "Persons and Places" [cit. om.]. It accordingly follows that the income received or realized from or on that work in the taxable year was that of the petitioner.

Our next question is whether the income herein was capital gain or ordinary income. For Federal income tax purposes, capital gain is as prescribed by Congress and results from the sale or exchange of a capital asset, and as defined by section 117(a) of the Code, the term "capital assets" means "property held by the taxpayer \* \* \* but does not include \* \* \* property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business."

Petitioner, by gift from Santayana, had become the owner of the literary work, "Persons and Places," and it was his purpose to exploit that property for profit. He was not in the publishing business and did not have the means for having the work published for his own account. The work was subject to copyright, however, and he could sell it, along with his rights under the copyright, for the best price obtainable, or grant a license thereon for such royalties as might accrue.

The law pertaining to copyrights \* \* \* secures to the owner of a copyright certain exclusive rights \* \* \* which are set out in detail in section 1 of [Title 17 of the United States Code].

It is, of course, commonplace that the owner of a copyrighted property may grant a license to use or exercise some or all of the rights in and to such property, or he may make a full and complete disposition or sale of the property and his rights with respect thereto. Over the years, numerous cases have been before the various courts wherein the applicability of certain sections of the internal revenue law have turned, in whole or in part, on the question whether the grant of a right or rights in and to a copyrighted work was or was not a sale of the property covered in the transaction. \* \* \* In none of the cases prior to *Goldsmith v. Commissioner, supra*, and more particularly Judge Hand's concurring opinion therein (except as to that part of the decision of this Court in *Rafael Sabatini*, which covered the grant of motion picture rights for a lump sum), have we been able to find any pronouncement or holding that the grant of rights in and to a copyrighted work, even though exclusive, was a sale, where the grant made covered less than all of the owner's rights in and to the said work. Subsequent to

<sup>32</sup> 23 T.C. 775 (U.S. Tax Ct. 1955).

the *Goldsmith* case, however, the Court of Appeals for the Fourth Circuit, the Court of Claims, and this Court have in certain cases adopted the views expressed in Judge Hand's opinion. The present position of the Court of Appeals for the Second Circuit, as will appear hereafter, is not to us so clear.

In *Joseph A. Fields, supra*, and *Herwig v. United States, supra*, there were grants for lump-sum considerations of exclusive motion picture rights, in the one case to two plays and in the other to a novel. In neither case did the grantor have any further claim against the grantee, or any retained interest in or against the rights so granted, or in the proceeds or profits from the exploitation of the copyrighted work under the said rights, and it was held in both cases that the transaction was a sale. In the opinions, it was noted that, even though legal title remained in the grantor, it was a naked title and could be exercised for the benefit of the transferee only. The *Fields* case was affirmed by the Court of Appeals for the Second Circuit, \* \* \* but, at the outset, the court observed that "both parties are now agreed that the transaction giving rise to this income was a sale" and devoted its opinion to the consideration of the question whether the property or property rights conveyed had been held by the grantor primarily for sale to customers in the course of his trade or business. Previously, in *Sabatini v. Commissioner, supra*, the same court had reversed the holding of this Court, to the effect that a grant by Sabatini of exclusive worldwide motion picture rights to certain of his literary works for a lump-sum consideration was a sale, and held that the grant was a license, not a sale. On another issue, it had affirmed the holding that a grant of exclusive publishing rights for the United States to certain of Sabatini's works, with a retained right, such as we have in the instant case, to share in the proceeds from the sale of the published works, was a license, and not a sale. It is to be noted that in the opinion in the *Goldsmith* case, written by Judge Chase, the prior opinion of the court in *Sabatini* was cited as an authority, whereas in the concurring opinion of Judge Hand the *Sabatini* case was overlooked or ignored, and in the subsequent opinion of the court in the *Fields* case there was no indication of any thought or intention of modifying or overruling its pronouncements or holdings.

In *Pelham G. Wodehouse, supra*, this Court citing *Sax Rohmer, supra*, which had followed the holding of the Court of Appeals in the *Sabatini* case, was of the view that a grant by the author of the exclusive right to publish certain of his stories serially in America for a lump-sum consideration was a license, not a sale. The Court of Appeals for the Fourth Circuit, at 166 F. 2d 986, reversed that decision and held that the transaction was a sale. The decision of the Court of Appeals was in turn reversed by the Supreme Court, at 337 U.S. 369. \* \* \* The question as decided in the Supreme Court was whether or not the lump-sum payment constituted "fixed or determinable annual or periodical gains, profits and income" from sources within the United States, within the meaning of section 211 of the Internal Revenue Code of 1939. The Court pointed out that under the 1934 Act and the regulations promulgated pursuant thereto royalties had been construed as being such income. It was of the opinion that Congress intended, in section 211, which was enacted in the Revenue Act of 1936, to continue royalties as such income, and held that the lump-sum payments were taxable under that section. In deciding that question, however, it pointed out that if the transaction giving rise to the "royalties" had been a sale, the decision would, under the statute, have been to the contrary, and in the course of its opinion, it cited the opinion of the Court of Appeals for the Second Circuit in the *Sabatini* case with apparent approval.

\* \* \* \* \*  
 In the instant case \* \* \* the contract did not and was not intended to cover all of petitioner's publishing rights even for the United States and Canada, in that it was intended and understood that the serial publishing rights were not exclusively granted. \* \* \*

Exclusive of serial rights, however, we still do not think there was a complete or outright disposition by petitioner to Scribner's of his entire remaining interest or interests in the United States and Canadian publishing rights, but rather that the grant was of the right to use or exercise those rights in the United States and Canada for the purpose of exploiting the literary work "Persons and Places" for profit on behalf of both Scribner's and petitioner. \* \* \* And even though the publishing rights which were granted were exclusive, the interest of petitioner therein continued to be one of substance and not merely a naked title as in the *Fields* and *Herwig* cases. \* \* \* On the facts here, an infringement would adversely affect not the profits of Scribner's alone, but those of petitioner as well, and the

fact that an infringement proceeding might be in the name of petitioner or Scribner's would not actually be of any moment.

In our opinion, essential elements of a sale were lacking, and we conclude and hold that the transaction between petitioner and Scribner's for the publication of "Persons and Places" was a license not a sale. [The proceeds were therefore taxable as ordinary income.]

Judge Turner's decision was affirmed on appeal (230 F. 2d 941, 2d Cir. 1956, *cert. denied* 1956, 352 U.S. 828), Judge Frank holding:

\* \* \* If we adopt the reasoning of Judge Hand [in the *Goldsmith* case holding that the transfer of part of the bundle (making up the copyright) for a definite sum, yielded a sale] and Mr. Justice Frankfurter [in the *Wodehouse* case where he maintained that the crucial test of sale was not whether the transfer included the entire bundle of rights but whether there had been a transfer "absolutely" of a "distinct right \* \* \* conferred by the Copyright Law" under "terms of payment which do not depend on the future use by the transferee"] it follows that the mere fact that Cory transferred less than his entire bundle of rights does not automatically brand this transaction as but a license.

However, it does not necessarily follow that, therefore, the transaction was a sale. For here the transaction lacked an element implicitly considered in Judge Hand's opinion in *Goldsmith*, *supra*, and explicitly stressed by Mr. Justice Frankfurter in *Wodehouse*: At the time of the transfer, the amount of payments to the transferor remained indeterminate, dependent wholly on the sales of the book by the transferee.

We do not now decide that a transfer by a citizen of but a part of the bundle for a definite sum, or a transfer of the whole for an indeterminate sum is a sale for purposes of Section 117. We do hold that when, as here, the transfer is both (1) a transfer of a part of the cluster of rights and (2) for an amount wholly indeterminate at the time of the transfer, no such sale occurs.

It should be noted that in the *Cory* case, the doctrine of divisibility embodied in the present Treasury ruling would not have affected the result. Cory was denied capital-gains treatment on other grounds, namely, that he had not transferred all publishing rights, and that the consideration payable to him for the transfer was an indeterminate amount (i.e., was on a royalty rather than a sale basis).

Even assuming that a transfer of less than a whole is considered a "sale" for tax purposes, the author is faced with other problems. If the asset is held primarily for sale to customers in the ordinary course of trade or business, as in the *Goldsmith* case, the transfer is not taxable at capital-gains rates under section 117(a)(1)(A). As we have seen, Mr. Fields attempted to get around this view, by claiming that the movie rights which he sold were not "property held for sale to customers in the ordinary course of trade or business," but property "used" in his trade or business so that he qualified for capital-gains treatment under section 117(j), referred to above. But Judge Augustus Hand held that property held for use would be writing tools, novels or ideas, and that the finished product is property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business (when the author is a playwright). Thus, even though the indivisibility theory may not be a bar to holding the transfer of part of the rights as a "sale," instead of a license, professional authors were not able to treat income from such a "sale" as capital gains, because of the "ordinary trade or business" rule. It would seem, however, that nonprofessional authors were not faced by this bar of section 117(a)(1)(A). Indeed, in the *Herwig* case, after the court found that the transfer of motion picture rights to "Forever Amber," was a "sale," and not a "license," it went on to the further question whether the sale was in the "ordinary course" of Miss Winsor's business, and found, in effect, that she was an amateur and

therefore not liable under section 117(a)(1)(A). So, too, when General (now President) Eisenhower was ready to publish his wartime memoirs, "Crusade in Europe," he accepted an offer from a newspaper syndicate to sell the book, film and magazine rights to his memoirs "in one whole package." Thus, the transfer could be considered a "sale," subject to the capital-gains treatment under section 117(a)(1), since the exception in subsection (A) [that of "property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business"] did not apply. The creators of the "Amos and Andy" show were also benefited by their nonprofessional standing as writers. When they sold to the Columbia Broadcasting System their entire interest in the names, characters, copyrights, scripts, et cetera, the Treasury Department agreed that the proceeds deserved the "capital gains" treatment; but not so with the sale of the "Jack Benny Program," which would have been worthless without Jack Benny's presence in the show, and thus, presumably qualified as property held in the "ordinary course of his business."

After it had become apparent that President Eisenhower had obtained a purported \$275,000 tax saving by bringing the sale of his memoirs under the capital gains rates,<sup>32a</sup> the law was changed by the addition of subdivision (C) to 117(a)(1), adding the following exception to the definition of "capital assets":

(C) a copyright; a literary, musical, or artistic composition; or similar property; held by—

- (i) a taxpayer, whose personal efforts created such property, or
- (ii) a taxpayer in whose hands the basis of such property is determined, for the purpose of determining gain from a sale or exchange, in whole or in part by reference to the basis of such property in the hands of the person whose personal efforts created such property;

It is interesting to note Senate Report No. 2375, which accompanied H.R. 8920, 81st Congressional, 2d session (1950), the so-called "Eisenhower amendment," part of which is as follows:

**COPYRIGHT, LITERARY, MUSICAL OR ARTISTIC COMPOSITIONS AND SIMILAR PROPERTY**

Section 209(a) of the House bill would amend Section 117(a)(1) of the code by revising the definition of "capital assets" so as specifically to exclude therefrom patents, copyrights, inventions, designs, literary, musical or artistic compositions and similar property, in the hands of either (1) the person whose personal efforts created such property or (2) a person deriving a basis for the property for the purpose of determining gain, from the person who created it.

Your committee has limited the scope of this amendment (redesignated as sec. 211(a) of the bill) to copyrights, literary, musical or artistic compositions, and similar property, and has eliminated the proposed change in the treatment of such property as inventions, patents and designs. Under the committee amendment, a person who writes a book or creates some other sort of artistic work will be taxed at ordinary income rates, rather than at capital-gain rates, upon gain from the sale of the work regardless of whether it is his first production in the field or not. The amendment made by section 211(a) will also exclude from the capital asset category any property similar to that specifically named; for example, a radio program which has been created by the personal efforts of the taxpayer. \* \* \*

The provisions of subparagraph (C) apply not only to copyrights and similar property in the hands of the taxpayer whose personal efforts created the property but also to such property held by a person in whose hands the basis of the property is determined (for the purpose of determining gain on a sale or exchange) in whole or in part by reference to the basis of such property in the hands of the person whose personal efforts created the property. Thus a sale of such property

<sup>32a</sup> See article in *New York Times*, January 2, 1948, p. 29.

by one who received it by gift from the creator of the property would be taxed as ordinary income. \* \* \*

Although authors or donees of authors cannot get capital-gains tax treatment for income from the sale of a copyright property or one of the rights in that property, even if it is not held in the ordinary course of their trade or business, it would seem that there are two classes of people who can still get such favorable treatment in spite of the 1950 revision: deceased authors' estates and nonprofessional purchasers of literary properties on the open market—always provided of course that such purchaser, devisee, heir, and so forth, meets the requirements of the *Sabatini*, *Wodehouse*, *Herwig*, and so forth, cases and the Government rulings in relation thereto, which would make the transfer a sale rather than a license.

This, by the way, can work to the detriment, as well as the benefit of these favored classes. Take, for instance, the case of Jimmy Fidler, the radio commentator and columnist. When he bought literary properties for \$5,000, expecting to sell them at a profit, and instead sold them for \$250, the Court held that these properties were not held "primarily for sale to customers in the ordinary course of his trade or business," and that therefore Mr. Fidler could not deduct the loss at the higher income tax rate, but at the lower rate applicable to the sale of a capital asset.

On the other hand, there is the *Fred MacMurray* case (21 T.C. 15-1953), in which the Tax Court held that a motion picture actor who purchased a story for sale to a corporation which, it was expected, would produce a motion picture based on the story and starring the actor, was not engaged in the business of purchasing and selling stories for profit. Since his cost basis for the story was different from that of its original creator, the story qualified as a capital asset and any gain resulting from its sale was capital gain.

After the 1950 amendment, Miss Winsor, Amos 'n Andy, and President Eisenhower would not have fared as well as they did, tax-wise, before the 1950 amendment. Thus, we can see that it now makes very little difference, if a copyright or one of the rights inherent in a copyright is sold by the author or a donee of the author, whether a "sale" or "license" has been effected. Even if it is a "sale," it is excluded from the definition of "capital asset" (permitting a capital-gains tax rate) by section 1221 of the 1954 Code (previously sec. 117(a)(1)(C)). It should be borne in mind, of course, that even the two favored recipients under this amendment, i.e., the estate of a deceased author and a purchaser for value, would not benefit from the capital-gains treatment if the consideration for the transfer is measured by a percentage of receipts from the sale, performance, exhibition or publication of the copyrighted work, is measured by the number of copies sold or performances given, or is paid for over a period generally coterminous with the grantee's use of the work.<sup>33</sup> Thus, no matter how the copyright law pertaining to assignments and licenses is interpreted, authors and donees of authors would not be affected taxwise. Nor can it be seen how a revision of the copyright law, specifically holding a copyright to be divisible would affect the estate of a deceased author or a purchaser for value.

<sup>33</sup> Revenue Ruling 54-409, 1954, 39 IRB 10.

## CONCLUSION

1. If the copyright or one of the rights inherent in a copyright is transferred by the creator or by a person (or firm) having received the copyright as a gift from the creator (i.e., someone having the same cost basis as the creator), divisibility or indivisibility of copyright apparently makes no difference for capital gains versus ordinary income tax purposes. The proceeds of a transfer of the copyright in toto, or of one of the rights inherent in the copyright (whether it is judged to be an outright sale, an exclusive license or a license to use) is taxable as ordinary income. This is true with respect to professional authors because section 1221 of the Internal Revenue Code (formerly sec. 117(a)(1)(A) of the Revenue Act) specifically excludes from the definition of the term "capital asset"—"property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business." It is now also true with respect to amateur authors, as well as professional authors, and their donees, because of the so-called Eisenhower amendment, which specifically excludes a copyright from the definition "capital asset" when it is held by "a taxpayer whose personal efforts created such property, or a taxpayer in whose hands the basis of such property is determined, for the purpose of determining gain from a sale or exchange, in whole or in part by reference to the basis of such property in the hands of the person whose personal efforts created such property."<sup>34</sup>

2. If the copyright is transferred by someone having a different cost basis than the creator (for instance, the deceased author's estate<sup>35</sup> or a purchaser in the open market), the legal tenets of the *Goldsmith*, *Wodehouse*, and *Herwig* cases and the Treasury rulings based on those cases would control. Thus, if the transfer is a nonexclusive license (which would not be a sale even under the theory of divisibility), the income would be taxable at ordinary income rates. If the entire copyright is transferred (which would be a sale even under the theory of indivisibility), the transaction would undoubtedly be held to be the sale of a capital asset, taxable at capital gains rates (unless held by the new holder in the ordinary course of its business). If the transfer is of less than the entire copyright, the copyright is treated as divisible and the tax status of the transferor's income depends upon other factors under the Treasury ruling 54-409, 1954, 39 IRB 10, which provides that the proceeds from "a grant of the exclusive right to exploit a copyrighted work throughout the life of the copyright in a medium of publication or expression" is taxable as a capital gain if the consideration—

- (1) is not measured by a percentage of receipts from the sale, performance, exhibition, or publication of the copyrighted work;
- (2) is not measured by the number of copies sold, performances given, or exhibitions made of the copyrighted work; and
- (3) is not payable periodically over a period generally coterminous with the grantee's use of the copyrighted work.

<sup>34</sup> There is some relief available to the author or the donee of the author, if he wishes to take it. Under Section 1302 of the Internal Revenue Code (formerly Section 107b), if it took the author 24 months or more from beginning to completion; and if the compensation received in one tax year is at least 80 percent of the total amounts received for the work, the author is permitted to spread the income received on that particular work over a period of two, or a maximum of three, years. In computing the 80 percent, the author-taxpayer must take into consideration not only all the years preceding the year in which the 80 percent is received, but also the succeeding year.

<sup>35</sup> After the author's death, his literary property acquires a different cost basis from his own. See Harriet Pilpel's article—"Tax Aspects of Copyright Property" in "1953 Copyright Problems Analyzed."

Thus, the present Treasury ruling adopts the theory that copyrights are divisible for the purpose of treating income therefrom as capital gains or ordinary income. However, the court decisions have not been consistent in applying the theory of the divisibility of copyrights for tax purposes. The trend of the more recent cases, on which the present Treasury ruling is based, is to accept the theory of divisibility. But if the courts were to revert to the theory of indivisibility reflected in earlier decisions, the Treasury ruling would presumably be changed accordingly.

## SUPPLEMENT 2

### DIVISIBILITY IN THE LAWS OF FOREIGN COUNTRIES

(By Arpad Bogsch)

#### INTRODUCTION

(A) The law of copyright is a field of law in which differences between the systems of the United States and of most foreign countries are quite fundamental. As will be seen, this is particularly true in respect to the problem of "divisibility". Consequently, the examination of foreign laws, in terms of our own particular legal system (as well as in terms of the English language) necessarily entails a considerable amount of interpretation. Since all interpretation involves imperfections, some imperfections may be present in the following analysis.

(B) There are several laws which consider partial assignment as a problem having three facets: divisibility in time, place, and rights. For example, the United Kingdom Copyright Act, 1956, provides that—

An assignment of copyright may be limited in any of the following ways, or in any combination of two or more of those ways, that is to say—(a) so as to apply to one or more, but not all, of the *classes of acts* which by virtue of this Act the owner of the copyright has the exclusive right to do \* \* \* (b) so as to apply to any one or more, but not all, of the *countries* \* \* \* (c) so as to apply to part, but not the whole, of the *period* for which the copyright is to subsist \* \* \*<sup>1</sup>

The present paper deals only with assignments that are partial as to rights; and not with assignments that are partial as to time or territory.

(C) The present paper deals with the law of foreign countries on the following problems arising in connection with "divisibility": I. Assignability of Copyright, II. Partial Assignment, III. Recordation of Assignments, IV. Effect of Assignment on Copyright Notice, V. Capacity to Sue.

#### I. ASSIGNABILITY OF COPYRIGHT

(A) The entire copyright in a work, i.e., the sum total of all rights in a work, which in many foreign countries includes the *droit moral* ("moral rights"), is not assignable according to the law of several foreign countries. A trend in this direction may be detected in continental Europe in more recent times: copyright *in toto* is not assigna-

<sup>1</sup> § 36(2). Here, and in all other quotations in this chapter, the emphasis is added.

ble—only the rights of economic exploitation are.<sup>2</sup> Even these may be subject to certain exceptions, for example, rights concerning a form of exploitation not known at the time of the assignment may be declared nonassignable.<sup>3</sup> The *droit moral* is frequently declared to be nonassignable.<sup>4</sup>

(B) The explanation of this tendency should probably be sought in the difference between the Anglo-Saxon philosophy of "copyright" and the continental European philosophy of "*droit d'auteur*" ("rights of the author"); whereas the former is more attached to the work and is primarily concerned with property rights, the latter is so strongly attached to the personality of the author that a complete severance of the rights in a work from the person of the author is generally not conceivable.

## II. PARTIAL ASSIGNMENT<sup>5</sup>

(A) With the possible exception of the Philippines,<sup>6</sup> no foreign law has been found according to which assignment would be possible only if it relates to all the rights comprising copyright. In other words, the principle of indivisibility of copyright ownership seems to be unknown abroad.

(B) A considerable number of foreign copyright laws admit partial assignment, either expressly or by implication.

In the countries following the British system, partial assignment is expressly provided for in the law. Thus, for example, in the laws of

<sup>2</sup> AUSTRIA: Except by inheritance (Law No. III of 1936, § 23, par. 1) and by devolution upon a co-author (par. 2), "copyright is non-transferable" ("*das Urheberrecht [ist] unübertragbar*", par. 3). Waiver of the "paternity right" is void (§ 19, par. 2).

ITALY: "Only the rights of utilization \* \* \* may be alienated or transferred" (Copyright Law of 1941, Art. 107); the moral rights are "inalienable" (Art. 22).

TURKEY: Only "the exercise of property rights may be transferred" (Copyright Law of 1951, Art. 48); "contractual waiver of the [moral] rights shall be void" (Art. 14).

FEDERAL REPUBLIC OF GERMANY: The *Referentenentwurf* of 1954 provides that "Copyright is transferable in compliance with a disposition *mortis causa* or on co-heirs in connection with the division of the inheritance. Otherwise it is not transferable" (§ 21). The exposé states "The Draft is based on the principle that copyright, whether in its totality or in its parts (e.g., the right of exploitation), is not transferable \* \* \* [However, the authors may grant rights of use] \* \* \*". But, the granting of a right of use is not equivalent with the alienation of a part of the copyright but merely with the granting of a license as known in the field of patent law. Alienation of the right would deprive the author in perpetuity of the alienated part of copyright; this would be in opposition to the essence of copyright" (p. 169).

Cf. also COLOMBIA: "Authors or their successors in title may alienate their copyright in whole or in part" (Law No. 86 of 1946; Art. 48). "Authors who transfer the full exercise of their copyright concede only the rights of exploitation and reproduction. They therefore retain an inalienable right of control over the work [in respect to moral rights] \* \* \*" (Art. 49).

PORTUGAL: "Assignment of copyright in a work includes all rights other than those inherent in authorship, those purely personal to the author, and those excepted by this Law" (Decree No. 13725 of 1927, Art. 97).

<sup>3</sup> FEDERAL REPUBLIC OF GERMANY: According to the *Referentenentwurf*, only those rights of use may be transferred (or rather, "granted": *eingewährt*), which are "known at the time of the grant" (§ 24).

Cf. a limitation of another kind (a limitation in time) in the YUGOSLAV Copyright Law of 1951: "The copyright in the whole work or its individual parts may be transferred, in whole or in part \* \* \* for a period of time not longer than ten years" (§ 7).

<sup>4</sup> AUSTRIA, COLOMBIA, ITALY, PORTUGAL, TURKEY: see note 1, *supra*. CANADA: "Independently of the author's copyright, and even after the assignment, either wholly or partially, of the said copyright, the author shall have the right to claim authorship of the work, as well as the right to restrain any distortion, imitation or other modification of the said work which would be prejudicial to his honor or reputation (Copyright Act, R.S., c. 55, § 12, par. 7).

<sup>5</sup> An interesting question, but not examined here, is the question of the limits of divisibility. Generally, it is believed that where copyright is divisible, it is divisible in as many parts as there are different rights. For example, the right of public performance, the right of cinematographic adaptation, the right of graphic reproduction, the right of sound recording, would be different rights capable of separate assignments. In practice, however, the limits are not so clear out. Are reproduction in book form and as a serial two rights or contractually circumscribed aspects of one right (the right of reproduction)? Is copyright divisible *ad infinitum*? Where is the point where one ceases to assign a distinct right and merely puts contractual limitation on a right?

<sup>6</sup> The Philippines Copyright Law of 1924 mentions "assignment or conveyance of copyright" (§ 26) and nowhere speaks about partial assignment. Although it does not expressly provide that only assignment of all the rights is possible, its silence on partial assignments (and its general similarity to the United States law) may mean that copyright is regarded as indivisible.

the United Kingdom, Canada, Australia, India, the Union of South Africa, etc., there are detailed rules regulating partial assignment.<sup>7</sup>

Partial assignment is also possible under the older laws of continental Europe, for example under those of Germany, Switzerland and Sweden.<sup>8</sup>

The same is characteristic of some Latin American laws such as those of Argentina and Mexico.<sup>9</sup>

Partial assignment is expressly admitted also by Japan and the U.S.S.R.<sup>10</sup>

(C) In countries where the entire copyright is generally nonassignable but where rights of use are assignable or grantable, differentiation between various rights of use is characteristic, and one or more rights of use may be assigned or granted without the others. For the purposes of the problem under consideration, this leads in practice to the same result as if copyright were declared to be partially assignable. So, for example, in Austria and Italy.<sup>11</sup>

(D) In some countries and in some cases, copyright is not only divisible but is divided at its inception. Certain rights in the same work vest, from the beginning and by operation of law, in one person, others in another person. This could be called a split copyright.<sup>12</sup>

(E) Except as noted below, it is not apparent that in those countries recognizing a partial assignment, its effect would be different from that of an exclusive license.

<sup>7</sup> UNITED KINGDOM: "An assignment of copyright may be limited \* \* \* (a) so as to apply to one or more, but not all, of the classes of acts which by virtue of this Act the owner of the copyright has the exclusive right to do \* \* \* and references in this Act to a *partial* assignment are references to an assignment so limited" (Copyright Act, 1956, § 36(2)).

The AUSTRALIAN Copyright Act, 1912-1935, adopts in this respect the United Kingdom Copyright Act, 1911, which provides "The owner of the copyright in any work may assign the right, either wholly or partially \* \* \* " (§ 6(2)).

CANADA: "The owner of the copyright in any work may assign the right, either wholly or *partially* \* \* \* " (Copyright Act, R.S., c. 55, § 12(4)).

CEYLON, INDIA, ISRAEL, PAKISTAN, the UNION OF BURMA and the UNION OF SOUTH AFRICA follow, by reference, the United Kingdom Copyright Act, 1911, as quoted under Australia, *supra*. NEW ZEALAND: "The owner of the copyright may assign the right, either wholly or *partially* \* \* \* " (Copyright Act, 1913, § 8(2)).

Also, IRELAND: "The owner of the copyright in any work may assign the right, either wholly or *partially* \* \* \* " (Industrial and Commercial Property [Protection] Act, 1927, § 158(2)).

<sup>8</sup> GERMANY: "Copyright may be transferred to others, *with* or without *limitations* \* \* \* " (Law of 1901 on Literary Copyright, § 8(3)).

SWITZERLAND: "Copyright shall be capable of transfer \* \* \* The transfer of one of the rights comprised in copyright shall not imply the transfer of other *partial* rights \* \* \* " (Copyright Law of 1922, Art. 9).

SWEDEN: "Copyright may be transferred, with or without *limitations* \* \* \* " (Law No. 381 of 1910, § 15(2)).

<sup>9</sup> ARGENTINA: "The author or his successor in title may alienate or assign (*cedar*) the work totally or *partially* \* \* \* " (Law No. 11723 of 1933, Art. 51).

MEXICO: "Copyright in respect to a given work shall be the property of the copyright owner *apart* from those rights which, within the limits of the contract, are necessary to its fulfillment." (Copyright Law, 1956, Art. 38).

<sup>10</sup> JAPAN: "A copyright may be assigned in whole or *in part*" (Copyright Law of 1899, Art. 2).

U.S.S.R.: "A copyright may be alienated in its entirety or in part \* \* \* " (Basic Principles of Copyright, 1928, § 16).

<sup>11</sup> AUSTRIA: "The author may authorize other persons to use the work *by certain* or all of the methods of exploitation reserved to the author under §§ 14 to 18 (license to use a work). He may also grant to other persons the exclusive right to do so (right to use a work)" (Law No. 111 of 1936, § 24).

ITALY: The Copyright Law of 1941, after enumerating several rights of "economic utilization" in Articles 12 to 18, provides that "the exclusive rights specified in the preceding Articles are independent of one another" (Art. 19).

<sup>12</sup> For example, UNITED KINGDOM: "where a \* \* \* work is made by the author in the course of his employment by the proprietor of a newspaper \* \* \* the said proprietor shall be entitled to the copyright in the work *insofar as* the copyright relates to publication of the work in *any* newspaper \* \* \* ; but in *all other respects* the author shall be entitled to any copyright \* \* \* " (Copyright Act, 1956, § 4, (2)).

## III. RECORDATION OF ASSIGNMENTS

(A) The number of countries in which assignments must or may be recorded in a public register is probably less than 20 altogether.

(B) The *validity of the assignment* depends on recordation in Argentina, Chile, Ecuador, Lebanon, Spain, Syria, and Uruguay.<sup>13</sup> In Colombia the unregistered assignee cannot enforce his rights.<sup>14</sup>

An unrecorded assignment is *not enforceable against third parties* in Brazil, Canada, Japan, Portugal and the Philippines,<sup>15</sup> and, in respect to cinematographic works, in France.<sup>16</sup> However, in the laws of Canada and the Philippines it is expressly stated that only third parties without (actual) notice can invoke the lack of recordation.<sup>17</sup>

Recordation of assignments is optional, but certain *special remedies* are available only to the registered assignee, in Australia and New Zealand.<sup>18</sup> The special remedies include fines, summary search, seizure, and destruction.

Recordation of assignments is optional and serves as *prima facie proof* of the registered facts in Australia, Mexico and New Zealand.<sup>19</sup> There exists an optional possibility to record assignments also in the

<sup>13</sup> ARGENTINA: "The alienation or assignment, whether total or partial \* \* \* must be registered in the National Copyright Register; otherwise such alienation or assignment shall not be valid" (Law No. 11723 of 1933, Art. 53).

CHILE: "Transfer of one or more of the rights specified in the Law<sup>1</sup> shall be by way of a public deed entered in the Copyright Register \* \* \*" (Law No. 345 of 1925, Art. 9).

ECUADOR: "Every contract in respect to literary and artistic copyright, in order to acquire legal validity, shall be entered in the appropriate register." (Copyright Law of 1887, Art. 48).

LEBANON: "Under penalty of nullity, every assignment shall be made in writing \* \* \* the assignee shall send to the Director of the Protection Office, within 15 clear days from the date of its execution, an abstract of the act of assignment." (Decree No. 2385 of 1922, Art. 163). It is possible, however, that the nullity relates only to the written form of the assignment, and that registration thereof is only a prerequisite to suit (cf. Art. 168).

SPAIN: "Every transfer of copyright, irrespective of its importance, must be incorporated in a public deed and registered in the appropriate register; otherwise the transferee shall not be entitled to the benefits of the Law" (Regulations of 1880, Art. 9).

SYRIA: Same as Lebanon, *supra*.

URUGUAY: "In order to have legal effect, transfers of copyright shall be recorded in the Registry \* \* \*" (Law No. 9739 of 1937, Art. 54).

<sup>14</sup> COLOMBIA: "Any alienation of a scientific, literary or musical work, whether in whole or in part, shall be embodied in an authenticated deed and entered in the National Copyright Register. If these formalities are not observed, the transferee shall be unable to enforce his right" (Law No. 86 of 1946, Art. 52).

<sup>15</sup> BRAZIL: "Assignments, transfers, publication contracts and other acts related to literary, scientific or artistic property, concerning which the interested parties desire to give notice to third parties, shall be inscribed in the margin of the Register" (Decree 4857 of 1939, Art. 309).

CANADA: "Any grant of interest in a copyright, either by assignment or license, may be registered in the Registers of Copyrights \* \* \*" (Copyright Act, R.S., c. 55, § 40(1)). "Any grant of interest in a copyright, either by assignment or license, shall be adjudged void against any subsequent assignee or licensee for valuable consideration without actual notice, unless such prior assignment or license is registered in the manner prescribed by this Act before the registering of the instrument under which such subsequent assignee or licensee claims (§ 40 (3))."

JAPAN: "Succession to, or an assignment or pledge of, copyright shall not be effective against third persons without registration thereof." (Law No. 39 of 1899, Art. 15).

PORTUGAL: "The following shall be subject to registration at the competent offices: (1) All deeds of transfer of copyright, whether total or partial \* \* \*" (Decree No. 13725 of 1927, Art. 105).

PHILIPPINES: "A copy of every assignment or conveyance of copyright or permission or license to use it \* \* \* shall be filed with the Philippines [Patent Office] \* \* \* in default of which it shall be void as against any subsequent purchaser or mortgagee or assignee for a valuable consideration, without notice, whose assignment has been duly filed" (Copyright Law, 1924, § 26).

<sup>16</sup> FRANCE: "In the event of \* \* \* nonrecordation of the acts [assignments, etc.] \* \* \* above referred to, the rights resulting from such acts \* \* \* shall not be enforceable against third parties". (Code of the Motion Picture Industry, Art. 33, enacted by Decree No. 56-158 of Jan. 27, 1956).

<sup>17</sup> See note 15, *supra*.

<sup>18</sup> AUSTRALIA: "Registration of copyright shall be optional but the special remedies provided for by sections fifteen, sixteen and seventeen of this Act can only be taken advantage of by registered owners." (Copyright Act, 1912-1935, § 26). "When any person becomes entitled to any registered copyright or other right under this Act by virtue of any assignment or transmission, or to any interest therein by license, he may obtain registration of the assignment, transmission or license in the manner prescribed" (§ 29).

NEW ZEALAND: Same texts as under Australia, *supra*. (Copyright Act 1913, §§ 38 and 41).

<sup>19</sup> AUSTRALIA: (Copyright Act, 1912-1935, § 33).

MEXICO: "The [Copyright] Office shall keep a register and enter in separate books thereof: I \* \* \* all documents \* \* \* that in any manner may confer, modify, transfer, encumber or extinguish copyright \* \* \*" (Copyright Law, 1956, Art. 112). "Entry in the register shall create a presumption that the facts therein stated are true \* \* \*" (Art. 115).

NEW ZEALAND: (Copyright Act, 1913, § 45).

Union of South Africa and Italy.<sup>20</sup> In the Union of South Africa, no legal consequences of recordation are expressly provided for. In Italy, recordation probably mainly results in *prima facie* proof.<sup>21</sup>

(C) The laws of Australia, Canada, New Zealand, and of the Union of South Africa expressly admit the recordation not only of total or partial assignments but also of *licenses*.<sup>22</sup> Recordation of licenses, as well as of assignments *in toto*, is admitted by the Philippines.<sup>23</sup> Recordation of total and partial assignments or licenses may be implicit also in some of the other laws mentioned hereinbefore.

#### IV. EFFECT OF ASSIGNMENT ON COPYRIGHT NOTICE

(A) Laws may require that a copyright notice be placed on copies of works and that the notice include the name of a person (or legal entity). If such person (or legal entity) is the author or the publisher, irrespective of whether he is also the owner of the copyright, assignments of the copyright do not cause any problems in respect to notice. But if one of the elements of the notice is the name of the *owner* of the copyright, assignment—i.e., change in the ownership—raises the problem of whether the notice may or must be changed accordingly.

(B) It would seem that there are altogether three foreign countries in which a notice requiring the indication of the name of the owner of the copyright is prescribed: in the Philippines it is a condition of the acquisition of copyright in any published work, in Norway it is a condition of acquisition of copyright in photographic works, whereas in Mexico it is a requirement sanctioned by fine only.<sup>24</sup>

The Philippines law allows the assignee to substitute his name for the name of the assignor in the notice.<sup>25</sup>

Such possibility of substitution is not mentioned in the laws of Mexico and Norway.

(C) Provision is made in the Universal Copyright Convention, article III, paragraph 1, for a copyright notice containing the name of the copyright proprietor. There is no indication in the Convention as to whether, when copyright has been assigned, the proprietor named in the notice may or must be the assignee.

<sup>20</sup> UNION OF SOUTH AFRICA: "A register wherein may be registered \* \* \* assignments [of proprietorship in the copyright of works] \* \* \* or assignments [of the sole right to perform a musical or dramatic work] \* \* \* shall be kept in the copyright office at Pretoria" (The Patents, Designs, Trade Marks, and Copyright Act, 1916, § 152). "When any person becomes entitled to any registered copyright or other right under this Chapter by virtue of any assignment or transmission thereof or of any interest therein by license, he may \* \* \* obtain registration of the assignment, transmission, or license \* \* \*" (§ 154).

ITALY: " \* \* \* legal instruments executed between living persons, transferring in whole or part rights recognized by this Law \* \* \* may \* \* \* be registered \* \* \*" (Law No. 633 of 1941, Art. 104).

<sup>21</sup> ITALY: Cf. Art. 103, par. 3, of Law No. 633 of 1941.

<sup>22</sup> Cf. notes 18, 15, 18 and 20 *supra*, respectively.

<sup>23</sup> Cf. note 15, *supra*.

<sup>24</sup> PHILIPPINES: "Copyright \* \* \* may be secured by \* \* \* registration \* \* \* and by publication \* \* \* with the required notice of copyright \* \* \*" (Copyright Law of 1924, §11). "The notice of copyright \* \* \* shall consist of the word 'copyright' accompanied by the name of the copyright proprietor and the year in which the copyright was registered" (§16).

NORWAY: "The exclusive right shall exist only if each copy of the photograph \* \* \* bears the word 'Eneret' and the name of the proprietor [of the exclusive right] \* \* \*" (Law on Rights in Photographs, 1909, §2).

MEXICO: "Works protected by this Law, if published, must bear the expression 'Derechos reservados', or its abbreviation 'D. R.' owner and the indication of the year of first publication \* \* \* However, indication, in this or any other form, of the reservation of the right shall not be a necessary condition of protection but the publisher who omits it will be subject to the sanctions established by this Law (a fine from 500 to 10,000 pesos)."

<sup>25</sup> PHILIPPINES: "When an assignment of the copyright secured for a specific work has been registered, the assignee may substitute his name for that of the assignor in the statutory notice of copyright prescribed by this Act" (Copyright Law, 1924, §23).

(D) Where the copyright proprietor is required to be named in the notice, the recognition of a partial assignment may raise an additional question as to whose name is to appear in the notice. For example, where an author assigns book publishing rights to a publisher, retaining all other rights in himself, and if the publisher is recognized as the assignee and owner of the book publishing rights, is it appropriate for the publisher to be named as copyright owner in the notice appearing in copies of the book? The laws of the three countries mentioned under (B) above recognizing partial assignment and providing for a notice containing the name of the copyright proprietor do not appear to provide an express answer to this question;<sup>26</sup> nor does the Universal Copyright Convention.

## V. CAPACITY TO SUE

(A) In the British system, according to which copyright is partially assignable, a *partial assignee* may sue in his own name as far as violations of the rights assigned to him are concerned. See particularly the laws of the United Kingdom, Australia, Canada, New Zealand, and the Union of South Africa.<sup>27</sup>

The situation in Germany and France is basically similar.<sup>28</sup>

<sup>26</sup> As to the question of whether copyright is partially assignable in the Philippines, see note 6, *supra*.

<sup>27</sup> UNITED KINGDOM: According to the Copyright Act, 1956, "infringements of copyright shall be actionable at the suit of the owner of the copyright" (§17(1)). Since the property of copyright is divisible by way of partial assignment (cf. §36), the partial assignee is the owner of part of the copyright. Thus, reading sections 17 and 36 together, infringement of the assigned part of the copyright appears to be actionable at the suit of the owner of the assigned part of the copyright.

CANADA: "The author or other owner of any copyright or any person or persons deriving any right, title or interest by assignment or grant in writing from any author or other owner as aforesaid may each individually for himself, in his own name as party to a suit, action, or proceeding, protect and enforce such rights as he may hold, and to the extent of his right, title, and interest is entitled to the remedies provided by this Act" (§20(5)).

AUSTRALIA and the UNION OF SOUTH AFRICA incorporate in this respect, by reference, the provisions of the United Kingdom Copyright Act, 1911, which provides that "Where copyright in any work has been infringed, the owner of the copyright shall \* \* \* be entitled to all such remedies by way of injunction or interdict, damages, accounts, and otherwise, as are or may be conferred by law for the infringement of a right" (§6(1)) and that "where, under any partial assignment of copyright, the assignee becomes entitled to any right comprised in copyright, the assignee as respects the rights so assigned and the assignor as respects the rights not assigned, shall be treated for the purposes of this Act, as the owner of the copyright, and the provisions of this Act shall have effect accordingly" (§5(3)). Reading together these two provisions, it appears that a partial assignee has the right to sue in his own name.

NEW ZEALAND: Sections 9(1) and 8(3) of the Copyright Act, 1913, being identical with Section 6(1) and 5(3) of the United Kingdom Copyright Act, 1911, the same considerations apply as under Australia and the Union of South Africa, *supra*.

<sup>28</sup> GERMANY: There are no express provisions in the Copyright Laws. Their meaning is interpreted by Ulmer as follows: "Claims arising from violations of copyright belong to the author or his legal successor. If the author or his heir disposed of certain rights of use, a distinction must be made: (i) if the rights derived are simple permissions, then the acquirer is entitled to reproduce the work but he has no rights of prohibition; (ii) if exclusive rights were granted, then the grantee may proceed even against third parties in the defense of his rights \* \* \* Besides him, however, the author may also proceed against violations of rights, provided, naturally, that he [the author] still has some protectable interest". Translated from ULMER, *Urheber und Verlagsrecht*, 295 (1951).

FRANCE: There are no express provisions in the laws relating to copyright. Plaisant comments on the problem as follows:

"Generally, transfers of property (*cessions de propriété*), typified by sale, are distinguished from transfers of exercise or concessions (*cessions de jouissance ou concessions*), typified by rent. This distinction is made for corporeal property. Most of the time it is also made in the case of incorporeal property: business assets, trade marks, patents; it is of special importance in the last case since, according to French law, the licensee has no right to sue for infringement (*contrefaçon*).

"It is curious that this distinction has never been made in the field of copyright law. Any concession (*concession*) of a right, however limited it may be in time or space, is considered as a transfer of property (*cession de propriété*). This solution is probably a remnant of the old practice according to which only total transfers were made \* \* \*

"In actual fact this state of the law does not seem to cause any practical difficulties \* \* \*

"In law, however, it would appear that the said distinction ought to be taken into consideration, because it conforms with realities and the logic of things. It cannot be admitted reasonably that the owner of an inn authorized by a subscription contract concluded with SACEM [French society for the perception of the so called small rights] to receive publicly a broadcast emission has a title in copyright." Translated from Robert Plaisant, *Propriété Littéraire et Artistique*, Juris Classeur Civil Annexes, Fascicule 9, No. 54 (1954).

(B) In the United Kingdom, the right to sue of an *exclusive licensee* varies according to whether the remedy sought is related (i) to conversion or detention of infringing copies,<sup>29</sup> or, (ii) to damages, injunction, accounts, and the like.<sup>30</sup>

In the first case, the exclusive licensee may sue by himself. In the second case, joinder of parties (the owner of the copyright and the exclusive licensee) is necessary if the infringement is one in respect to which they have concurrent rights.<sup>31</sup>

<sup>29</sup> Cf. United Kingdom Copyright Act, 1956, § 18 (1): "Subject to the provisions of this Act, the owner of any copyright shall be entitled to all such rights and remedies, in respect of the conversion or detention by any person of any infringing copy, or of any plate used or intended to be used for making infringing copies, as he would be entitled to if he were the owner of every such copy or plate and had been the owner thereof since the time when it was made \* \* \*"

<sup>30</sup> Cf. United Kingdom Copyright Act, 1956, § 17(1): "Subject to the provisions of this Act, infringements of copyright shall be actionable at the suit of the owner of the copyright; and in any action for such an infringement all such relief, by way of damages, injunction, accounts or otherwise, shall be available to the plaintiff as is available in any corresponding proceedings in respect of infringements of other proprietary rights."

<sup>31</sup> Cf. United Kingdom Copyright Act, 1956, § 19: (1) The provisions of this section shall have effect as to proceedings in the case of any copyright in respect of which an exclusive licence has been granted and is in force at the time of the events to which the proceedings relate.

(2) Subject to the following provisions of this section,—

(a) the exclusive licensee shall (except against the owner of the copyright) have the same rights of action, and be entitled to the same remedies, under section seventeen of this Act as if the licence had been an assignment, and those rights and remedies shall be concurrent with the rights and remedies of the owner of the copyright under that section;

(b) the exclusive licensee shall (except against the owner of the copyright) have the same rights of action, and be entitled to the same remedies, by virtue of the last preceding section as if the licence had been an assignment; and

(c) the owner of the copyright shall not have any rights of action, or be entitled to any remedies, by virtue of the last preceding section which he would not have had or been entitled to if the licence had been an assignment.

(3) Where an action is brought either by the owner of the copyright or by the exclusive licensee, and the action, in so far as it is brought under section seventeen of this Act, relates (wholly or partly) to an infringement in respect of which they have concurrent rights of action under that section, the owner or licensee, as the case may be, shall not be entitled, except with the leave of the court, to proceed with the action, in so far as it is brought under that section and relates to that infringement unless the other party is either joined as a plaintiff in the action or added as a defendant:

Provided that this subsection shall not affect the granting of an interlocutory injunction on the application of either of them.

(4) In any action brought by the exclusive licensee by virtue of this section, any defence which would have been available to a defendant in the action, if this section had not been enacted and the action had been brought by the owner of the copyright, shall be available to that defendant as against the exclusive licensee.

(5) Where an action is brought in the circumstances mentioned in subsection (3) of this section, and the owner of the copyright and the exclusive licensee are not both plaintiffs in the action, the court, in assessing damages in respect of any such infringement as is mentioned in that subsection,—

(a) if the plaintiff is the exclusive licensee, shall take into account any liabilities (in respect of royalties or otherwise) to which the licence is subject, and

(b) whether the plaintiff is the owner of the copyright or the exclusive licensee, shall take into account any pecuniary remedy already awarded to the other party under section seventeen of this Act in respect of that infringement, or, as the case may require, any right of action exercisable by the other party under that section in respect thereof.

(6) Where an action, in so far as it is brought under section seventeen of this Act, relates (wholly or partly) to an infringement in respect of which the owner of the copyright and the exclusive licensee have concurrent rights of action under that section, and in that action (whether they are both parties to it or not) an account of profits is directed to be taken in respect of that infringement, then, subject to any agreement of which the court is aware, whereby the application of those profits is determined as between the owner of the copyright and the exclusive licensee, the court shall apportion the profits between them as the court may consider just, and shall give such directions as the court may consider appropriate for giving effect to that apportionment.

(7) In an action brought either by the owner of the copyright or by the exclusive licensee,—

(a) no judgment or order for the payment of damages in respect of an infringement of copyright shall be given or made under section seventeen of this Act, if a final judgment or order has been given or made awarding an account of profits to the other party under that section in respect of the same infringement; and

(b) no judgment or order for an account of profits in respect of an infringement of copyright shall be given or made under that section, if a final judgment or order has been given or made awarding either damages or an account of profits to the other party under that section in respect of the same infringement.

(8) Where, in an action brought in the circumstances mentioned in subsection (3) of this section, whether by the owner of the copyright or by the exclusive licensee, the other party is not joined as a plaintiff (either at the commencement of the action or subsequently), but is added as a defendant, he shall not be liable for any costs in the action unless he enters an appearance and takes part in the proceedings.

(9) In this section "exclusive licence" means a licence in writing, signed by or on behalf of an owner or prospective owner of copyright, authorising the licensee, to the exclusion of all other persons, including the grantor of the licence, to exercise a right which by virtue of this Act would (apart from the licence) be exercisable exclusively by the owner of the copyright, and "exclusive licensee" shall be construed accordingly; "the other party", in relation to the owner of the copyright, means the exclusive licensee, and, in relation to the exclusive licensee, means the owner of the copyright; and "if the licence had been an assignment" means if, instead of the licence, there had been granted (subject to terms and conditions corresponding as nearly as may be with those subject to which the licence was granted) an assignment of the copyright in respect of its application to the doing, at the places and times authorised by the licence of the acts so authorised.

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COMMENTS AND VIEWS SUBMITTED TO THE  
COPYRIGHT OFFICE  
ON  
DIVISIBILITY OF COPYRIGHTS

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## CONTENTS

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Comments and views submitted by—	Page
George E. Frost.....	69
Walter J. Derenberg.....	70
Ernest S. Meyers.....	71
Ralph S. Brown.....	71
Elisha Hanson.....	72
Sydney M. Kaye.....	74
Joseph S. Dubin.....	74
John Schulman.....	75
Joseph A. McDonald.....	76
Cedric W. Porter.....	76
Harry G. Henn.....	78
Robert Gibbon.....	80

## COMMENTS AND VIEWS SUBMITTED TO THE COPYRIGHT OFFICE ON DIVISIBILITY OF COPYRIGHTS

By George E. Frost

SEPTEMBER 24, 1957.

This letter is a belated comment on the three very interesting pieces on divisibility of copyrights. The comments should be weighed in accordance with my rather limited experience in this field, but they may nevertheless be of some value to you.

First, the tax aspect of this subject seems comparatively unimportant in view of the 1950 amendment. In this respect it is interesting to note that Section 1235 of the 1954 Revenue Code provides as to individual inventors and their sponsors capital gains treatment of the kind denied to authors—but 1235 precludes use of its benefits where the patent has been “divided”. In both instances—and this is the important point—special tax laws have largely removed the tax question from both the copyright and the patent law.

Second, it is implicit in all of the discussion on divisibility that the copyright can be divided in any manner the parties to an agreement desire, and that as between the parties such divisibility is enforceable as a matter of contract law.

Third, the only remaining problem area is the question of who has the right to bring suit and the related question of how his identity is to be ascertained by other parties.

It is the odd fact that while the courts in patent, copyright, and other cases have been intoning the sweeping language of *Waterman v. Mackenzie*, the Supreme Court has rendered an intervening decision that in practical effect goes the other way. I speak of *Independent Wireless v. RCA* (269 U.S. 459 (1926)). This case is not only of general interest to the question of who may sue, but it is of special interest in the copyright field because on its facts the case closely resembles a typical copyright situation.

The plaintiff, RCA, received—by a series of transactions—the “exclusive rights to use and sell in the United States, for radio purposes, apparatus for the transmission of messages” covered by the patents owned by the DeForest Radio Co. Incidentally, this included the basic triode tube patent. In any event, the patented inventions were useful for commercial radio transmission, telephone communication, amateur and home use, and in other fields. It is my understanding that there were in fact exclusive licenses to each of these fields. The defendant, Independent, bought apparatus from an amateur and experimental field licensee and was charged to be using the apparatus for commercial communication.

RCA brought the suit in its capacity as exclusive licensee for commercial communication and purported to make DeForest—the legal title owner of the patents—a plaintiff without its consent (269 U.S. 462). DeForest was not located within the district in which suit was brought and accordingly was not available for the physical service of process. The Court sustained this joinder, stating:

“We think the cases cited go beyond the defendant’s interpretation of them and do hold that, if there is no other way of securing justice to the exclusive licensee, the latter may make the owner without the jurisdiction a coplaintiff without his consent in the bill against the infringer. \* \* \*” (269 U.S. 472).

Perhaps an exhaustive study of the cases, the 1948 judicial code, and the Federal rules might indicate that the *Independent Wireless* case is not quite as broad as a reading of the case would suggest. In the absence of some definite indication to the contrary, however, I would be inclined to regard the case as most persuasive of the proposition that the owner of book rights, for example, ought to be able to make the copyright titleholder a party plaintiff without its consent and thereby in effect bring legal action as if the book rights were divisible. Perhaps the *Independent Wireless* case had something to do with the reluctance of the Supreme Court majority in the *Goldsmith* case to place the decision on the “indivisibility” theory.

Unfortunately, it does not appear that the *Independent Wireless* case takes one very far with respect to the problem of multiple suits. Also—at least in the patent field—the case must be taken in the light of the earlier case of *Crown Die & Tool v. Nye Tool* (261 U.S. 24 (1923)), where the Court held that the right to recover for damages for patent infringement by a specified infringer and to enjoin further infringement was not assignable.

Coming now to the specific questions raised at page 28 of Mr. Kamenstein's paper, my reaction is as follows:

1. (a) The *Independent Wireless* case would seem to permit as a practical matter essentially the result referred to. However, it would seem much preferable to face up to the matter in the copyright law and couple such ability to sue with safeguards designed to protect the defendant against a multiplicity of suits.

(b) There must be a point where an exclusive license limited as to field becomes absurd. This is another point that the Court never reached in the *Independent Wireless* case. Perhaps the *Crown Die & Tool* case can be viewed as an instance of such an absurdly narrow field. In any event if a statute provided for suit by the exclusive licensee—and thus closed the door to a judicial development of this matter—it would seem that some expression must be used to prevent the absurd case. Whether it is possible to make a specific enumeration is something I do not know.

2. It strikes me that the whole subject of joinder is rather artificial unless it serves to prevent a multiplicity of suits. In other words if safeguards were provided in this direction one would suppose that joinder would take care of itself.

3. (a) Yes, insofar as such assignments and licenses provided a basis upon which suit might be brought.

(b) Yes.

(c) Yes, as to documents not forming the basis of suit.

(d) To the extent recording is permissive, the recording should only be effective as an actual notice, and then only when it is shown that the party in question actually did search the records and get the notice. Of course, this strips the recording in such instance of much of its possible value, but it would seem to be about the only sound course.

4. (a) I should suppose that if the suit and notice problems were taken care of by express provisions as to them there would be no occasion to get into the divisibility question, except in relation to problems too rare to justify concern.

(b) See 4(a).

(c) Again I should suppose that this could be attended to under the questions of suit and ownership.

(d) I should say definitely yes. See 1(b), above.

5. (a) It would seem to me that the notice requirement ought to be consistent with the person having the right to sue. If the scope of the exclusive license were such as to permit suit, I would think the name of the licensee on the notice would be appropriate, otherwise not.

(b) The requirement for two names on the notice might give rise to practical problems. Perhaps the matter could be handled through the recording system so that the public could ascertain the record titleholder by checking the recorded documents from the exclusive licensee notice.

(c) My reaction would be that here again some mechanism ought to be provided so that the public could ascertain all the facts from recorded instruments. If so, perhaps the general notice in a periodical would be adequate. The recorded documents would take care of identifying the rights of the parties so that the second question would also appear to be answered.

Again, the above are thoughts based on reviewing the papers and not predicated on any extensive experience.

Sincerely yours,

GEORGE E. FROST.

By *Walter J. Derenberg*

SEPTEMBER 27, 1957.

I have your letter of September 24th, asking for my views with regard to the divisibility issue. I wish I had time to write some extensive comments on this important problem since I have had strong feelings about it for many years. However, in view of pressure of work, including preparation for the Washington meeting, I must limit myself today to saying that I always have been and am now in favor of divisibility of copyright along the lines adopted by the Shotwell Committee bill, S. 3043, which was introduced by Senator Thomas in 1940. That

bill and some of the predecessor bills clearly recognized that all subsidiary rights should be subject to separate grant and that there should be a recordation of such grant. I also favor the provisions of that bill with regard to permitting licensees to sue for infringement without joining the licensor, on the theory that each exclusive licensee was to be considered as a partial owner of the copyright to the extent of his interests. I am not too impressed with the objections raised by the motion picture producers at the time and I believe it would be a great step forward if new legislation along the lines suggested in the Shotwell bill would be formulated.

\* \* \* \* \*  
Sincerely yours,

WALTER J. DERENBERG.

By Ernest S. Meyers

OCTOBER 7, 1957.

It would be unfair to Dr. Kaminstein to dispose of in a summary manner the myriad questions suggested by his excellent and painstaking treatment of the problem of the *Divisibility of Copyrights*. To justify agreement with or dissent from the many principles discussed in this thorough report would require, in my view, the compilation and analysis of many practices, both procedural and substantive, in fields outside of the area of copyright, such as negotiable instruments, patents and real estate.

Due to present pressures, I am now only able to state my position in a summary fashion with respect to item No. 1 listed on page 28 of the report:

The law should include a provision permitting an exclusive licensee to sue without joining his grantor; *Provided*, That such a provision is restricted to an exclusive license of enumerated rights; and *Provided further*, That, as a condition to suit, the exclusive license must be recorded. (To this extent, I favor a permissive recordation statute.) As a measure of security to the alleged infringer where rights have not been clearly set forth in the license or statute, the alleged infringer should be permitted by law, if it is not now provided for in the Federal Rules of Civil Procedure, to implead or join the exclusive licensor (or grantor) in the action.

Sincerely,

ERNEST S. MEYERS.

By Ralph S. Brown

OCTOBER 17, 1957.

Since no one seems to be opposed to the existing *practice* of divisibility, and since there are no significant policy arguments against it, the existing legal notion (I almost called it a fiction) should be abrogated.

There seem to be two areas where the concept is of practical importance. One of them can be taken care of by statutory language which would permit a partial assignee or an exclusive licensee to sue in his own name for the infringement of whatever rights he holds. Alleged infringers should probably be protected against multiple suits by nonexclusive licensees. Liberal joinder provisions can protect the interest both of plaintiffs and defendants in this situation.

With respect to contributions to periodicals, the statute should make it explicit that either the author or the publisher may obtain a copyright on a contribution, and that a copyright on the whole of a periodical number covers all its contents, regardless of the interpretation of the contract between author and publisher. I would add the presumption suggested in item 5c of Mr. Kaminstein's summary of the issues, that the author be deemed the copyright owner, subject to his assignment or license to the publisher.

If these two steps were taken, then there seems to be no necessity for enunciating general principles of divisibility in the statute. I would be strongly opposed to any attempt to enumerate the rights into which a copyright can be divisible. This would force a statutory strait jacket on commercial developments that can not be foreseen.

I have no present views on the desirable scope and affect of recordation or on the substitution of licensees in copyright notices. I should suppose that a licensee would always be free to announce his status, without displacing the original claimant to the copyright whose name appears in the notice.

RALPH S. BROWN.

By *Elisha Hanson*

OCTOBER 17, 1957.

Somewhat belatedly I am forwarding my views on Mr. Kaminstein's most capable study of the aspects of divisibility of copyright. As you have been previously advised, I have been out of the country until recently and wished to defer comment until there was time for adequate study.

Since divisibility of copyright is an accomplished fact as a matter of industrial practice, the problem is how to reflect this condition in any revision of the law in a manner which would be equitable to all interested parties.

The views set forth below are keyed to the questions appearing under the heading "Summary of Issues," at pages 28, 29 of the Kaminstein article. For ease of reading, I have set forth the questions which appear on the mentioned pages.

### 1. *Right to sue*

(a) Should the law include a provision permitting an exclusive licensee to sue without joining his grantor?

The exclusive licensee should be permitted to protect his valuable interest in the copyright in his own name without joining his grantor. The enforcement of his right should not be made to depend upon either the availability or the cooperation of the grantor. However, there should be a provision for both permissive joinder and for intervention of interested parties, subject to the control of the court exercising a sound judicial discretion.

(b) Should such a provision be restricted to exclusive licensees of enumerated rights?

Yes. While the task of enumerating the rights which shall be the subjects of exclusive licenses may present some problems, it would seem wiser to proceed cautiously in revising the copyright law. Special inequities which may develop can be dealt with by amendment as those inequities appear.

### 2. *Joinder of parties*

(a) Should the law permit the joinder within the discretion of the court of—

1. Any interested party, or

2. Any person named in an assignment or license recorded in the Copyright Office?

Permissive joinder, within the discretion of the court, should extend to any interested party since that classification would be obviously broader and less arbitrary in its application. The holder of an unrecorded license or assignment may well have an interest which is unaffected by his failure to record. In addition, some consideration might be given to the advisability of a provision whereby notice of the pendency of litigation could be given to parties of record in the Copyright Office, upon court order.

(b) Should there be a provision dealing with avoidance of overlapping suits or damages, e.g., barring suit by an exclusive licensee unless he has recorded his license in the Copyright Office?

There should be a provision in the revised law requiring that exclusive licenses be recorded in the Copyright Office within a stated period of time. It would seem imperative to avoid use of the terminology "promptly" as it presently appears in connection with the requirement for deposit of copies. The holder of an interest in copyright is the owner of a valuable right and he should not be permitted to mislead others either by his failure to give public notice of that right by recordation or by his failure to deposit copies within a stated period of time.

At the same time, the exclusive licensee should not be precluded from a recovery as against the original copyright owner or any other person who has reaped a windfall by recovering from the infringer. Nor should an infringer who has not been misled by the failure to record be permitted to escape all liability.

### 3. *Recordation*

(a) Should the law require recordation of all assignments and licenses, as against third parties without notice?

Yes, as a general principle, no third party who records an interest acquired for consideration and without notice should be prejudiced by a prior unrecorded grant. Such a provision also makes for certainty of title. The primary responsibility for recordation should be squarely placed upon the original copyright proprietor with permission to a licensee to record if the proprietor fails.

However, the application of this general principle and the issue discussed under 2(b), above, to newspapers, magazines and other periodicals might present a considerable problem. To illustrate: each issue of a newspaper or periodical contains a large number of copyrightable parts. It would impose an undue burden to

require that an individual instrument be recorded for each such item, especially where the only rights acquired by the publisher are exclusive newspaper or magazine publication rights such as the right of first publication, serialization rights, and reprint rights. It would appear equitable to enumerate a category of "exclusive newspaper and periodical rights" and to insert a provision exempting the mentioned publications from the recordation requirements for each of such items where they acquire no more than those special rights and where they copyright their entire publications.

The author in such a case can be protected by providing that within a stated period of time he shall record an instrument evidencing the periodical licensing transactions and his own title to the work in all other respects. Since the author will derive many valuable benefits under a law of divisible copyright it is no more than right that he be made responsible for recording all transactions under such a law.

(b) If there is such a provision, should it exclude nonexclusive licenses?

There appears to be little reason for excluding the holder of such an interest from this provision, and again the copyright proprietor, who benefits from such transactions should be required to record them for the protection of those with whom he does business.

(c) Should recordation be permissive?

See answers to 2(b) and 3(a) above.

(d) If permissive, what effect should be given to recordation, and what should be the effect of failure to record?

Recordation should constitute constructive notice to all third parties of the interest recorded. In regard to the failure to record, see answers to 2(b) and 3(a) and (b) above.

#### 4. Divisibility

(a) Should the law contain a specific clause making copyright divisible?

Yes.

(b) Would this be necessary or advisable if the statute provided for the right of exclusive licensees to sue, joinder of parties and recordation?

While it might not be necessary under the stated conditions, it would appear advisable to leave this matter free of doubt in view of past experience with the uncertainties of statutory interpretation.

(c) If copyright is made divisible, should there be a list of the rights in which separate ownership will be recognized for the purposes of suit?

Yes. As noted previously, this might involve some problems of selection. However, the need for future revision could be minimized if the list of enumerated rights is sufficiently broad to reflect present industrial practice.

(d) Should there be any restriction on how far rights may be divided as to time or territory?

While detailed restrictions as to how far those rights may be divided might be helpful in some respects, it would be difficult to draw legislation in such a manner as would take into account the variations in industry practice which exist. One restriction as to time and territory might be highly appropriate in one case, but most inappropriate in another.

#### 5. Notice

(a) If the statute provides for copyright notice either as a requirement or optionally, should partial or exclusive licensees be permitted to substitute their name in the notice:

- (i) In all cases,
- (ii) For enumerated rights only, or
- (iii) In no case?

The exclusive licensee, unlike the assignee, has derived only a portion of the copyright. Unless the name of the proprietor of the copyright is also stated in the notice, it seems that a problem might arise in connection with ascertaining the state of the copyright title. The simplest solution of this problem would be to require the notice to state the name of the copyright proprietor. The individual holder of the enumerated right would then be free to state any additional information he so desires.

(b) If such substitution is permitted, should the notice be required to indicate that the person named holds only certain rights? If so, what should be the effect of omitting such indication?

If substitution is to be permitted, it should extend only to the assignee or the holder of one of the rights to be enumerated in the statute, and then only after that interest has been recorded. However, this would seem to lead to possible further complications in the form and place of inserting the copyright notice.

(c) Should there be an exemption for contributions published in newspapers and periodicals, waiving specific notice for the contribution where a general notice on the entire work is used? If so, should the author whose name appears on a contribution be deemed the copyright owner, subject to his assignment or license to the publisher?

The insertion of the single notice should be given the legal effect of protecting all the copyrightable material contained in the publication. As pointed out in Mr. Kaminstein's article, a slight difference in the extent of ownership in the publisher may have the result of placing the author's contribution in the public domain. The niceties of transfer of ownership should no longer imperil the property of the author in whose interest the entire scheme of copyright legislation was enacted. The general notice should protect the copyright subject to the contractual dealings between the publisher and author.

The insertion of the general notice in a newspaper, magazine, or other periodical should be given the following legal effect:

1. The single notice should protect the copyright in all copyrightable material contained therein.

2. The publisher should be deemed to be the proprietor of all unsigned copyrightable material contained in the periodical.

3. Only if so indicated, the author whose name appears in connection with a signed contribution should be deemed the proprietor of the contribution and the publisher shall be deemed to be the owner of the "exclusive periodical rights." If separate ownership is not so indicated the publisher shall be deemed the proprietor unless the author records his interest and title in his own behalf within a stated period of time from publication. See discussion under 3(a), above. Particularly is this true in respect of "byline" articles published in newspapers, where the writer in most instances is an employee and not an independent contractor, and where the newspaper and not its employee obtains the copyright. The distinction between employees and independent contractors must be maintained to avoid chaos in administering the law.

The foregoing represents my present thinking on the problems. I shall be most interested in receiving the views of other members of the panel.

Sincerely yours,

ELISHA HANSON.

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*By Sydney M. Kaye*

NOVEMBER 11, 1957.

I express the profoundest apologies that it has been necessary for you twice to jog my arm with respect to Mr. Kaminstein's excellent memorandum on "Divisibility of Copyright." I do not wish to comment on this problem at any length.

It seems to me that most of the problems which relate to indivisibility have been met by trade custom, contract, and judicial decision. I therefore do not see why certain proponents of divisibility regard it as a major point, particularly since indivisibility does not presently exert major tax effects. By the same token, I do not see why divisibility should be energetically opposed if there are carefully devised and appropriate safeguards to prevent multiplicity of suits.

Perhaps the whole issue could be narrowed if we directed our attention to provisions permitting, by some means, the joinder as defendants of copyright proprietors who are unavailable for personal service. Such a simple approach would avoid the complex provisions that would prove necessary if copyright were explicitly made divisible.

Cordially,

SYDNEY M. KAYE.

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*By Joseph S. Dubin*

NOVEMBER 25, 1957.

Please excuse my delay in answering your letter of November 7 regarding the Kaminstein study on "Divisibility."

In connection with the questions raised in that issue, I am of the following opinion:

1. *Right to sue*

(a) The law should include a provision permitting an exclusive licensee to sue without joining his grantor.

(b) Such a provision should be restricted to exclusive licensees of enumerated rights.

**2. Joinder of parties**

- (a) The law should permit the joinder, within the discretion of the court, of any interested party, or any person named in an assignment or license on record.
- (b) The provision should include dealing with an avoidance of overlapping suits, such as barring suit by an exclusive licensee unless he has recorded his license.

**3. Recordation**

- (a) The law should require recording of all assignments and licenses.
- (b) Nonexclusive licenses should not be excluded from the recording requirement.
- (c) The recordation should not be permissive.

**4. Divisibility**

- (a) The law should contain a specific clause making copyright divisible.
- (b) This clause should be necessary or advisable even if the statute provided for the right of the exclusive licensee to sue, joinder of parties and recordation.
- (c) In the event of the copyright being made divisible, there should be a list of the rights in which separate ownership would be recognized.
- (d) There should be neither time nor territorial restriction.

**5. Notice**

- (a) As long as the statute provides for copyright notice, both partial or exclusive licensees should be permitted to substitute their names in the notice.
- (b) The fact that the recordation of assignments and licenses would be mandatory should be sufficient to put third parties on notice.

Sincerely yours,

JOSEPH S. DUBIN.

By *John Schulman*

NOVEMBER 30, 1957.

Because of an exceptionally busy program, I have neglected to comment on the above study. Although I may not agree with some of its conclusions, it is in my opinion one of the most valuable contributions to the series.

One of the fallacies of the study lies in the failure to appreciate the practical importance of a new pattern. Kaminstein says, for example, at page 25: "There has been no recent drive for divisibility legislation, nor any new development which would appear to make immediate consideration urgent."

The nonexistence of a sense of "drive" may stem from the fact that everyone is awaiting a revision of the copyright statute, and most of us expect that any new law will provide for divisibility.

Those of us who believe in the doctrine of copyright divisibility have continued to urge this concept in lectures, conversations, correspondence and reports. This element was stressed in Ed Sargoy's report to the ABA Patent Section last year. What additional activity is necessary to constitute a "drive"?

By the same token, the suggestion that the need for divisibility is less "urgent" than it was a number of years ago is wholly erroneous. The need for divisibility is greater than ever. As Ed Sargoy said in his report: "With the great and diversified entertainment markets of today in so many different fields for a single literary or artistic work, divisibility of copyright should be provided, so as to permit individual owners or grantees of particular rights infringed, independently to avail themselves of the remedies of the Act without necessarily joining the copyright proprietor."

With these preliminary comments, I come to the item on page 28 entitled "Summary of Issues". The only question which I can answer categorically is 4(a), i.e., that copyright should be divisible. As to the other questions, no categorical answer is possible because they embody inferences which are not subject to a simple reply.

Divisibility cannot be discussed in a vacuum. Each of the issues which are presented depends on something else. They depend, for instance, on the provisions for notice, or recording of licenses and transfers. The answers depend upon the entire structure of the bill which is to be formulated.

Consequently, I can only repeat what I have said above, that in this day and age a divisible copyright is more essential than it ever was.

Sincerely,

JOHN SCHULMAN.

*By Joseph A. McDonald*

DECEMBER 6, 1957.

COMMENTS ON ISSUES PRESENTED BY DIVISIBILITY OF COPYRIGHT

These comments follow the order of the "Summary of Issues" as set forth on pages 28 and 29 of Abraham Kaminstein's study of June 1957.

*1. Right to sue*

In my opinion it would be inadvisable to include a provision permitting an exclusive licensee to sue without joining his grantor because the grantor, having ownership of the copyright and therefore the one ultimately concerned with the status of all rights thereunder subject only to the rights of his licensees, has a vital interest in any proceeding in which the scope and effectiveness of a licensee's rights are in issue.

*2. Joinder of parties*

(a) It would seem that no amendment with respect to joinder is needed unless divisibility of copyright were created by amendment of the Act. The present rules regarding joinder seem liberal enough to cover the various situations that may be presented.

(b) If through amendment a licensee were permitted to maintain a suit without joining the copyright owner I think it would be undesirable to provide that his suit would be barred unless he had recorded his license in the Copyright Office.

*3. Recordation*

The recordation of all exclusive licenses should be permitted but not required. The recordation of assignments should continue to be required.

Nonexclusive licenses, like exclusive licenses, should be proper subjects of recordation.

4. I lean away from making copyright divisible. The advantages to be gained are not clear enough to me to warrant a departure from the existing system. Furthermore if divisibility were recognized questions would continue to arise out of the relationship between the owner of a division of a copyright and his licensees. It is likely therefore that the problems would be fragmented and multiplied rather than eliminated. If copyright were made divisible there would probably have to be a specification of the rights as to which separate ownership would be recognized for the purposes of suit but it would seem that substantially this situation is reached in many cases where a separate copyrightable work is created under the license as for example a motion picture or a dramatic version of a book.

*5. Notice*

An exclusive licensee should not be permitted to substitute his name for the name of the copyright proprietor in the notice. It would seem that nothing ought to prevent a licensee from adding material concerning his status to the basic notice. With respect to contributions to books, newspapers, and periodicals it seems to me that amendment of the Act might provide that unless the conduct of the parties indicates to the contrary it shall be presumed that a contributor to a copyrighted newspaper, periodical, or book has transferred all his rights to the copyright owner so that there may be no doubt of the validity of the copyright on the whole. The copyright owner should be deemed to hold as a trustee the copyright insofar as it applies to the individual contributions subject to whatever agreement there is between the copyright owner and the contributor with respect thereto.

JOSEPH A. McDONALD.

*By Cedric W. Porter*

DECEMBER 31, 1957.

I have your letter of December 20 and am glad to give you my views on *Divisibility of Copyright*—the various problems and issues of which are so well set forth by Mr. Kaminstein in his study.

(1) I think definitely that any new copyright law should provide for divisibility of copyrights, setting forth the divisible rights specifically, and including all the rights which are recognized today by commercial custom and practice, as well as those which might be created by future scientific development, in the way of reproduction or performance.

(2) The assignee or exclusive licensee of any divisible right should also have the right to sue in his own name to protect that right, joining with him as a *proper* party plaintiff, but not a *necessary* party plaintiff, the creator of the copyrighted work, whether he be author, composer, artist, sculptor or the like. The third-party practice permitted by rule 14 of the Federal Rules of Civil Procedure is broad enough to permit the copyright creator to be brought in to the suit if it is necessary to adjudicate his rights against the defendant and he is not willing to come in as a voluntary party plaintiff. To be entitled to sue, the owner of a divisible right should be the *exclusive* licensee for the right sought to be protected, which can, however, be restricted in time, territory, number of performances, and the like.

I would still think that divisibility of copyright should be provided for, even if the assignee (or exclusive licensee) has the right to sue in his own name to protect his particular right.

(3) I do not think there should be any restriction on how far rights may be divided as to time or territory. There are many situations in commercial practice where the copyright creator or owner is willing to grant a specific permission to use his copyrighted work in one manner or another, and of course he should be permitted to do this and the grantee or licensee should be protected in this right. My approach to this whole question of divisibility is that the creator of the copyrighted work is the person entitled to all the fruits, profits, and emoluments of the work he creates, and that no one else has a better right to them.

As an illustration, an artist client who paints sporting pictures agreed with one of the leading sportsman magazines to paint a series of six sporting scenes for an agreed price. The magazine was given a limited right of reproduction in two separate series of prints. The reproduction rights then reverted to the artist and since then he has granted the right to use these pictures on greeting cards and to a separate concern on calendars for specific printings. Of course the separate uses of music can be infinite in this respect. I think such separate rights for reproducing the copyrighted work should be protected and encouraged.

(4) As to notice, if the copyright statute provides for copyright notice the assignee or exclusive licensee of a right should be permitted to use his name in the copyright notice, in conjunction with the basic copyright notice of the copyright creator and owner. Preferably the holder of the limited right should indicate that he holds only the limited right. For instance, in the illustration given above the artist had copyrighted his painting as an unpublished work of art. By contract the magazine was required to place the notice of copyright on the print reproductions in the name of the artist. But I see no objection and I think it advisable, to tell the whole story, that there properly should be two copyright notices, one by the owner of the basic copyright—in the illustration given, the artist—and another by the publisher for the magazine, who could indicate after his name “owner of limited reproduction rights.”

It seems very difficult or almost impossible to get the owner of a divisible right to put on a proper copyright notice. In one recent example I ran across, an author compiled a book of facts, hints, and suggestions on household repairs and the like. The book had a proper copyright notice. He then gave permission to another to publish an abridgment of his original work in much smaller size with fewer items and with no new material. The publisher of the abridgment put in no copyright notice of his own, which I believe he could not properly do anyway, but in referring to the original copyrighted work, got both the name of the copyright proprietor and the year of publication wrong. I think the holder of this limited reproduction right should have been entitled to put his own copyright notice on the abridgment, as holder of a limited right of reproduction, along with the original copyright notice. Possibly then he would have put the correct information in the notices.

In contribution in newspapers and periodicals, a general notice on the entire work to cover the entire contents should suffice. In that case the author whose name appears on the contribution should be deemed the copyright owner, as the creator of the copyrighted work, subject to limited right of reproduction granted to the publisher, by assignment or exclusive license. It would certainly simplify matters if the publisher can take care of copyright formalities for the entire contents of the magazine for instance, by publication with notice, deposited copies, and the like. At the same time there should be no reason why the creator of the work should not have his own separate copyright notice and take care of the copyright formalities to protect his publication, if he wishes to do so.

(5) As to recording, I think the law should require recording of all assignments and licenses if they are to be binding against innocent third parties without notice. But failure to record would of course be a defense only to the bona fide purchaser

without notice. I would make recording of nonexclusive licenses at least permissive. There is not the same reason for requiring them to be recorded.

(6) The new copyright law should definitely have in it a provision that no divisible right should pass by assignment unless specifically mentioned, except in the case of an assignment of the entire copyright. A provision such as in present title 17, United States Code, section 27, that the copyright is distinct from the property in a material object copyrighted, and that transfer of the material object does not constitute a transfer of the copyright therein, should be retained. In other words, *Pushman v. New York Graphic Society* (287 N.Y. 302, 39 N.E. 2d 249 (1942)) should definitely be overruled. Everyone will remember that was the case where Pushman the artist sold a painting to the University of Illinois without restriction and the university was held to have acquired the right to reproduce the painting in copies for sale, which it granted to the New York Graphic Society.

The old law which held that copyright was not divisible and which required the owner of the copyright to be a plaintiff, and that the assignee of any divisible right could not be a plaintiff, is archaic, and not in accord with present-day commercial practices. The old law is unnecessarily restrictive on the copyright creator's rights to enjoy the fruits of his labors, with no other social interests being served in the slightest by the technical requirements relating to suits. I well remember *Douglas v. Cunningham and Post Publishing Co.* (33 USPQ 470 (D.C.D. Mass. 1933)). I brought the suit in the name of the author Douglas. His copyrighted story had been published in the American Mercury and the copyright assigned back to Douglas. I had uneasy moments when Judge Lowell dismissed the original complaint for lack of proper party plaintiffs. I still think his decision on the point was wrong but fortunately the American Mercury was willing to be joined as a party plaintiff and this joinder satisfied Judge Lowell.

I trust the foregoing will be of some assistance to you.

Very truly yours,

CEDRIC W. PORTER.

By *Harry G. Henn*

JANUARY 3, 1958.

The current academic recess has enabled me to prepare the following comments on Kami's study entitled "Divisibility of Copyrights."

The study, in my opinion, contains excellent treatment of the historical development of the indivisible copyright theory, the major cases which have arisen involving indivisibility problems, and some of the resulting trade practices. Its major shortcoming, as I see it, is that it does not sufficiently reflect the fact that the theory is ingrained in the present U.S. Copyright Act, including statutory provisions which have not yet given rise to reported litigation and are not mentioned in the study.

The present Act contains numerous references to "the copyright proprietor" and confers upon such proprietor various important functions with respect to the securing, maintaining, renewing, and enforcing of statutory copyright.

Thus, under the Act, it is "the copyright proprietor"—

- (1) Who secures and registers the claim of copyright and deposits the copies (17 U.S.C. §§ 9-13);
- (2) Whose name must appear in the copyright notice (17 U.S.C. §§ 19, 32);
- (3) Who renews the copyright in stated situations (17 U.S.C. §§ 24-25);
- (4) Who reserves ad interim copyright (17 U.S.C. § 22);
- (5) Who is entitled to damages, profits or statutory damages in case of infringement (17 U.S.C. § 101);
- (6) Whose signature is necessary to the assignment, grant, or mortgage of the copyright (17 U.S.C. § 28);
- (7) Whose consent is necessary to the production of a copyrightable new version of the copyrighted work (17 U.S.C. § 7);
- (8) From whom or under whose authority the first authorized edition of the work must issue (17 U.S.C. § 26);
- (9) Who has several functions under the compulsory licensing provisions (17 U.S.C. §§ 1(e), 101(e));
- (10) Who is liable to \$100 fine for failure to deposit copies of the copyrighted work on demand (17 U.S.C. § 14);
- (11) Who is liable to reimburse innocent infringers where the copyright notice has been omitted from a particular copy or copies by accident or mistake (17 U.S.C. § 21).

In addition to such references, the Act contains several provisions referring to assigns, assignees, or assignments, subjecting assignments (as distinguished from licenses) to certain formal requirements and affording them certain constructive notice advantages (17 U.S.C. §§ 9, 24, 27, 28, 29, 30, 31, 32).

To the extent that the study emphasizes such problems as standing to sue, joinder of parties, and other procedural aspects, and the recordation and notice provisions, it does, of course, mirror the cases which have been reported to date and the commentary thereon. If the study had outlined more systematically and completely the present statutory provisions predicated on the indivisible copyright theory, the presentation would have been more complete, the focus would have been on the statutory provisions themselves rather than on the judicial gloss thereon, and the relationship between the indivisible copyright theory and the subject matter of the other Copyright Revision studies would have been more clearly highlighted.

The study might also have discussed more fully the increasing recognition by the courts of the equitable interests of the exclusive licensee of rights of authorship and the power of a publisher under a partial grant of rights from the author (if such grant is construed as comprehending the right, express or implied, to secure statutory copyright in such publisher's name) to secure statutory copyright in its name for itself and in trust for the author. In the latter case, of course, the publisher would, upon publication, become the copyright proprietor, either on the theory that such partial grant was an assignment (which is inconsistent with the "partial-reservation-of-rights-by-the-proprietor" test but consistent with the notion that only the copyright proprietor may secure statutory copyright) or on the less orthodox theory that such grant was a license but such a licensee can secure copyright in trust for another.

With reference to page 20 of the study, where Kami criticizes my attempt to distinguish the *Eliot* and *Witwer* cases, I do not agree that in each case "the rights returned were the same" (which begs the question and is contrary to what the courts held), and that "the attempted distinction would make everything depend upon the use of a word of art rather than the intent of the parties" (which ignores the fact that the only clue to the intent of the parties is the language used by the grantor). The question in each case was whether the partial grant transferred the copyright; in the *Eliot* case the "copyright" was not expressly granted (and other language in the instrument suggested that it was reserved); in the *Witwer* case, the "copyright" was expressly granted. When the issue is whether or not the technical "copyright" (which may be no more than a bare legal title) is transferred or reserved in a partial grant, the grantor's use or nonuse of the word "copyright" ought, in the absence of any manifestation of an intention to the contrary, to be controlling on the issue. Neither *Fitch v. Young* (study, p. 14) (with its incomplete characterization of the grant and confusion between "playright" and "copyright") nor *Phillip v. Jerome H. Remick & Co.* (study, p. 20) (where the phrase "to copyright" was used with respect to an already copyrighted work) constitutes authority to the contrary. The study (p. 21) also suggests merit in the reconveyance practice of some magazine publishers of transferring all rights to the author and by companion document receiving back a license from the author of the rights which the publisher is to retain. One instrument containing both assignment and license would seem just as adequate. Furthermore, a properly drafted assignment reserving some rights (with proper words of art and other manifestations of intention to transfer the copyright spelled out in the instrument) should be no less effective. As stated in the *Witwer* case:

"\* \* \* Had Street & Smith, Inc. [magazine publisher] conveyed without reservation, and then had Witwer [author] assigned [sic] to it the right of magazine publication, we would have a situation exactly as the parties intended by this instrument and entirely free of the objection urged by defendants. Why, then, should a similar situation not arise when the result is accomplished by the execution of one instrument instead of two?"

With respect to the summary of issues posed by the study (pp. 28, 29), I would answer as follows:

#### 1. Right to sue

(a) The revised Copyright Act ought to deal with the substantive law of copyright and leave procedural implementation to the Federal Rules of Civil Procedure [perhaps a study by an expert in both copyright law and Federal practice could explore this subject]. The Copyright Act should merely state that the remedies under the Act are available to any person aggrieved by the infringement.

(b) See 1(a), *supra*.

2. *Joinder of parties*

- (a) See 1(a), *supra*.  
 (b) See 1(a), *supra*, and 3(d), *infra*.

3. *Recordation*

- (a) Perhaps yes for *all* grants; perhaps no (awaiting study on recordation).  
 (b) See 3(a), *supra*.  
 (c) If yes, then for any paper relating to copyright.  
 (d) Constructive notice, assuming proper indexing. Since such a system could result in harm to subsequent innocent grantees (assignees, mortgagees, exclusive licensees, nonexclusive licensees) by either their not enjoying the contemplated benefits under the grant or mortgage or their committing innocent infringement, provisions could be worked out for their protection (*e.g.*, limiting remedies available to unrecorded grantees for innocent infringement by subsequent grantees).

4. *Divisibility*

- (a) Whether or not indivisibility ought to be retained, and if so, to what extent, obviously will depend upon the copyright system as established by the revised Act. In any event, there would be no need for a specific clause one way or the other. If complete divisibility is desired, the revised Act should contain no references to "the copyright proprietor," "assignments," etc., and appropriate language would have to be devised in substitution. Any specification in the revised Act as to who is the "initial copyright owner" (see study, p. 28) would only serve to perpetuate the present problems. It would seem preferable to let all authorial rights stem from authorship (subject to applicable agency rules) and be capable of grant and ownership according to the terms of grant or agreement.  
 (b) See 4(a), 1, 2, 3, *supra*.  
 (c) No. Attempts to restrict the division of rights might only serve to fragmentize the present problem into multiple problems. Such matters should be left to trade practices.  
 (d) No. See 4(c), *supra*.

5. *Notice*

- (a) Whether a copyright notice is required or optional, the elements of the notice might be the © symbol or word "Copyright" alone. Thus, any name could accompany the notice. Any one dealing in good faith with the person named in the notice might be allowed to rely on such appearance of ownership to some extent (subject to recordation provisions), and the person named in the notice might be regarded as trustee of the rights of copyright.  
 (b) No.

(c) Assuming that the individual contribution to a periodical is not separately copyrighted by the author, the publisher's composite general copyright should cover all copyrightable or copyrighted component parts, and the respective rights of author and publisher in the author's contribution should depend on the agreement between them.

Sincerely yours,

HARRY G. HENN.

By *Robert Gibbon*

(The Curtis Publishing Co.)

OCTOBER 24, 1958.

\* \* \* \* \*  
*Divisibility of Copyright.*—The practical and commercial fact of divisibility of copyright should be recognized in any future legislation. Individual authors have made great economic gains by being able to dispose of limited rights to their works. Failure to provide in the law for divisibility could conceivably result in curtailment of this practice.

The degree of divisibility should be left up to contracting parties. If the bundle of rights were divided into precise straws, there would be created a great problem of formality and nomenclature. There would also be imposed a limitation on future development of new uses for copyrighted material, as the law would have to be changed to allow for divestiture of newly classified rights.

We believe that the assignee of any part of a copyright should have standing to sue without joinder of the copyright proprietor, but we are reluctant to recommend a requirement of recording all such interests because of the monumental clerical task which would thereby be imposed on the Copyright Office.

The theory that copyright can be obtained only by the proprietor of all rights in a work should be perpetuated. This would be particularly important if divisibility of copyright is to be continued. It provides a convenient starting point for the start of the copyright term and is a control that would be important in tracing ownership of rights under a copyright.

\* \* \* \* \*

ROBERT GIBBON.