

**WAITE v. UMG, RECORDINGS INC. (2019 – 2013) : Termination of
Grants of Sound Recording Copyrights: Statute of Limitations, Works
for Hire, Loan Out Companies, Inducement Letters, Class Certification**

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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JOHN WAITE, an individual; JOE ELY, an individual;
KASIM SULTON, an individual; SUSAN STRAW
HARRIS p/k/a SYD STRAW, an individual;
LEONARD GRAVES PHILLIPS, an individual; STAN
SOBOL a/k/a STAN LEE, an individual; and ISRAEL
CABALLERO, an individual; and on behalf of all others
similarly situated,

Plaintiffs,

19-cv-1091 (LAK)

-against-

UMG RECORDINGS, INC., a Delaware
corporation doing business as Universal Music
Group, and DOES 1 through 10,

Defendants.

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MEMORANDUM OPINION

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LEWIS A. KAPLAN, *District Judge.*

Aspiring singers, musicians, authors and other artists – sometimes young and inexperienced and often not well known – tend to have little bargaining power in negotiating financial arrangements with recording companies, publishers, and others who promote and commercialize the artists’ work. They often grant copyright in that work as part of the bargain they strike for promotion and commercialization. Accordingly, when an artistic work turns out to be a “hit,” the lion’s share of the economic returns often goes to those who commercialized the works rather than to the artist who created them. Section 203 of the Copyright Act of 1976 established a limited opportunity for artists to terminate the copyright ownership that they had granted to commercializers decades earlier in order to address this issue. The idea was that termination of these rights would more fairly balance the allocation of the benefits derived from the artists’ creativity.

Termination is effectuated by serving the grantee with written notice.¹ This notice lists, among other information, the effective date of termination.² Once the effective date of termination has passed, the grantee becomes the owner of the copyright and therefore holds

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17 U.S.C. § 203(a)(4).

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Id § 203(a)(4)(A).

exclusive right to reproduce and distribute the sound recordings.³

This is a purported class action by recording artists⁴ whose albums were released by predecessors in interest of defendant UMG Recordings, Inc. (“UMG”) pursuant to agreements the artists signed in the 1970s and 1980s that granted copyright in their works to UMG’s predecessor recording companies. These grants allowed those companies (and now UMG) to market, distribute, and sell the artists’ sound recordings.

Each member of the class allegedly has terminated that grant as to the sound recordings comprising certain albums.⁵ UMG disputes the validity of those terminations.⁶

Plaintiffs argue that UMG is infringing the artists’ copyrights by continuing to market and sell the recordings for which the effective date of termination has passed. With regard to recordings for which termination notices have been served but the effective dates of termination have not yet been reached, plaintiffs seek a declaratory judgment of certain legal rights and duties of the parties. Plaintiffs seek also an injunction restraining defendant from continuing to deny and

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Id. § 106.

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In one instance, the plaintiff is an alleged successor in interest to the artist. FAC [DI 45] ¶ 12.

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Id. ¶¶ 31-32, 37, 43-44, 53-54, 69-70, 76-77.

Plaintiffs seek to validate the termination notices for the following albums: *Ignition*, *No Brakes*, and *Mask of Smiles* (Waite); *Honky Tonk Masquerade*, *Down the Drag*, *Live Shots*, and *Musta Notta Gotta Lotta* (Ely); *Surprise* (Harris); *Kasim* (Sulton); *Dawn of the Dickies* (Phillips/Sobol/Caballero, “The Dickies”). *Id.* ¶¶ 32, 37, 44, 54, 77.

Ely’s termination notice lists an additional album, *Hi-Res*, see FAC Ex. C at 3, which is not referenced in the FAC. The Court therefore assumes that Ely does not seek to enforce the termination notice as to that album.

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Id. ¶ 4.

disregard the termination notices. The matter is before the Court on UMG's motion to dismiss the first amended complaint ("FAC").

Discussion

I. Legal Standards

A. Motion to Dismiss

To survive a motion to dismiss for failure to state a claim, a complaint must allege facts sufficient "to state a claim to relief that is plausible on its face."⁷ This standard is met where the "pleaded factual content allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged."⁸ The Court accepts as true all well-pleaded factual allegations and "draw[s] all reasonable inferences in the plaintiffs' favor."⁹ In resolving a motion to dismiss, the Court may consider "any written instrument attached to the complaint, statements or documents incorporated into the complaint by reference, legally required public disclosure documents filed with the SEC, and documents possessed by or known to the plaintiff and upon which it relied in bringing the suit."¹⁰

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Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009) (citations and internal quotation marks omitted).

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Id.

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Rombach v. Chang, 355 F.3d 164, 169 (2d Cir. 2004).

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ATSI Commc'ns, Inc. v. Shaar Fund, Ltd., 493 F.3d 87, 98 (2d Cir. 2007).

On its motion to dismiss, defendant's attached the parties' recording contracts. These documents are integral to a copyright claim and appropriately incorporated by reference. *See Chambers v. Time Warner, Inc.*, 282 F.3d 147, 153 (2d Cir. 2002). The Court does not convert this motion to dismiss into one for summary judgment. *See* FED. R. CIV. P. 12(d).

B. Section 203 of the Copyright Act of 1976

Recording artists often transfer copyright ownership in their works to record labels and music publishers. Recognizing that publishers often hold more bargaining power than authors and the “impossibility of determining a work's value until it has been exploited,” Congress created a termination right to provide authors with an opportunity to enjoy a greater share of their work’s economic success.¹¹ Authors of works created on or after January 1, 1978 may terminate transfers of a license or copyright in those works thirty-five years from the date of the grant’s execution or, if the grant covers publication rights, the earlier of thirty-five years after the work’s publication or forty years after the execution of the grant.¹² The termination right for the first eligible works therefore did not vest until January 1, 2013.

Termination under Section 203 is available for all works “executed by the author,” other than those “made for hire.”¹³ Termination is not automatic. The earlier grant will remain in effect absent a termination notice.¹⁴ These notices must include the effective date of termination, which may fall on any date in the five-year period after the work becomes terminable, and other requirements set forth by regulation.¹⁵ The notice must be recorded with the Copyright Office and

The Court has considered these documents only for the facts stated therein and not for the truth of the matters asserted.

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H.R. Rep. No. 94-1476, 124 (Sept. 3, 1976).

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17 U.S.C. § 203(a)(3).

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Id. § 203(a).

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Id. § 203(a)(3).

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Id. § 203(a)(4).

served upon the grantee prior to the effective date of termination.¹⁶ Upon the effective date of termination, the grant is terminated and the copyright reverts to the author.¹⁷

For instance, if an author executed a grant transferring the copyright in Work A in January 1980, the grant for Work A may be terminated on a date between January 2015 (thirty-five years from the date of execution) and January 2020. If the author selected January 1, 2018 as the effective date of termination, assuming the termination notice comports with all applicable requirements, the grantee can continue to distribute Work A until December 31, 2017. On January 1, 2018, copyright ownership reverts to the author. At that point, any continued exploitation of that work by the grantee is an infringement on the author's copyright.

II. Plaintiffs' Claims Cannot be Dismissed Based on Section 203's "Works Made for Hire" Exception

Under Section 101 of the Copyright Act, a work made for hire is either a work "prepared by an employee within the scope of his or her employment" or certain types of "specially ordered or commissioned" work, so long as the parties agree in writing that the work will be considered a work made for hire.¹⁸ The statute enumerates nine categories of works that can qualify as commissioned works: a contribution to a collective work, a part of a motion picture or other audio visual work, a translation, a supplementary work, a compilation, an instructional text, a test,

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Id. § 203(a)(4)(A)-(B). The grantee must be served with the termination notice within two and ten years before the effective date of termination

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Id. § 203(b).

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Id. § 101.

answer material for a test, and an atlas.¹⁹

The legal author (creator of the work) and owner of a “work made for hire” is the employer or person who specially ordered it, rather than the artist.²⁰ Section 203 excludes these works from the termination right precisely for this reason: “The hired [or commissioned] party, although the ‘author’ in the colloquial sense . . . never owned the copyrights to assign. It stands to reason, then, that there are no rights the assignment of which [the artist or] his or her heirs may now terminate.”²¹

Though plaintiffs’ agreements with UMG’s predecessors contained “works made for hire” language – which stated that the recording company, rather than the artist, was the legal author and owner of the works²² – neither party argues, at this stage, that plaintiffs’ works were specially commissioned. Nor do the parties contend that there was an employee-employer relationship between the artists and recording companies. As will be explained in more detail in the following section, defendant, for purposes of the motion to dismiss, argues only that the “works made for hire” language is relevant to the question of when the statute of limitations began to run on plaintiffs’ claims.²³ The Court therefore need not resolve, for purposes of this motion, whether the agreements

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Id.

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Id. § 201(b); *Cmt. for Creative Non-Violence v. Reid*, 490 U.S. 730, 737 (1988) (distinguishing between copyright authors and owners).

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Marvel Characters, Inc. v. Kirby, 726 F.3d 119, 137 (2d Cir. 2013).

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See Declaration of Rollin A. Ransom [hereinafter “Ransom Decl.”] [DI 51] Exs. A, B, C, D, E, G, H, I, J, K.

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Defendant suggests only in a footnote that sound recordings comprising an album constitute either a “compilation” or “contributions to a collective work,” two of the nine enumerated

conferred “for hire” status on the works.

III. Plaintiffs’ Claims: Copyright Infringement and Declaratory Relief

Plaintiffs’ copyright infringement claim is brought on behalf of the artists with albums for which the respective effective dates of termination have passed. Plaintiffs with albums for which the effective dates of termination had not passed when the FAC was filed request a declaratory judgment concerning the rights and duties of the parties.

A. Plaintiffs’ Infringement Claims Are Not Barred by the Statute of Limitations

1. When Did Plaintiffs’ Copyright Infringement Claims Accrue?

A copyright infringement claim must be brought within three years from the time the cause of action accrues.²⁴ Accrual occurs when a plaintiff “knows or has reason to know of the

categories of works that can be made “for hire.” Defendant’s Reply in Support of its Motion to Dismiss [DI 59] at 2 n.1. However, UMG makes no other arguments on this point and instead focuses on the consequences of a “works made for hire” agreement in light of the statute of limitations for Copyright Act claims. *See id.* 1-2 (stating that the “merits of a work for hire claim” is “beyond the scope of UMG’s motion”); Defendant’s Memorandum in Support of its Motion to Dismiss [hereinafter “Def’s. Mem.”] [DI 50] at 8 (“Resolution of the dispute [as to whether sound recordings on an album may be a ‘work made for hire’] is irrelevant to the [statute of limitations] argument.”).

The Court notes also that, in any event, defendant’s limited cited authority is unpersuasive. In support of the position that sound recordings on an album could be “contributions to a collective work,” defendant includes two sentences uttered during a congressional hearing. Defendant then cites to *Bryant v. Media Right Productions*, 603 F.3d 135, 140 (2d. Cir. 2010), for the proposition that albums are “compilations.” While *Bryant* concluded that “a[n] album falls within the Act’s expansive definition of compilation,” this classification was considered for purposes of statutory damages under a provision that, by its very terms, is limited to “the purposes of [that] subsection.” *Id.* 140-141; 17 U.S.C. § 504(c)(1). The Circuit’s conclusion in *Bryant* is thus not dispositive in the “works for hire” context.

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17 U.S.C. § 507(b).

injury upon which the claim is premised.”²⁵ This is known as the discovery rule.²⁶

a. Case Law

The Second Circuit follows the discovery rule for all copyright claims.²⁷ However, the application of the rule may vary. “An ownership [or authorship] claim accrues only once, when ‘a reasonably diligent plaintiff would have been put on inquiry as to the existence of a right.’”²⁸ “By contrast, an infringement action may be commenced within three years of any infringing act, regardless of any prior acts of infringement[.]”²⁹

This distinction is less clear when an infringement claim implicates questions of ownership or authorship.³⁰ To succeed on an infringement claim, a plaintiff must establish “ownership of a valid copyright” and “copying of constituent elements of the work that are

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Merchant v. Levy, 92 F.3d 51, 56 (2d Cir. 1996) (quoting *Stone v. Williams*, 970 F.2d 1043, 1048 (2d Cir. 1992)); see also *Psihoyos v. John Wiley & Sons, Inc.*, 748 F.3d 120, 125 (2d Cir. 2014).

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John Wiley & Sons, 748 F.3d at 124.

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Id.

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Kwan v. Schlein, 634 F.3d 224, 228 (2d Cir. 2011) (quoting *Stone*, 970 F.2d at 1048).

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Id.

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Because copyright ownership vests initially in the author, and the artist is not the legal author of a work created under a “work made for hire” agreement, questions of ownership and authorship are intrinsically linked in this context. 17 U.S.C. § 201(a), (b).

Indeed, plaintiffs do not challenge historical ownership of the sound recordings. There is no dispute that UMG’s predecessors owned the copyrights to these works when the agreements were executed. This is precisely why the plaintiffs served termination notices.

original.”³¹ As the Second Circuit explained in *Kwan v. Schlein*, “[i]n many infringement cases, the first element (ownership) is not in dispute” and the copyright claim turns on the “copying” element.³² However, when a dispute over a work does not involve the “the nature, extent or scope, of copying, [then] ownership forms the backbone of the ‘infringement claim.’”³³ When ownership, rather than copying, is the crux of an infringement claim, the Second Circuit has held, “any attendant infringement claims must fail” if the underlying ownership-claim is time-barred.³⁴

Defendant argues that a dispute over authorship and ownership is at the core of plaintiffs’ claims.³⁵ This argument is premised on plaintiffs’ allegations that they are the owners – or will be the owners following the effective dates of termination – of the copyrights to sound recordings that make up certain albums. However, as explained above, plaintiffs could not become the owners of the works if the works were “made for hire.” Defendant contends that plaintiffs were put on notice of an authorship and ownership dispute – thereby triggering the three-year statute of limitations period – in the 1970s and 1980s when they signed agreements containing “works made for hire” provisions, as this language was an “express assertion of sole authorship or ownership” and

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Kwan, 634 F.3d at 229 (quoting *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co., Inc.*, 499 U.S. 340, 361 (1991)).

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Id.

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Id.

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Id. at 230.

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Defendant argues that this is true for all claims, regardless of whether the effective date of termination has or has not passed. *See* Def’s Mem. at 6-15.

reflected a “repudiation” of any authorship or ownership claim by plaintiffs.³⁶ On this ground, defendant argues that plaintiffs’ claims are now time barred, and that this is true whether or not the works qualify as “made for hire” within the meaning of the Act. The salient fact, UMG contends, is that plaintiffs knew when they executed their contracts that another party was declaring itself to be the legal author and owner.

In support of its argument, defendant analogizes plaintiffs’ claims to those brought in *Aday v. Sony Music Entertainment*.³⁷ There, recording artist Meat Loaf entered into an agreement with a production company. The 1977 agreement included a work made for hire clause, stating “[s]olely for the purposes of any applicable copyright law, all persons rendering services in connection with the recording of master recordings shall be deemed ‘employees for hire’ of [the record company.]”³⁸ Almost thirty years later, Meat Loaf sought a declaration stating that he was “not, and never was, an ‘employee for hire.’”³⁹ In other words, Meat Loaf argued that he always had been the sole owner of his copyright. The Court held that the three-year statute of limitations began to run in 1977 when Meat Loaf was put on notice “about any of the problems with the ‘work for hire provision’” and his ownership claim was now barred.⁴⁰

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Id. at 8-15 (citing *Consumer Health Info. Corp. v. Amylin Pharm, Inc.*, 819 F.3d 992, 997 (7th Cir. 2016); *Cooper v. NCS Pearson, Inc.*, 733 F.3d 1013, 1016 (10th Cir. 2014), *Kwan*, 634 F.3d at 228, *Aday v. Sony Music Entertainment*, No. 96-cv-0991 (MGC), 1997 WL 598410, at *5 (S.D.N.Y. Sept. 25, 1997)).

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1997 WL 598410.

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Id. at *2.

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Id. at *4.

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Id. at *4-*5.

The issue here is a close one. Defendant correctly points out that authorship is relevant to plaintiffs' claims. The FAC acknowledges this. For example, the FAC alleges that, for claims based on effective dates of termination which have passed, the artists are "currently the owner of the United States copyright" in the sound recordings⁴¹ and that the artists with future effective termination dates "authored" the recordings.⁴² Further, plaintiffs seek a declaratory judgment that "[s]ound recordings cannot be considered 'a work made for hire'" within the meaning of Section 101.⁴³

Yet relevance is not enough. An ownership claim is masked as an infringement claim, for purposes of statute of limitations accrual, when plaintiffs' cause of action is "rooted in [a] contested assertion of ownership in the copyright[.]"⁴⁴ In the archetypal case, "the lawsuit is between two parties who claim ownership of the copyrights . . . and one party's claim of infringement is entirely a function of whether the other party is the sole owner of the disputed copyrights."⁴⁵ Here, while authorship is certainly pertinent, plaintiffs' infringement claim is a function of defendant's failure to comply with plaintiffs' termination notices. This distinction reveals why defendant's reliance on *Aday* is misplaced. Though plaintiffs indirectly challenge the validity of their "works made of hire" provisions by virtue of their infringement claim, unlike *Meat*

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See, e.g., FAC ¶ 40.

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See e.g., id. ¶¶ 68, 75.

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Id. ¶ 82(A).

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See Simmons v. Stanberry, 810 F.3d 114, 116 (2d Cir. 2016).

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Flo & Eddie, Inc. v. Sirius XM Radio Inc., 80 F. Supp. 3d 535, 542-43 (S.D.N.Y. 2015).

Loaf in *Aday*, the gravamen of plaintiffs' claim is defendant's refusal to recognize their termination rights. Termination rights are, by their very nature, about the "nature, extent, or scope of copying" a particular work. Indeed, it is impossible for there to be a legally cognizable infringement claim until a termination right vests, a valid and timely termination notice is sent, is ignored, and the copyright's grantee continues to distribute the work.

b. Section 203

Congress's explicit rationale for enacting Section 203 and the text of Section 203(a)(3) suggests that a "repudiation" of authorship or ownership did not trigger the running of the statute of limitations on plaintiffs' claims.

Section 203(a)(3) prescribes the time period in which an author may terminate his or her grant. At the earliest, the termination right may be exercised thirty-five years after copyright ownership was transferred.⁴⁶ That the statute of limitations would begin to run against an artist the day the contract is signed would be incongruent with a termination right that does not vest for at least thirty-five years from that date.

The explicit purpose of Section 203 reinforces the conclusion that plaintiffs' copyright claims could not have accrued upon the signing of their contracts. Congress enacted the termination provision to safeguard "authors against unremunerative transfers."⁴⁷ These authors needed statutory protection "because of the unequal bargaining position of authors, resulting in part

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17 U.S.C. § 203(a)(3).

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H.R. Rep. No. 94-1476, 124 (Sept. 3, 1976).

from the impossibility of determining a work's value until it has been exploited.”⁴⁸ To restrict the termination right based on the artist’s failure to bring a claim within three years of signing a recording agreement – a time during which the artist and recording company may still have disparate levels of bargaining power – would thwart Congress’s intent and eviscerate the right itself.⁴⁹

Defendant’s argument is weakened further by the music industry’s practice of frequently inserting “work made for hire” language into recording contracts.⁵⁰ Its position requires that many artists, often early in their careers, would confront a choice when presented with a “works made for hire” provision. They could refuse to sign the contract and jeopardize their chance for the record company to record or distribute the artist’s music. Or the artist could sign the contract and then bring a claim within three years to dispute the effect of the “work made for hire” provision in order to protect the copyright. Either outcome would be inconsistent with Section 203. The first would exemplify the unequal bargaining power Section 203 sought to correct. The second would render Section 203 meaningless, as its very purpose is to provide a mechanism by which artists can reclaim their copyright after the work has had time to become more valuable. Defendant’s argument simply does withstand scrutiny in light of the unequivocal purpose of the termination provision.

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Id.

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See Marvel Characters, Inc. v. Simon, 310 F.3d 280, 292 (2d Cir. 2002) (noting that the Copyright Act termination provisions “necessarily contemplate[] the likelihood that long-dormant copyright ownership issues will be awakened and litigated once the original . . . copyright term expires.”). *Marvel* involved Section 304(c) of the Copyright Act, “a close but not exact counterpart of Section 203.” H.R. Rep. No. 94-1476, 140 (Sept. 3, 1976).

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1 *Nimmer on Copyright* § 5.03 (2019) (noting that since sound recordings earned copyright protection in 1972, “virtually all contracts” between artists and recording companies include “work made for hire” provisions).

2. *Whether Plaintiffs' Copyright Infringement Claims are Time Barred*

For the foregoing reasons, the Court concludes that the statute of limitations for plaintiffs' infringement claim accrued after the effective date of termination passed. Plaintiffs brought these claims within the three-year statutory period and are not time-barred.⁵¹

B. *The Court Will Exercise its Discretion to Deny Plaintiffs' Request for Declaratory Relief*

Plaintiffs seek declaratory relief concerning the interpretation of the Copyright Act provisions relied upon by UMG to reject the artists' termination notices.⁵² For example, plaintiffs seek a declaratory judgment resolving the issues of whether “[t]he sound recordings at issue are a ‘work made for hire’”⁵³ and the “exercise by recording artists of their rights under §203 of the Copyright Act to terminate the original grant, and to thereafter exploit the sound recordings after the effective date of termination, constitutes a breach of contract of the recording agreements.”⁵⁴ Plaintiffs therefore, in effect, seek a declaration that their termination notices are valid and their grants terminable.

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The earliest effective date of termination alleged is May 22, 2017. FAC ¶ 32. The FAC was filed two years later, on June 5, 2019.

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See id. ¶¶ 16, 82, 85, Prayer for Relief (C).

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Id. ¶¶ 82(A)-(B), 83(A)-(B), Prayer for Relief (C).

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Id. ¶¶ 82(I), 83(H), Prayer for Relief (C).

To the extent that plaintiffs seek a declaratory judgment on certain legal issues resolved by this opinion, declaratory relief is unnecessary. *See, e.g., id.* ¶¶ 82(H), 83(G), Prayer for Relief (C) (seeking a determination that plaintiffs' assertion of their termination rights are not time barred).

The Declaratory Judgment Act bestowed a “broad grant of discretion” on district courts to determine whether to exercise jurisdiction over an action for declaratory judgment.⁵⁵ The Second Circuit has instructed district courts to consider several factors in determining whether to exercise this discretion, including “whether the judgment will serve a useful purpose in clarifying or settling the legal issues involved” and “whether a judgment would finalize the controversy and offer relief from uncertainty.”⁵⁶

It is not clear how either objective would be achieved by the declaratory relief sought. The uncertainty here is whether UMG will continue to distribute plaintiffs’ sound recordings after the effective date of termination claimed by a plaintiff has passed. This uncertainty is eliminated if prior to the effective date of termination, the termination notices were declared valid and there were no grounds on which defendant could argue that the grants are not otherwise terminable. Plaintiffs suggest that the declaratory relief they seek, if granted, would achieve this outcome because it would address the various grounds defendant has cited when rejecting the termination notices. This would be so, however, only insofar as defendant never proffers new arguments as to why the termination notices are invalid or why the grants could not be terminated. The declaratory judgment plaintiffs seek now therefore could not guarantee that UMG would accept the termination notices and cease exploitation of the sound recordings after the effective date of termination. In other words, the cloud of uncertainty would not necessarily be lifted fully.

Moreover, plaintiffs have not alleged why, other than it would presently halt defendant’s denials of the termination notice, the declaratory relief sought is necessary. While the

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Dow Jones & Co v. Harrods Ltd., 346 F.3d 357, 359 (2d Cir. 2003).

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Id. (citation omitted).

Court could speculate as to why it would be useful to resolve certain legal issues prior to the effective date of termination, no such reason has been alleged.⁵⁷

Plaintiffs' claim for declaratory relief is dismissed.⁵⁸

IV. *UMG Received Sufficient Notice of the Grants to be Terminated*

A. *Termination Notice Requirements*

A termination notice must contain a "clear identification" of certain information, including the "the date of execution of the grant being terminated and, if the grant covered the right of publication of a work, the date of publication of the work under the grant," "the title of the work and the name of the author," "a brief statement reasonably identifying the grant to which the notice of termination applies," and the effective date of termination.⁵⁹ A termination notice with incorrect information is valid if the errors were made in good faith and "without any intention to deceive,

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Compare Ray Charles Found v. Robinson, 795 F.3d 1109, 1117 (9th Cir. 2015) (alleging "that the notices of termination immediately clouded [the Foundation's] ability to assess its future income stream and to rely on the royalties") with FAC ¶ 86 (alleging that a declaratory judgment is necessary because defendant "repeatedly denied Plaintiffs' rights, and the rights of hundreds of class members, and has denied all of them the right to own the U.S. copyright in and to the sound recordings for the post-termination period.").

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When the complaint was filed on June 5, 2019, the effective date of termination had passed for the following albums: *Ignition* (Waite); *Honky Ton Masquerade*, *Down the Dog*, *Live Shots*, and *Musta Notta Gotta Lotta* (Ely); and *Kasim* (Sulton). *Id.* ¶¶ 32, 44, 54. While the case was pending, the effective dates of termination passed for *No Breaks* (Waite, June 16, 2019) and *Dawn of the Dickies* (the Dickies, September 12, 2019). *Id.* ¶¶ 37, 77. Assuming plaintiffs' termination notices were valid and that UMG has continued to distribute the recordings, plaintiffs now have an infringement claim. However, plaintiffs have not yet filed any such claims.

The effective dates of termination have not still not passed for *Mask of Smiles* (Waite, July 27, 2020) and *Surprise* (Straw, June 22, 2024). *Id.* ¶ 37, 70.

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37 C.F.R. § 201.10(b)(1).

mislead or conceal relevant information” and if the errors are harmless and “do not materially affect the adequacy of the information required to serve the purposes of [Section 203].”⁶⁰ This purpose is to award artists an opportunity to obtain a more equitable share of the copyright’s profits. But to do so, the grantee must be given “reasonable opportunity to identify the affected grant and work from the information given in the notice.”⁶¹

B. Plaintiffs’ Termination Notices

Defendant argues that each of plaintiffs’ terminations notices contain material omissions and errors rendering them invalid. The termination notices omit the dates of the relevant grants’ execution and list incorrect dates for the agreements governing the grants. As to the latter issue, Ely’s notice purports to terminate a grant “dated in or about 1978,” though defendant claims that the relevant albums were recorded under contracts from 1976, 1979, and 1980.⁶² Similarly, the other termination notices list dates that differ by one or two years from the actual agreements.⁶³

These defects are harmless. Despite the incorrect dates and omissions, defendant has sufficient notice as to which grants and works plaintiffs seek to terminate. While perhaps in other circumstances an omitted execution date could be fatal to the validity of a termination notice,

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Id. § 201.10(e).

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Termination of Transfers and Licenses Covering Extended Renewal Term, 42 Fed. Reg. 45916, 45918 (Sept. 13, 1977).

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See FAC Ex. C; Def’s. Mem. at 18-19.

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See FAC Exs. E, G, I; Def’s. Mem. at 18-19.

defendant possesses the relevant agreements and can discern the relevant dates.⁶⁴ Defendant cannot use the parties' agreements to claim that the statute of limitation bars plaintiffs claims and then feign ignorance of which grants plaintiffs purport to terminate. Here, viewing the facts in the light most favorable to plaintiffs, it is plausible that defendant can reasonably identify the grants and works plaintiffs seek to terminate.⁶⁵

Nor is there any sufficient basis for claiming that the errors were not made in good faith. Defendant argues that because plaintiffs' counsel is a purported "copyright termination expert" he presumably "knew what he was doing – namely, deliberately failing to comply with the Copyright Office's regulations."⁶⁶ This is a baseless attack. Plaintiffs assert that they no longer possessed the relevant agreements, an assertion that the Court must credit on this motion. Indeed, as the Copyright Office noted when promulgating 37 C.F.R. § 201.10, "we . . . must recognize that entirely legitimate reasons may exist for gaps in [grantor's] knowledge and certainty" of required termination notice contents.⁶⁷ Because the notices' defects were harmless and not made with an

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See Ransom Decl. Exs. A-K.

The Court recognizes that the harmless error provision necessarily assumes that there has been an error, that is, that a piece of incorrect information was included "in [the] notice." 37 C.F.R. § 201.10(e)(1). However, the Court does not read the provision so narrowly as to preclude a finding that an omission of a discrete piece of information can be harmless under the circumstances.

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Any grants not listed in both the FAC and termination notices governing the rights to the works are not alleged nor are "reasonably identified" in the grant. Plaintiffs cannot bring infringement claims based on these purported grants.

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Def's. Mem. at 20.

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Termination of Transfers and Licenses Covering Extended Renewal Term, 42 Fed. Reg. 45916, 45918 (Sept. 13, 1977).

intent to deceive, mislead, or conceal information, defendant's motion is denied as to its claim that plaintiffs' termination notices are facially invalid.

V. Grants May be Terminated Only by the Grantor

Only grants "executed by the author" (or the statutorily designated successor) may be terminated.⁶⁸ Therefore, third parties to a contract and loan-out companies, which "loan" out an artist's services to employers and enter into contracts on behalf of the artist, do not have a termination right under the statute.⁶⁹

It is undisputed that loan-out companies executed the Waite grants and that a third party company, South Coast, executed the grant for Ely's recordings made under his 1979 agreement.⁷⁰ In these instances, neither Waite nor Ely was the grantor. The plain language of the statute precludes either of these plaintiffs from effectuating termination.

Plaintiffs assert that Waite and Ely can terminate their grants despite their use of third parties. They contend that Waite and Ely issued a grant to the third parties, which then transferred the rights to UMG's predecessors. The third parties are thus, like UMG's predecessors, grantees rather than grantors. The FAC does not support this allegation.

Plaintiffs argue also that the loan-out company is only a tax-planning device. Even

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17 U.S.C. § 203(a).

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Great Entm't Merch., Inc. v. VN Merch., Inc., No. 95-cv-9333 (LBS), 1996 WL 355377, at *1 n.1 (S.D.N.Y. June 27, 1996). Loan-out companies are common in the entertainment industry. *Id.* The purpose of this corporate structure is to limit personal liability and secure tax treatment. *Id.*

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FAC ¶ 30; Ransom Decl. Ex. E.

so, people cannot use a corporate structure for some purposes – *e.g.* taking advantage of tax benefits – and then disavow it for others. While Waite and his loan-out companies, like Heavy Waite, Inc., perhaps are distinct entities only in a formal legal sense,⁷¹ the statutory text is clear: termination rights exist only if the *author* executed the grant. The Supreme Court recently reaffirmed that courts must adhere to the text the Copyright Act, even if the Act “has not worked as Congress likely envisioned.”⁷² The unambiguous text precludes Waite and Ely from terminating the copyrights granted by third parties. Defendant’s motion to dismiss claims related to grants executed by Waite’s loan-out companies or Ely’s third party company is granted.

VI. Ely Has Not Sufficiently Alleged that any Grants Executed Pursuant to his 1976 Agreement are Terminable under Section 203

Section 203's termination right extends only to grants executed on or after January 1, 1978, regardless of when the work was created.⁷³ The Copyright Act’s other termination provision, Section 304(c), pertains to terminating grants of renewal rights executed prior to January 1, 1978.⁷⁴ To terminate under Section 304(c), the work must have been created and copyrighted

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The other loan-out companies are Moonwalk Music, Inc. and Diamond Stripe, Inc. FAC Ex. B at 2.

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Fourth Estate Pub. Benefit Corp. v. Wall-Street.com, LLC, 139 S. Ct. 881, 892 (2019).

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17 U.S.C. § 203(a).

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Id. § 304(c).

before January 1, 1978.⁷⁵ The dynamic between Section 203 and 304(c) created a category of grants for which there was no termination right. These “gap grants” refer to those grants executed prior to January 1, 1978, but the work was created on or after January 1, 1978. Based on the grant execution date, Section 304(c), but not Section 203, is applicable. However based on the work’s creation date, the grant could be terminated only under Section 203. Accordingly, gap grants cannot be terminated under either provision.

The Copyright Office promulgated a rule in 2011 clarifying the issue: “In any case where an author agreed, prior to January 1, 1978, to a grant of a transfer or license of rights in a work that was not created until on or after January 1, 1978, a notice of termination of a grant under section 203 of title 17 may be recorded if it recites, as the date of execution, the date on which the work was created.”⁷⁶ In other words, the Copyright Office’s position is that “Gap Grants are terminable under section 203.”⁷⁷ However, the Copyright Office noted that its decision to accept recordation of termination notices for gap grants was “without prejudice to how a court might ultimately rule on whether the document is a notice of termination within the scope of Section 203.”⁷⁸ Courts have not yet addressed whether Section 203 applies to gap grants. For reasons that will become clear, the Court need not address it here.

Defendant argues that Ely’s grants transferred pursuant to his 1976 agreement are not

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Id.

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37 C.F.R. § 201.10(f)(1)(ii)(c).

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Gap in Termination Provisions, 76 Fed. Reg. 32316 (June 6, 2011).

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Id. at 32317.

terminable under Section 203.⁷⁹ Assuming *arguendo* that the Court adopted the Copyright Office's view, the termination notice must still contain the requisite information. Instead of the grant date's execution, under the 2011 Copyright Office regulation, Section 203 termination notices for gap grants must contain "the date on which the work was created."⁸⁰ "Sound recordings are created for purposes of the Copyright Act on the date they are 'fixed,' or recorded."⁸¹ Ely's termination notice includes only the publication date⁸² and the FAC alleges the release" date.⁸³ "Publication" refers to the distribution or transfer of ownership, not to the creation of a work.⁸⁴ Nor does "release" indicate when the work was "created." Ely's termination notice is thus insufficient.

A footnote in defendant's brief reveals that "UMG's documents reflect [that Ely's] sound recordings [made pursuant to the 1976 agreement] were recorded in 1977."⁸⁵ For the reasons stated above, that defendant has the missing information renders the omission harmless. However, if this date is correct, then this pre-1978 creation is not covered by Section 203, even as a gap

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Under this agreement, Ely granted a transfer of the copyright in the sound recordings comprising the album *Honky Tonk Masquerade*. FAC ¶ 42.

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37 C.F.R. § 201.10(f)(1)(ii)(c).

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Mtume v. Sony Music Entertainment, No. 18-cv-6037 (ER), 2019 WL 4805925, at *3 (S.D.N.Y. Sept. 30, 2019) (citation omitted); *see also* 17 U.S.C. § 101 ("A work is 'created' when it is fixed in a copy or phonorecord for the first time.').

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FAC Ex. C at 3.

83

FAC ¶ 42.

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See 17 U.S.C. § 101.

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Def's. Mem. at 27 n.13.

grant.⁸⁶ Therefore, either the 1977 date is correct and the notice's deficiency is a harmless error, but outside the scope of Section 203, or the date is incorrect, but the termination notice is invalid because the "creation date" is not alleged, inhibiting UMG's ability to determine which grant and work Ely seeks to terminate. Accordingly, defendant's motion is granted as to sound recordings made pursuant to Ely's 1976 agreement that were created prior to January 1, 1978.

Conclusion

For the reasons stated above, defendant's motion to dismiss [DI 49] is granted as to (1) plaintiffs' request for declaratory relief; (2) Waite and Ely's claims based on grants transferred by third parties; and (3) Ely's claim related to his 1976 agreement for sound recordings that were created prior to January 1, 1978. Defendant's motion is denied in all other respects.

SO ORDERED.

Dated: March 31, 2020

/s/ Lewis A. Kaplan

Lewis A. Kaplan
United States District Judge

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See Gap in Termination Provisions, 76 Fed. Reg. 32316 (June 6, 2011) (explaining that gap grants refer to when an "author agreed to make a grant prior to January 1, 1978, but the work in question was *created* on or after January 1, 1978.") (emphasis added).

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

----- x
JOHN WAITE, etc., et al.,

Plaintiffs,

-against-

19-cv-1091 (LAK)

UMG RECORDINGS, INC., etc., et al.,

Defendants.
----- x

MEMORANDUM OPINION

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LEWIS A. KAPLAN, *District Judge*.

In the music recording industry, artists commonly sign agreements with record labels in which the artists agree that the companies will own the copyright to sound recordings made pursuant to those agreements. These grants allow the companies to distribute and sell the artists' sound recordings.

Section 203 of the Copyright Act of 1976 provides an author a right to terminate such a grant of copyright thirty-five years after the grant's execution, or forty years thereafter if the grant covers the right of publication, if certain conditions are met.¹ As the Court has explained previously, “[t]ermination is not automatic. The earlier grant will remain in effect absent a termination notice. . . . Upon the effective date of termination [listed in the notice], the grant is terminated and the copyright reverts to the author.”²

Plaintiffs allege that defendant has ignored their valid termination notices and has continued to market and sell plaintiffs' sound recordings following the effective dates of termination, thereby infringing upon their copyrights. In a prior opinion, familiarly with which is assumed, the Court granted in part and denied in part defendant's motion to dismiss the First Amended Complaint (“FAC”).³ Plaintiffs now move to amend their complaint in order to add additional parties, assert infringement claims with respect to the sound recordings identified previously in the FAC for which the effective dates of termination now have passed, “streamline

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17 § U.S.C. 203.

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Waite v. UMG Recordings, Inc., No. 19-cv-1091 (LAK), 2020 WL 1530794, at *2 (S.D.N.Y. Mar. 31, 2020) (citation omitted).

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Id. at *10.

and refine” their class allegations, and cure the deficiencies identified in the Court’s ruling on the motion to dismiss.

Defendant objects to the following aspects of the Proposed Second Amended Complaint (“PSAC”): (1) joinder of three additional named plaintiffs, (2) joinder of Capitol Records, LLC (“Capitol”), a UMG affiliate, as a defendant, (3) allegations that plaintiffs John Waite and Joe Ely made certain grants directly, rather than through or by third parties, (4) allegations concerning Ely’s 1976 agreement, known as a “gap grant,” and (5) clarification of the alleged need for declaratory relief.

I. Legal Standards

When, as here, a party is not entitled to amend its complaint as a matter of course, it may do so “only with the opposing party’s written consent or the court’s leave.”⁴ Under Rule 15(a), leave to amend should be “freely give[n].”⁵ The Second Circuit has instructed that a motion to amend “should be denied only for such reasons as undue delay, bad faith, futility of the amendment, and perhaps most important, the resulting prejudice to the opposing party.”⁶

Undue delay may be an appropriate basis to deny an amendment where “the motion is made after an inordinate delay, no satisfactory explanation is offered for the delay, and the

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FED. R. CIV. P. 15(a)(2).

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Id.

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Aetna Cas. and Sur. Co. v. Aniero Concrete Co., Inc., 404 F.3d 566, 603 (2d Cir. 2005) (citation omitted).

amendment would prejudice the defendant.”⁷ “[A]bsent a showing of bad faith or undue prejudice,” however, “mere delay does not provide a basis for a district court to deny the right to amend.”⁸

When considering whether an amendment would be unduly prejudicial to an opposing party, the district court should consider whether the amendment would “(i) require the opponent to expend significant additional resources to conduct discovery and prepare for trial; (ii) significantly delay the resolution of the dispute; or (iii) prevent the plaintiff from bringing a timely action in another jurisdiction.”⁹ However, “[t]he adverse party’s burden of undertaking discovery, standing alone, does not suffice to warrant denial of a motion to amend a pleading.”¹⁰

“An amendment to a pleading is futile if the proposed claim could not withstand a motion to dismiss pursuant to [Federal Rule of Civil Procedure] 12(b)(6).”¹¹ This inquiry thus turns on whether the proposed allegations state a claim upon which relief can be granted.

Defendant argues that plaintiffs’ motion is governed by Rule 16 rather than by Rule 15. Rule 16 is relevant to a motion to amend where “a scheduling order governs amendments to the complaint, and a plaintiff wishes to amend after the deadline to do so has passed[.]”¹² Here, the

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Cresswell v. Sullivan & Cromwell, 922 F.2d 60, 72 (2d Cir.1990).

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Pasternack v. Shrader, 863 F.3d 162, 174 (2d Cir. 2017) (citation omitted).

9

Id. (citation omitted).

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U.S. ex rel. Maritime Admin. v. Cont’l Ill. Nat’l Bank & Trust Co., 889 F.2d 1248, 1255 (2d Cir. 1989).

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Lucente v. Int’l Bus. Machs. Corp., 310 F.3d 243, 258 (2d Cir. 2002).

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BPP Illinois, LLC v. Royal Bank of Scotland Grp. PLC, 859 F.3d 188, 195 (2d Cir. 2017); see also *Parker v. Columbia Pictures Indus.*, 204 F.3d 326, 340 (2d Cir. 2000).

scheduling order did not establish a deadline for amending the complaint or for the joinder of additional parties.¹³ The Court thus will evaluate plaintiffs' motion against Rule 15's standard.¹⁴

II. Joinder of Additional Parties

When a proposed amendment would add new parties, Rule 21, rather than Rule 15, governs. Under Rule 21, new parties may be added "at any time, on just terms[.]"¹⁵ In considering motions under Rule 21, courts apply the same liberal standard afforded to motions to amend under Rule 15(a).¹⁶ Similarly, while leave to add parties should be "freely given," a court's refusal to grant leave to do so "is justified on the grounds of . . . undue delay and undue prejudice."¹⁷

A. Joinder of The Dream Syndicate Members as Plaintiffs

Plaintiffs seek to join three additional individuals as named plaintiffs: Steven Wynn, Dennis Mehaffey, and David Pellish, who together performed as the band The Dream Syndicate.

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DI 65.

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See, e.g., Contera v. Langer, 314 F. Supp. 3d 562, 576 n.6 (S.D.N.Y. 2018); *see also Ramsay-Nobles v. Keyser*, No. 16-cv-5778 (CM), 2018 WL 6985228, at *7 (S.D.N.Y. Dec. 18, 2018) ("Courts since *Parker* have interpreted that case to stand for the proposition that the 'good cause' standard is permitted but not mandated when a party seeks to amend its pleadings after the deadline set in the scheduling order." Therefore, "[w]hen granting leave to amend, a trial court may choose to apply the 'good cause' standard and consider only the moving party's diligence, but it also has discretion to consider factors that are typically part of the Rule 15(a) analysis.")

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FED. R. CIV. P. 21.

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Sly Magazine, LLC v. Weider Publications L.L.C., 241 F.R.D. 527, 532 (S.D.N.Y. 2007).

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Id. (citing *Foman v. Davis*, 371 U.S. 178, 182 (1962)).

Plaintiffs contend that these additions would “serve an important role in buttressing the claims alleged by other Plaintiffs” and would “not materially change the scope of the case or the alleged classes.”¹⁸ Defendant objects to the amendment on the grounds that plaintiffs have not demonstrated “good cause,” as it claims is required under Rule 16, and that defendant would be prejudiced by the additional discovery that would be required.

As a threshold matter, plaintiffs’ proposed amendment is governed by Rule 21, and informed by Rule 15 for the reasons explained above. Accordingly, plaintiffs’ amendment must be considered in light of Rule 15’s liberal standard, and not Rule 16’s more demanding “good cause” standard.

Plaintiffs do not contest defendant’s claim that they were aware of the Dream Syndicate members prior to filing the original complaint, and could have added them as plaintiffs far earlier in the litigation, rather than in proximity to the initial discovery deadline. On balance, however, this delay would not result in significant prejudice to defendant. Plaintiffs represent that the addition of the Dream Syndicate plaintiffs would require limited discovery warranting less than two days of depositions. Moreover, their joinder would not alter the scope of the claims against defendant, as they would be substantially similar to others raised already by other named plaintiffs. Finally, plaintiffs have not moved yet for class certification, and jury trials have been suspended indefinitely in this district due to the COVID-19 pandemic. In light of these considerations, and mindful of the liberal standard against which this amendment must be judged, the Court will grant plaintiffs’ motion as to the joinder of the Dream Syndicate plaintiffs.

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DI 74 at 8.

B. Joinder of Capitol as a Defendant

Plaintiffs seek to join Capitol based upon discovery and defendant's representations that Capitol is the property party with respect to certain claims.

It is undisputed that the parties first discussed adding Capitol as a defendant in December 2019, five months before this motion was filed. Plaintiffs contend that the intervening delay was due to defendant's refusal to produce documents to substantiate its contention that Capitol, rather than UMG, in some instances would be the proper party. On July 13, 2020, the Court granted plaintiffs' motion to compel production of certain documents, including those related to Capitol.¹⁹

Defendant consents to the addition of Capitol, subject to the conditions that (1) plaintiffs be required to plead separate classes or subclasses as to each of UMG and Capitol, and (2) the addition not disrupt the current pretrial and trial schedule or otherwise delay the case or prejudice defendant.

The conditions that defendant proposes are unnecessary and impractical. First, creating separate subclasses, if necessary, can be achieved at the class certification stage. Second, a commitment to maintaining the current trial schedule will not be feasible given the ongoing COVID-19 pandemic. Moreover, the discovery deadline has been adjusted already.²⁰

Even absent these conditions, UMG would not suffer any undue prejudice from adding Capitol as a defendant. As indicated above, UMG has been aware for several months that some of plaintiffs' claims implicate Capitol. Moreover, UMG has been compelled to produce

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DI 83.

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DI 84, 86.

Capitol's documents. While plaintiffs perhaps should have acted more expeditiously, UMG would not be prejudiced unduly by the addition of Capitol as a defendant. Plaintiffs may amend their complaint accordingly.

III. Waite and Ely's Claims Involving Third Party Agreements

Only a "grant of a transfer or license of copyright or any right under a copyright, executed by the author" is subject to termination under Section 203.²¹ Thus, by the statute's terms, "third parties to a contract and loan-out companies, which 'loan' out an artist's services to employers and enter into contracts on behalf of the artist, do not have a termination right under the statute."²²

The FAC alleged that Waite entered into agreements with the recording studios through various loan-out companies and that Ely entered into his 1979 agreement through a third party company, South Coast. These agreements granted copyright to the recording studios. In other words, in these instances, the "grant of a transfer . . . of a copyright" was made by the third party companies, thereby making the third parties the grantors and the recording studios the grantees. Accordingly, the Court dismissed plaintiffs' claims based on those third party agreements.

Those agreements contained provisions stating that works made pursuant to those agreements were "made for hire."²³ The PSAC alleges that the recording companies recognized that

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17 U.S.C. § 203(a).

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Waite, 2020 WL 1530794, at *8 (citing 17 U.S.C. § 203(a)).

²³

PSAC [DI 74-2] ¶¶ 71, 98, 128, 187.

this language was insufficient to establish that the works were “made for hire” and therefore insisted on certain additional contractual provisions, inducement letters, and declarations in order to ensure that the recording companies received the grants.²⁴ Plaintiffs contend that those documents were “direct, personal grant[s] of copyright” by Waite and Ely to the recording companies.²⁵ Accordingly, plaintiffs argue that the new allegations are sufficient to bring their grants within Section 203's scope.

The relevant Waite agreements were entered into through the loan-out companies Heavy Waite, Inc., Moonwalk Music, Inc., and Diamond Strife, Inc. The PSAC cites to a paragraph within each of those agreements by which the loan-out company agreed to “cause” Waite to execute and deliver any assignments of copyright to the recording company or agreed to “cause” Waite to execute a declaration of power of attorney.²⁶

In connection with each those agreements, Waite signed inducement letters. The PSAC alleges that Waite signed these letters “as an alternative and reliable means to effect a transfer to [the recording company] of the copyright in and to the subject sound recording.”²⁷ The letter associated with the Heavy Waite agreement stated that if the loan-out company “ceased to be entitled to [Waite’s] recording services in accordance with the terms of the Agreement” or “fail[ed] or refus[ed] to furnish [Waite’s] recording services,” Waite would “do all such acts and things as

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Id. ¶¶ 78, 107, 135, 193.

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Id. ¶¶ 77, 106, 134, 192.

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Id. ¶¶ 73, 101, 129.

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Id. ¶¶ 74, 103.

shall give to [the recording company] the same rights, privileges and benefits as [it] would have had under the Agreement[.]”²⁸ The inducement letters related to the Moonwalk Music and Diamond Strife agreements contained nearly identical language.²⁹ The three loan-out companies have not been in good standing for at least twenty-eight years.³⁰

The PSAC alleges also that Waite signed declarations included as exhibits with the Moonwalk Music and Diamond Strife contracts in which he agreed that “to the extent, if any, that [he] may be deemed an ‘author’ of any Work, [he] grant[s] and assign[s] to [the recording company] all exclusive right, title and interest in and to such Work throughout the universe, including, but not limited to, all rights of the owner of copyright specified in 17 U.S.C. § 106.”³¹

Ely entered into an agreement with South Coast for Ely’s recording services, and South Coast then entered into an agreement with the recording company.³² In connection with the latter agreement, Ely too signed an inducement letter. One paragraph of that letter provided that “[i]f, during the Agreement [between the recording company and South Coast] or any extensions or renewals thereof, [South Coast] shall cease to be entitled to [Ely’s] recording services in accordance with the terms of said Agreement, or if [South Coast] shall fail or refuse to convey any of [Ely’s] recordings to [the recording company],” Ely would give the recording company the same

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Id. ¶ 75.

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Id. ¶¶ 104, 132.

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Id. ¶¶ 88, 117, 145.

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Id. ¶¶ 102, 130.

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Id. ¶¶ 182-83.

rights, privileges, and benefits as it was entitled to receive under the South Coast Agreement.³³ Plaintiffs allege also that South Coast ceased to be in good standing as of February 20, 1984.³⁴

As explained in the Court's prior opinion, the agreements at issue were between the recording company and *the third party*. And therefore it was the *third party*, not the artist, that granted the transfer of copyright. The PSAC's citation to paragraphs within those same agreements would not alter this conclusion.

Nor would the inducement letters. The PSAC cites to provisions of the letters in which Ely and Waite agreed to ensure that the recording companies maintained the privileges and benefits as set forth in the original agreements in the event that the loan-out companies or South Coast were no longer entitled to the artists' services. Even viewed in the light most favorable to plaintiffs, this is not an allegation that Waite or Ely made any direct grant of their copyrights at the time the inducement letters were signed. Rather, it was a promise of future actions if certain contingencies came to pass. And although the loan-companies and South Coast no longer are in good standing, and therefore perhaps no longer are entitled to the artists' services, this circumstance would not change the fundamental fact that Ely and Waite themselves did convey the copyright to the recording companies through their inducement letters.

The Moonwalk and Diamond Strife declarations are similarly of no avail. The prior opinion rejected the claim that the agreements between the recording company and the loan-out companies were direct grants by the artists. The PSAC's reference to a conditional grant from one paragraph of one exhibit to those agreements does not change the undisputed fact that the

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Id. ¶ 191.

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Id. ¶ 209.

agreements themselves were made between the loan-out companies – not the artists – and the recording company. Moreover, while the PSAC alleges that *Waite* agreed to the contents of these declarations, the declaration associated with Moonwalk Music agreement lists *Moonwalk Music* as the signatory, and is signed by “Richard B. Smith,” the vice president of the company (according to the signature block).³⁵ This further undermines plaintiffs’ allegation that the declaration was a direct grant between the *artist* Waite and the recording company.

For the reasons set forth above, adding the amendments related to the third party agreements would be futile.

IV. Ely’s Claims Involving the 1976 Agreement

Regardless of when a work was created, a grant of copyright can be terminated under Section 203 only if the grant was “executed” on or after January 1, 1978.³⁶ Section 304 of the Copyright Act sets forth the process for terminating grants of renewal rights executed prior to January 1, 1978 for works that were created and copyrighted prior to January 1, 1978.³⁷ Accordingly, a work created on or after January 1, 1978, but pursuant to an agreement made prior to January 1, 1978, falls into a “gap” that is not covered explicitly by either termination provision.

Recognizing this problem, the Copyright Office in 2011 promulgated a rule that it accepts for recordation under Section 203 termination notices for these “gap grants” with respect

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PSAC Ex. 2. Documents attached to a complaint are appropriately considered by reference, without converting the motion into one for summary judgment. *Chambers v. Time Warner, Inc.*, 282 F.3d 147, 152 -53 (2d Cir. 2002).

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17 U.S.C. § 203(a).

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Id. § 304.

to works created after on or after January 1, 1978.³⁸ This conclusion rested on the meaning of “executed” within the context of Section 203. The Copyright Office reasoned that there is no copyright interest that can be transferred or assigned until a work is actually created. Hence, “the grant is not executed until the work is created.”³⁹ Thus, under the Copyright Office’s interpretation of Section 203, anything created (“executed”) on or after January 1, 1978 comes within the provision’s scope. Accordingly, the Copyright Office took the position that “gap grants are terminable under Section 203.”⁴⁰ But the Office’s rule pertained only to its acceptance and recordation of gap grants. As it explained in the publication of the final rule, its decision to record termination notices for gap grants for works created on or after January 1, 1978 was “without prejudice as to how a court might ultimately rule on whether the document is a notice of termination within the scope of Section 203.”⁴¹ In other words, the rule was not a merits-based determination, as a matter of law, that gap grants are terminable under Section 203.⁴² Resolution of that issue, it explained, would be left to the courts or to Congress.⁴³ To date, Congress has not acted and the Court is not aware of any courts that have considered whether gap grants are terminable under

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37 C.F.R. § 201.10(f)(1)(ii)(c).

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U.S. Copyright Office, *Analysis of Gap Grants under the Termination Provisions of Title 17*, <http://copyright.gov/reports/gap-grant-analysis.pdf> at 1 (Dec. 7, 2010).

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Gap in Termination Provisions, 76 Fed. Reg. 32316 (June 6, 2011).

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Id. at 32320.

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Id.

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Id.

Section 203. The determination of whether gap grants are terminable thus falls to the courts.⁴⁴

A. *Whether Gap Grants are Terminable under Section 203*

“As with any question of statutory interpretation, we begin with the text of the statute to determine whether the language at issue has a plain and unambiguous meaning.”⁴⁵ The plain meaning “does not turn solely on dictionary definitions of [the statute’s] component words,” but is affected also by “the specific context in which that language is used, and the broader context of the statute as a whole.”⁴⁶

Defendant argues that “executed” within the meaning of Section 203 unambiguously means “signed.” This contention is consistent with a common and plain meaning of the word. Further, “executed” is used synonymously with “signed” in other parts of the Copyright Act, and the legislative history reveals that Congress used “execution of the grant” and “signing”

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To the extent that defendant suggests, in light of the Copyright Office’s interpretation of “execute,” that the Court must engage in a *Chevron* analysis, such an analysis would be unnecessary here. *Chevron* requires a court to consider an agency’s interpretation of a statute. If a statute is ambiguous, the court considers whether, or to what extent, the agency’s interpretation is entitled to deference. However, the question before the Court is whether gap grants are terminable, not whether the Office’s rule that it will accept and record termination notices for gap grants is a reasonable interpretation of the Copyright Act. While the terminability of gap grants was considered by the Copyright Office in its analysis of the rule – indeed, as indicated above, the agency reached a conclusion on that issue – the rule itself was limited to the recordation of termination notices. As the Office noted, permitting recordation of termination notices for gap grants “permits the terminating party to move forward based upon a reasonable interpretation of the statute,” but “[i]f there is any dispute . . . of notices of termination of gap grants in general,” that dispute “should be settled in the courts[.]” Gap in Termination Provisions at 32320. Accordingly, the Court must consider the statutory text of Section 203 directly, rather than through the lens of whether it should adopt the Copyright Office’s interpretation.

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Louis Vuitton Malletier S.A. v. LY USA, Inc., 676 F.3d 83, 108 (2d Cir. 2012).

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Yates v. United States, 574 U.S. 528, 537 (2015).

interchangeably. Accordingly, defendant argues recordings made under Ely's grant that was "executed" (or signed) in 1976 cannot be terminated.

While defendant correctly notes that "execute" can mean "to sign," that is not its only meaning. It is defined also as "to perform or complete (a contract or duty)"⁴⁷ and to "put completely into effect."⁴⁸ And in the context of Section 203's applicability to gap grants, "execute" does not unambiguously mean "to sign." This is evident when one considers a fundamental principle of copyright law: copyright protection is bestowed upon works "fixed in any tangible medium of expression."⁴⁹ If a work does not exist when the parties enter into a transfer or assignment agreement, there is no copyright that an artist (or third party company) can transfer, assign or, in other words, "put into effect."

The "broader context" of Section 203 underscores why Congress did not intend for "execute," as used in that provision, to mean "sign." It created Section 203's termination right so that an author would have an opportunity to share in the economic success of his or her works decades later.⁵⁰ It therefore seems unlikely that Congress intended to preclude authors from having that right simply because they "signed" grants for works created in the "gap" caused by the interaction between Sections 203 and 304. As one comment to the Copyright Office's proposed rule explained, "[t]o more closely align Congressional intent with the actual language, it would appear

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BLACK'S LAW DICTIONARY (11th ed. 2019).

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Merriam-Webster.com, <https://www.merriam-webster.com/dictionary/execute> (last visited July 14, 2020).

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17 U.S.C. § 102(a).

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H.R. Rep. No. 94-1476, 124 (Sept. 3, 1976).

necessary. . . to interpret the date of such ‘grant’ not as the date of the documentation evidencing the intent to make a future grant, but rather, when such grant achieves legal operation, namely, upon creation of the subject matter of the grant[.]”⁵¹

For the foregoing reasons, the Court concludes that works created on or after January 1, 1978 pursuant to agreements entered into before that date are terminable under Section 203.⁵²

B. Whether the Error is Harmless

A termination notice must include the execution date, among other information.⁵³ In accordance with the 2011 rule, the Copyright Office requires that a termination notice for gap grants include as the execution date “the date on which the work was created.”⁵⁴ “Sound recordings are created for purposes of the Copyright Act on the date they are ‘fixed,’ or recorded.”⁵⁵

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Analysis of Gap Grants under the Termination Provisions of Title 17 at 1.

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For the sake of clarity, this is not a conclusion that “executed” is synonymous with “created” within the meaning of Section 203. Nor does the Court’s interpretation eliminate the need for there to be a signed contract in which the parties agree to a transfer for a grant of copyright. Instead, the analysis is limited to the question of how to determine whether an execution date falls “on or after January 1, 1978.”

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37 C.F.R. § 201.10(b)(2).

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Id. § 201.10(f)(1)(ii)(C).

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Mtume v. Sony Music Entertainment, No. 18-cv-6037 (ER), 2019 WL 4805925, at *3 (S.D.N.Y. Sept. 30, 2019) (citation omitted); *see also* 17 U.S.C. § 101 (“A work is ‘created’ when it is fixed in a copy or phonorecord for the first time.”).

A defect in a termination notice will be excused if the error is harmless.⁵⁶ An error is harmless if it was made in good faith and “without any intention to deceive, mislead or conceal relevant information” and if the error does not “materially affect the adequacy of the information required to serve the purposes of [Section 203].”⁵⁷ One such purpose is “to award artists an opportunity to obtain a more equitable share of the copyright’s profits.”⁵⁸ However, “the grantee must be given reasonable opportunity to identify the affected grant and work from the information given in the notice.”⁵⁹

The termination notice for Ely’s works created under the terms of his 1976 agreement did not include an execution date or otherwise indicate the date on which the works were created.⁶⁰ Nor did the FAC allege when the sound recordings were created.⁶¹ Hence, on the motion to dismiss, even under the Copyright Office’s view as to gap grants, Ely’s termination notice involving the 1976 agreement contained an error: it did not include the date on which the work was created.⁶²

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37 C.F.R. § 201.10(e).

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Id.

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Waite, 2020 WL 1530794, at *7.

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Id. (citing Termination of Transfers and Licenses Covering Extended Renewal Term, 42 Fed. Reg. 45916, 45918 (Sept. 13, 1977)).

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Id. at *9.

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Id.

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Id. at *9-10.

The Copyright Office recorded Ely’s termination notice, despite this defect. PSAC ¶¶217-18. The Court takes no position on whether the notice properly was recorded, and instead

The analysis would have ended there, if it were not for defendant's own records, which revealed that the recordings made pursuant to Ely's 1976 agreement were created in 1977. If the 1977 creation date proffered by defendant was correct, then its omission from the termination notice would have been a harmless error because, based on its own documents, defendant reasonably could "identify the affected grant and work."⁶³ However, if the 1977 creation date alleged by defendant was accurate, it would be true also that "this pre-1978 creation is not covered by Section 203, even as a gap grant."⁶⁴ If the date was incorrect, then defendant may not have been able sufficiently to identify the relevant information, since that information was neither in its records nor alleged by plaintiffs. Therefore, the Court dismissed "Ely's claim related to his 1976 agreement for sound recordings that were created prior to January 1, 1978."⁶⁵

The PSAC now alleges creation dates for two sound recordings recorded under the 1976 contract. Plaintiffs concede that defendant was correct that at least one of the sound recordings made under the 1976 agreement was created in 1977, and they no longer seek to enforce the termination notice as to that album. However, they now allege that two other recordings made under the terms of the 1976 agreement were created "after December 31, 1977" and in February 1980.⁶⁶

considers only whether the notice's defect was harmless.

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Termination of Transfers and Licenses Covering Extended Renewal Term, 42 Fed. Reg. 45916, 45918 (Sept. 13, 1977).

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Waite, 2020 WL 1530794, at *10.

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Id.

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PSAC ¶¶ 179-80.

There is no indication that the errors at issue here were made in bad faith or with any intent to deceive or conceal. Indeed, the Copyright Office has acknowledged that artists may find it difficult to establish the date of creation.⁶⁷ Moreover, defendant now possesses the information it needs to identify the relevant grant well before class certification and trial. As the Court explained previously, an error may be harmless when the recording company can “reasonably identify the grants and works plaintiffs seek to terminate.”⁶⁸ Taken together, the error here was harmless.

Accordingly, adding the amendments related to Ely’s 1976 agreement would not be futile. Nor would defendant be prejudiced by any delay in light of the extended schedule. Leave to amend as to these claims will be granted.

V. Claim for Declaratory Relief

District courts have broad discretion over whether to entertain a declaratory judgment action.⁶⁹ Factors relevant to this determination include “whether the judgment will serve a useful purpose in clarifying or settling the legal issues involved” and “whether a judgment would finalize the controversy and offer relief from uncertainty.”⁷⁰

The FAC purported to bring claims on behalf of two groups of plaintiffs. The first consisted of recording artists who had served termination notices for which the effective dates of

⁶⁷

Gap in Termination Provisions at 32318.

⁶⁸

Waite, 2020 WL 1530794, at *8.

⁶⁹

Dow Jones & Co v. Harrods Ltd., 346 F.3d 357, 359 (2d Cir. 2003).

⁷⁰

Id. (citation omitted).

termination had passed. The second group was comprised of artists with sound recordings for which the effective dates of termination had not passed when the FAC filed. The latter group sought only a declaratory judgment.

The Court dismissed the claim declaratory relief.⁷¹ In doing so, it explained that the relief those plaintiffs sought would not necessarily have resolved the controversy entirely. Specifically, it noted that since the requested declaratory judgment was tailored to address the various grounds defendant cited when rejecting the termination notices, the relief sought would eliminate uncertainty only insofar as “defendant never proffers new arguments as to why the termination notices are invalid or why the grants could not be terminated.”⁷² Accordingly, declaratory relief “could not guarantee that UMG would accept the termination notices and cease exploitation of the sound recordings after the effective date of termination.”⁷³ The Court explained also that it was unclear how declaratory relief would be useful based on the singular allegation that defendant “repeatedly denied Plaintiffs’ rights, and the rights of hundreds of class members, and has denied all of them the right to own the U.S. copyright in and to the sound recordings for the post-termination period.”⁷⁴

The PSAC would seek a declaratory judgment on behalf of artists who have served termination notices with effective dates occurring on or after the date of class certification, but no

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Waite, 2020 WL 1530794, at *7.

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Id. at *6.

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Id.

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Id. at *7 (quoting FAC ¶ 86).

later than December 31, 2030.⁷⁵ Members of this putative “Class B” request a declaration that (1) “their notices of termination are valid,” (2) “the dates of termination in the notices are effective,” (3) “their termination rights vested,” and (4) “defendants’ disregard of [their rights] violates the Copyright Act.”⁷⁶ The validity of the termination notice depends in part on whether the works were “made for hire.” This is addressed more directly in their prayer for relief, which includes “declaratory relief, regarding the legal issues described in paragraphs 314-322,”⁷⁷ which relate to allegations that Class B named plaintiff Syd Straw’s works were not “made for hire.”

Defendant argues that the claims of Class B plaintiffs can not be resolved fully until after their effective dates of termination has passed. Only upon these dates would those plaintiffs be able to recapture their copyrights, assuming the termination notices were recognized by defendant. However, resolution of the issues identified in the PSAC still would not ensure that defendant would not assert additional grounds to reject the termination notices, or that defendant would (or would not) continue to exploit the sound recordings following the termination dates. Therefore, defendant argues that the uncertainty could not be fully and finally addressed through plaintiffs’ claim for declaratory relief regardless of any new allegations, .

Defendant’s arguments are not without merit. Indeed, lingering uncertainty will remain even if plaintiffs obtain the declaratory judgment they seek. However, unlike the FAC, the

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PSAC ¶ 47. Class A is comprised of artists with sound recordings for which the respective effective dates of termination occurred on or after January 1, 2013 and prior to the date of class certification. This class asserts a copyright infringement claim. *Id.*

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Id. ¶ 328.

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Id. Prayer for Relief ¶ B.

PSAC alleges why a declaratory judgment would reduce uncertainty in a meaningful way, even though it would not offer complete relief from it. For example, the PSAC alleges that:

“[D]efendants’ legal position is centrally dependent upon their contention that the recordings at issue are ‘works made for hire[.]’ If Defendants are able to prove that issue, then there is no termination right available and the Notices of Termination served by the members of Class B are invalid. On the other hand, if Defendants are unable to prove that the recordings are ‘works made for hire,’ then the members of Class B seek to be protected from future infringement and potential piecemeal litigation from Defendants on the identical or substantially similar defensive positions.”⁷⁸

The PSAC alleges also that defendant has engaged in “virtually identical conduct” with respect to Classes A and B, suggesting that defendant similarly will disregard the termination notices of Class B members and allegedly infringe upon their copyrights.⁷⁹ In addition, it alleges that defendant has been consistent in its reasons for rejecting the termination notices and has “not advanced any defenses or arguments beyond or outside of the detailed arguments” asserted in its response to plaintiffs’ termination notices.⁸⁰ Further, the new allegations go far beyond the FAC’s singular allegation as to why a declaratory judgment would be useful, despite some lingering uncertainty.

These include that:

- Defendant has created an actual and immediate disagreement with named plaintiff (Straw), and the putative members of Class B, “by accusing them of anticipatory breach of contract and/or asserting repudiation claims arising from defendant[‘s] inclusion of “work made for hire language and related representations in the underlying recording agreements”;
- defendant has stated clearly its intention not to honor the notices of termination following the effective dates of termination;

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Id. ¶ 329.

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Id.

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Id.

- “the requested declaratory relief would determine in all material respects and/or completely the validity of the termination notices, the effective dates of termination and the vesting of termination rights,”
- without declaratory relief, the putative members of Class B will be unable to calculate the value of their rights “given the future, indeterminate litigation cloud hanging over their rights”;
- class members, most of whom are “well over 60 years of age,” will be “substantially aided” in developing their estate plans with respect to the rights to their sound recordings;
- “without the certainty of the requested declaratory relief, any estate or tax planning cannot be fully realized or relied upon”; and that
- permitting plaintiffs’ claim for declaratory relief will avoid the need for future “piecemeal” litigation each time an effective date of termination arrives.⁸¹

These sufficiently allege why resolving certain legal issues prior to the effective dates of termination would be useful even if not a complete solution. Accordingly, the balance of factors affecting the exercise of the Court’s discretion has shifted in favor of entertaining the declaratory relief claim. In all the circumstances, this proposed amendment would not be futile. Nor would it prejudice or delay defendant for the same reasons as explained previously. Accordingly, plaintiffs will be granted leave to assert their declaratory judgment as to Class B.

Conclusion

Plaintiffs’ motion for leave to file a second amended complaint [DI 73] is granted to the extent that plaintiffs may amend to: (1) assert allegations to which there have been no objection, (2) add Steven Wynn, Dennis Mehaffey, and David Pellish as named plaintiffs, (2) add

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Id. ¶¶ 329-32.

Capitol as a defendant, (3) add allegations concerning sound recordings made pursuant to Ely's 1976 agreement that are alleged to have been created on or after January 1, 1978,⁸² and (4) the proposed claim for declaratory relief. Plaintiffs shall file a second amended complaint conforming to this ruling no later than August 31, 2020.

SO ORDERED.

Dated: August 10, 2020



Lewis A. Kaplan
United States District Judge

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The PSAC references the Ely album *Hi-Res*. *Id.* ¶ 219. However, it does not allege whether that album was recorded pursuant to the South Coast agreement or to the 1976 agreement. To the extent that it was recorded under the 1976 agreement, plaintiffs must allege a creation date. If it was recorded pursuant to the South Coast agreement, the termination claim as to that album fails for the reasons explained above.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

----- x
JOHN WAITE, an individual, et al.,

Plaintiffs,

-against-

UMG RECORDINGS, INC., et al.,

Defendants.
----- x

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MEMORANDUM OPINION

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LEWIS A. KAPLAN, *District Judge.*

When Victor Willis co-wrote the lyrics to the “Y.M.C.A.,” he did not expect it to become a cultural icon that would be honored one day as a work of historical significance in the Library of Congress’s National Recording Registry.¹ For decades, most of the profits went to the record labels to which Willis transferred his copyright in exchange for their publishing and commercializing the song.² Years later, however, Willis regained ownership of the copyright

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Neely Tucker, *National Recording Registry: It’s Victor Willis, Mr. “Y.M.C.A.”!*, Library of Congress, Mar. 25, 2020, <https://blogs.loc.gov/loc/2020/03/national-recording-registry-its-victor-willis-mr-y-m-c-a/>.

2

Larry Rohter, *A Village Person Tests the Copyright Law*, N.Y. Times, Aug. 16, 2011, <https://www.nytimes.com/2011/08/17/arts/music/village-people-singer-claims-rights-to-y-mca.html>; *see also Scorpio Music S.A. v. Willis*, No. 11-cv-1557 (BTM) (RBB), 2012 WL 1598043, at *1 (S.D. Cal. May 7, 2012).

pursuant to Section 203 of the Copyright Act of 1976, which established a limited opportunity for authors and other creators of copyrighted material³ to terminate their prior transfers of copyright.⁴

The recording artists in this putative class action aspire to the same. Plaintiffs are professional musicians who served written notices of termination on UMG Recordings, Inc. (“UMG”) and Capitol Records, LLC (“Capitol”) (collectively, “Defendants”) pursuant to Section 203 to reacquire copyrights in sound recordings they transferred to Defendants’ predecessors in exchange for the predecessors’ agreements to market and sell the recordings.⁵ Upon the effective date of termination in a notice, the grantee becomes the owner of the copyright and holds the exclusive right to reproduce and distribute the recordings.⁶ Plaintiffs allege that Defendants are infringing their copyrights (and those of other artists who also have served termination notices) by continuing to market and sell recordings for which the effective dates of termination have passed. They seek actual and statutory damages and an injunction prohibiting Defendants from infringing on their copyrights.⁷ With respect to recordings for which the effective date of termination has not

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Under the Copyright Act, audiovisual, literary, musical, dramatic, pantomimic, choreographic, pictorial, graphic, sculptural, and architectural works, as well as sound recordings, are included among “[w]orks of authorship” in which copyright protection may subsist. 17 U.S.C. § 102(a). For ease of expression, this decision refers to all creators of works subject to copyright protection as “authors,” regardless of the media in which they expressed themselves.

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Larry Rohter, *A Copyright Victory, 35 Years Later*, N.Y. Times, Sept. 10, 2013, <https://www.nytimes.com/2013/09/11/arts/music/a-copyright-victory-35-years-later.html>.

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Dkt 95 at 3.

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17 U.S.C. § 106.

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Dkt 95 at 31.

yet been reached, Plaintiffs seek a similar injunction plus a declaration of certain legal rights and duties of the parties.⁸

The matter is before the Court on Plaintiffs' motion for class certification, their appointment as class representatives, and the appointment of class counsel.⁹

Background

Leonard Graves Phillips, Stan Sobol, Steve Wynn, Dennis Mehaffey, Joel David Pellish, and Susan Straw Harris (collectively, "Plaintiffs") are musicians, singers, and songwriters who entered into recording agreements with Defendants' predecessors in the 1970s and '80s.¹⁰ Phillips and Sobol, founding members of the punk rock band "The Dickies," signed a recording agreement in 1978 with A&M Records Limited ("A&M"), a predecessor of UMG, for their album "Dawn of The Dickies," which consisted of ten sound recordings.¹¹ Wynn, Mehaffey, and Pellish, members of the alternative rock band "Dream Syndicate," signed a recording agreement, also with A&M, in 1983 for their album "Medicine Show," which consisted of eight sound recordings.¹²

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Dkt 95 at 41.

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Dkt 149.

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Dkt 95 at 16-35. Kasim Sulton, originally another plaintiff and proposed class representative in Plaintiffs' motion for class certification (Dkt 150 at 3), is not listed as such here because this Court granted summary judgment dismissing Sulton's copyright infringement claim after Plaintiffs' motion for class certification was filed. Dkt 247.

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Dkt 150 at 9.

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Id. at 12.

Straw Harris (“Straw”), a rock singer and songwriter, signed a recording agreement in 1987 with Virgin Records, a predecessor of Capitol, for her first solo album “Surprise,” which consisted of eleven sound recordings.¹³ Each of these agreements granted copyrights in the sound recordings to A&M and Virgin Records, which were passed to UMG and Capitol, respectively.

Such deals are common in the music industry. In theory, artists who wish to release and market their music may do so on their own, without the assistance of record labels. In reality, however, it is impractical for most artists to proceed independently of record labels, which offer the means and resources to market and promote artists’ works and are better positioned to accept the risk that the works might not succeed commercially.¹⁴ Many artists, especially those just starting out in their careers, accordingly tend to have little negotiating power and often relinquish copyright in their works to record labels as part of the bargains they strike for promotion and commercialization. As a result, when a work turns out to be a “hit,” the lion’s share of the profits – along with the exclusive rights to reproduce, distribute, and perform – usually belong to the record label rather than the artist who authored or performed the piece.¹⁵

Recognizing the “the unequal bargaining position of authors,” which results “in part from the impossibility of determining a work’s value until it has been exploited,” Congress enacted

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Id. at 16.

¹⁴

Berklee College of Music, *What does a Recording Artist (or Group) do?*, <https://www.berklee.edu/careers/roles/recording-group-or-band#:~:text=The%20definition%20of%20a%20recording,that%20records%20and%20releases%20music> (last accessed December 19, 2022).

¹⁵

17 U.S.C. § 106.

Section 203 in the 1976 amendments to the Copyright Act.¹⁶ That provision entitles an author of a work created on or after January 1, 1978 to terminate a transfer of copyright thirty-five years from the date of the transfer or, in certain circumstances, forty years after the transfer's execution if the transfer covers the right to publication.¹⁷ The termination right is not automatic. Instead, an author must serve a written notice of termination that meets certain regulatory requirements, is recorded with the Copyright Office, and is served upon the grantee prior to the effective date of termination. Where those requirements are satisfied, the grant is terminated and the copyright reverts to the author.¹⁸

Pursuant to Section 203, Plaintiffs and other recording artists served written notices of termination on Defendants. But Defendants dispute their effectiveness. They point to the fact that the Section 203 termination right does not apply to a "work made for hire," which is defined as:

"(1) a work prepared by an employee within the scope of his or her employment; or (2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire."¹⁹

¹⁶

H.R. Rep. No. 94-1476, 124 (Sept. 3, 1976).

¹⁷

17 U.S.C. § 203(a)(3) ("Termination of the grant may be effected at any time during a period of five years beginning at the end of thirty-five years from the date of execution of the grant; or, if the grant covers the right of publication of the work, the period begins at the end of thirty-five years from the date of publication of the work under the grant or at the end of forty years from the date of execution of the grant, whichever term ends earlier.").

¹⁸

17 U.S.C. § 203(a)(4), (b).

¹⁹

17 U.S.C. § 101.

Defendants contend that all of Plaintiffs' works fall within this exception.

As an initial matter, Defendants rely on the agreements by which the Plaintiffs transferred their copyrights in the first place. All of them contain language stating that the artists were "employees for hire" of the record labels and/or that the artists' recordings were "works made for hire."²⁰ Plaintiffs argue that these clauses do not suffice to establish that the works were made for hire.²¹ Indeed, Defendants do not contend that the contractual language alone suffices.²² Rather, they argue that the sound recordings were made for hire because Plaintiffs produced the recordings as employees acting within the scope of their employment and/or that the recordings were "specially ordered or commissioned for use" as one of the enumerated categories in Section 101(2).²³ Plaintiffs reject that argument. They argue their notices of termination are effective and that Defendants are infringing their copyrights and those of other artists who also served termination notices pursuant to Section 203 by failing to honor their termination notices.

²⁰

Dkt 214, Defs.' Response to Pls.' Rule 56.1 Statement of Undisputed Facts, at 31 (Defendants do not dispute that "[t]he Dickies' recording agreement reflects the parties' agreement that A&M Ltd. was the 'owner and author' of all sound recordings and that The Dickies were A&M's 'employees for hire.'"); *id.* at 58 (Defendants do not dispute that "Dream Syndicate's recording agreement reflects the parties' agreement that all sound recordings created thereunder constitute 'works made for hire' and that the members of Dream Syndicate were A&M's 'employees for hire.'"); *id.* at 89 (Defendants do not dispute that "Straw's recording agreement reflects the parties' agreement that all sound recordings created thereunder constitute 'works made for hire' and that Straw was Virgin's 'employee[] for hire.'").

²¹

Dkt 150 at 19.

²²

Dkt 213 at 10.

²³

Dkt 205-1 at 25-31.

Plaintiffs now move for an order certifying two proposed classes. The first, “Class A,” seeks actual and statutory damages, and is defined as:

“All recording artists (and statutory heirs and personal representatives of those recording artists, if applicable) who have served Defendants with Notices of Termination pursuant to the United States Copyright Act, 17 U.S.C. § 203, describing an effective date of termination for a particular sound recording (i) occurring on or after January 1, 2013, and (ii) occurring no later than the date the Court grants certification of Class A.”²⁴

The second, “Class B,” seeks declaratory relief, and is defined as:

“All recording artists (and statutory heirs and personal representatives of those recording artists, if applicable) who have served Defendants with Notices of Termination pursuant to the United States Copyright Act, 17 U.S.C. § 203, describing an effective date of termination for a particular sound recording (i) occurring on or after the date the Court grants certification of Class A, and (ii) occurring no later than December 31, 2031.”²⁵

Plaintiffs seek also to enjoin Defendants from infringing the copyrights of artists who served termination notices between January 1, 2013 and December 31, 2031, regardless of whether the effective dates of termination have been reached – *i.e.*, members of both proposed classes.²⁶ Plaintiffs move to appoint Phillips, Sobol, Wynn, Mehaffey, and Pellish as class representatives of Class A, Straw as class representative of Class B, and counsel for Plaintiffs as class counsel.²⁷

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Dkt 149 at 2.

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Id.

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Dkt 95 at 31, 41.

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Dkt 149 at 1-2; Dkt 95 at 4.

Discussion

A district court may certify a class only if it determines that the class satisfies each requirement of Rule 23(a) and at least one of the four criteria set out in Rule 23(b).²⁸ The party moving for certification bears the burden of demonstrating that the proposed class meets these criteria by a preponderance of the evidence.²⁹

Defendants argue that Plaintiffs have failed to meet their burden on multiple grounds. But the crux of their opposition is their contention that the need for individualized proof—especially with respect to the work-made-for-hire defense – precludes certification of the proposed classes. Based on the individualized nature of the relevant inquires and the evidence in the record, the Court agrees.

Proposed Class A - Rule 23(b)(3)

A proposed class seeking money damages, like Class A, must satisfy the requirements of Rule 23(b)(3). A class may be certified under Rule 23(b)(3) only if:

“the court finds that the questions of law or fact common to the members of the class predominate over any questions affecting only individual members, and that a class action is superior to other available methods for the fair and efficient adjudication of the controversy. The matters pertinent to the findings include: (A) the interest of members of the class in individually controlling the prosecution or defense of separate actions; (B) the extent and nature of any litigation concerning the controversy already commenced by or against members of the class; (C) the desirability or undesirability of concentrating the litigation of the claims in the

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Levitt v. J.P. Morgan Sec., Inc., 710 F.3d 454, 464 (2d Cir. 2013).

²⁹

Teamsters Loc. 445 Freight Div. Pension Fund v. Bombardier Inc., 546 F.3d 196, 202 (2d Cir. 2008).

particular forum; (D) the difficulties likely to be encountered in the management of a class action.”³⁰

Questions of law or fact “predominate” if “resolution of some of the legal or factual questions that qualify each class member’s case as a genuine controversy can be achieved through generalized proof, and if these particular issues are more substantial than the issues subject only to individualized proof.”³¹ Predominance does not require the absence of individual issues.³² Instead, the requirement focuses on whether liability can be determined on a class-wide basis by relying on common proof, even when damages issues may be individualized.³³ The predominance test is a qualitative, rather than quantitative, assessment,³⁴ and “calls upon courts to give careful scrutiny to the relation between common and individual questions.”³⁵

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Fed. R. Civ. P. 23(b)(3).

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Moore v. PaineWebber, Inc., 306 F.3d 1247, 1252 (2d Cir. 2002).

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Sykes v. Mel S. Harris & Assocs. LLC, 780 F.3d 70, 81 (2d Cir. 2015).

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Id.

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In re Petrobras Sec., 862 F.3d 250, 271 (2d Cir. 2017).

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Tyson Foods, Inc. v. Bouaphakeo, 577 U.S. 442, 453 (2016).

Work-Made-For-Hire Defense

As this Court previously acknowledged, “Defendants’ position that the works at issue were ‘made for hire’ is central to this lawsuit.”³⁶ If an artist’s work was made for hire, the artist’s copyright infringement claim is not legally viable because the artist does not have a termination right pursuant to Section 203. Defendants argue their work-made-for-hire defense defeats predominance because its determination requires “a fact-intensive inquiry based on various fact-based tests that cannot be resolved based on common proof.”³⁷

Employment Relationship - The Reid Test

The first “fact-based test” is the multi-factor test set forth in *Cnty. for Creative Non-Violence v. Reid*³⁸ to determine whether an author was an employee and produced the work while acting within the scope of his or her employment.³⁹ *Reid* “created an enduring framework for distinguishing between an employee and a non-employee author in matters of copyright.”⁴⁰ Built on common law principles of agency to distinguish between employees and independent contractors,

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Waite v. UMG Recordings, Inc., No. 19-cv-1091 (LAK), 2020 WL 3959185, at *2 (S.D.N.Y. July 13, 2020).

37

Dkt 205-1 at 26.

38

490 U.S. 730 (1989).

39

Horror Inc. v. Miller, 15 F.4th 232, 243 (2d Cir. 2021).

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Id.

the *Reid* test consists of thirteen non-exhaustive factors to consider in determining whether an author was an employee and produced the work within the scope of his or her employment:

“(1) the hiring party’s right to control the manner and means by which the work is accomplished; (2) the skill required to create the work; (3) the source of the instrumentalities and tools; (4) the location of the work; (5) the duration of the relationship between the parties; (6) whether the hiring party has the right to assign additional projects to the hired party; (7) the extent of the hired party’s discretion over when and how long to work; (8) the method of payment; (9) the hired party’s role in hiring and paying assistants; (10) whether the work is part of the regular business of the hiring party; (11) whether the hiring party is in business; (12) the provision of employee benefits; [and] (13) the tax treatment of the hired party.”⁴¹

Of the thirteen factors, there are “five core considerations” that “will almost always be relevant . . . and should be given more weight in the analysis”: “(1) the hiring party’s right to control the manner and means of creation; (2) the skill required [of the hired party]; (3) the provision of employee benefits; (4) the tax treatment of the hired party; and (5) whether the hiring party has the right to assign additional projects to the hired party.”⁴² Courts are “cautioned against applying the *Reid* factors ‘in a mechanistic fashion,’” and instead must determine the weight, if any, to accord each factor “in light of the facts of a particular case.”⁴³

Applying the *Reid* test to the artists in proposed Class A requires evaluating evidence unique to each artist. Whether and to what degree a record label had the right to control the manner and means of creation depends on the record label’s involvement in the development of the sound

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Id. (citing *Reid*, 490 U.S. at 751-53).

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Id. at 249 (quoting *Aymes v. Bonelli*, 980 F.2d 857, 861 (2d Cir. 1992)).

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Id. at 248 (quoting *Aymes*, 980 F.2d at 862).

recording.⁴⁴ For some artists, the record label's involvement may have been limited to "big picture approval authority" that typically weighs against a right to control.⁴⁵ For other artists, the record label may have been more involved in the creative process. Evidence in the record of at least some involvement by the record labels raises artist-specific questions such as: Did the record label agree on the lyrics and music with the artist? Did the record label select the producers and sound engineers to work on the sound recordings?⁴⁶ What level of substantive artistic feedback, if any, did the record label provide during the making of the recordings?⁴⁷ Individualized evidence also is required to determine whether the record label had the "right to assign additional and distinct projects during the term of the engagement"⁴⁸ and assigned additional "work not of the artist[']s choosing."⁴⁹ The

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Id. at 250-51 (evaluating evidence to determine hiring party's involvement in the artist's creative process and the nature of the hiring party's supervision of the artist's work).

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Id. at 250 (quoting *Horror Inc. v. Miller*, 335 F. Supp. 3d 273, 303 (D. Conn. 2018)).

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Dkt 214, Defs.' Response to Pls.' Rule 56.1 Statement of Undisputed Facts, at 34 ("Phillips testif[ied] that he could not recall how The Dickies became connected with producer Robin Cable, and that he could only speculate as to whether Mr. Cable had a contract with A&M, and that he did not know who was responsible for Mr. Cable coming on to produce *Dawn of The Dickies*.")(citing Dkt 211, Declaration of Lisa Gilford, Ex. D, Excerpts of Deposition of Leonard G. Phillips, at 97:21-98:7, 98:17-99:14, 99:22-100:25).

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Id. at 55 ("Wynn testif[ied] that A&M representatives attended recording sessions for Medicine Show.").

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Horror Inc., 15 F.4th at 234.

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Carter v. Helmsley-Spear, Inc., 71 F.3d 77, 86 (2d Cir. 1995).

record label's tax treatment of the artist⁵⁰ and whether the record label provided any employee benefits is another factor the Court would need to weigh on a case-by-case basis in its analysis of the "totality of the parties' relationship."⁵¹

Plaintiffs do not argue that the Court can assess the *Reid* factors for the proposed class based on common proof. They assert that "Defendants[] lack . . . any evidence of the indicia of employment,"⁵¹ but fail to address the evidence in the record, which includes recording agreements with material differences and contributions by the record labels to certain artists' health insurance premiums and retirement pensions.⁵² Rather than demonstrating that Defendants' *Reid* defense is capable of resolution based on generalized proof, Plaintiffs contend that the artists in the proposed class "are not and never have been employees of the record labels that signed them."⁵³

Plaintiffs' conclusory response to Defendants' argument is unresponsive with respect to the predominance analysis, which is concerned not with the answer to the question as to each

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Although certain artists, such as The Dickies, submitted Internal Revenue Service W-4 Forms to the record label, counsel for Defendants admitted during argument that they do not have copies of any W-2 tax withholding forms for proposed class members. The fact that the record labels did not withhold taxes weighs against a finding that there was an employment relationship, but is not dispositive under *Reid* and its progenies.

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SHL Imaging, Inc. v. Artisan House, Inc., 117 F. Supp. 2d 301, 312 (S.D.N.Y. 2000); *see also Salamon v. Our Lady of Victory Hosp.*, 514 F.3d 217, 231 (2d Cir. 2008), as amended (Apr. 22, 2008) (commenting while applying *Reid* in a non-copyright context that "the analysis of any employment relationship is fact-specific").

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Dkt 220 at 13.

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Dkt 208-119-24 (contributions by record labels to artists' health insurance premiums and pension plans); Dkt 207-29 ("payroll" and "health and welfare" payments to The Dickies).

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Dkt 220 at 13 (emphasis omitted).

individual artist but with whether “evidence that varies from member to member” is required to answer that question.⁵⁴ The Court makes no determination at this stage as to whether any Plaintiff or proposed class member was an employee of the relevant record label. It merely concludes that this determination will depend on facts peculiar to each proposed class member.

Section 101(2) - Specially Commissioned Works

The second work-for-hire test, whether the works were “specially commissioned” pursuant to Section 101(2) of the Copyright Act, also requires a highly individualized inquiry. Section 101(2) provides that a work was made for hire if it was: (1) “specially ordered or commissioned,” (2) “for use as” one of nine enumerated categories, and (3) “if the parties expressly agree[d] in a written instrument signed by them that the work shall be considered a work made for hire.”⁵⁵ Defendants argue that whether the sound recordings were specially commissioned “as a ‘contribution to a collective work’ or ‘compilation,’” two of the nine enumerated categories, is “heavily fact-dependent and not subject to common proof.”⁵⁶

To determine whether a work was “specially ordered or commissioned,” the “instance and expense” test applies.⁵⁷ This “turns on the parties’ creative and financial arrangement *as*

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Tyson Foods, Inc., 577 U.S. at 453.

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17 U.S.C. § 101(2).

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Dkt 205-1 at 29.

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Playboy Enterprises, Inc. v. Dumas, 53 F.3d 549, 562 (2d Cir. 1995) (“It appears, therefore, that the phrase ‘specially ordered or commissioned’ has essentially the same meaning as ‘instance and expense.’”).

*revealed by the record in each case.*⁵⁸ “‘Instance’ refers to the extent to which the hiring party provided the impetus for, participated in, or had the power to supervise the creation of the work.”⁵⁹ The “‘expense’ component refers to the resources the hiring party invest[ed] in the creation of the work” and in some cases focuses on the nature of the payment; payments of a sum certain weigh in favor of a work-for-hire relationship while royalty payments do not.⁶⁰ Similar to the *Reid* test, the instance and expense analysis requires understanding for each artist the circumstances in which the recordings were produced, the creative involvement, if any, of the record label, and the types of resources and payments the record label provided to the artist.

Plaintiffs do not dispute that the instance and expense assessment is an individualized inquiry. Instead, they argue the Section 101(2) defense is unavailable to Defendants because “the sound recordings at issue in this action were not commissioned as contributions to ‘collective works’ or ‘compilations.’”⁶¹ Although “sound recordings” are not listed in Section 101(2), “something that happens to be a sound recording may still be eligible as a specially commissioned work, as long as it simultaneously qualifies under one of the statutorily enumerated categories.”⁶²

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Marvel Characters, Inc. v. Kirby, 726 F.3d 119, 140 (2d Cir. 2013) (emphasis added).

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Id. at 139.

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Id. at 139-40.

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Dkt. 220 at 13.

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1 NIMMER ON COPYRIGHT (hereinafter “NIMMER”) § 5.03, n.121.4; *see also Stanacard, LLC v. Rubard, LLC*, No. 12-cv-5176, 2016 WL 462508, at *8 (S.D.N.Y. Feb. 3, 2016) (“[C]ourts have held that computer programs used together as a software system qualify as ‘compilations’ or ‘collective works’ within the meaning of § 101(2).”).

Whether a sound recording qualifies as a contribution to a collective work or compilation is a fact-intensive question that requires investigating the circumstances in which the sound recording was produced and released.⁶³ A “collective work” is a “work . . . in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole,” and may include a CD or album consisting of sound recordings.⁶⁴ “The term ‘compilation’ includes collective works.”⁶⁵ A sound recording that is part of an album may qualify as a contribution to a collective work “depend[ing] on the facts of the putting of an album together.”⁶⁶ For example, did the album “result[] from the efforts of *bona fide* employees of record labels as sound engineers?”⁶⁷ Were the producers of the album hired by the record label? As one

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NIMMER § 5.03 (“Only massive excavation into the circumstances under which all sound recordings were prepared during the two decades beginning in 1978 could answer th[e] question [whether pre-1999 sound recordings, as a factual matter, routinely qualified as contributions to collective works].”).

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17 U.S.C. § 101.

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A “compilation” is “formed by the collection and assembling of preexisting materials . . . that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship.” *Id.* I discuss only contributions to collective works here because a “contribution to a compilation . . . will not qualify as a work made for hire” unless the “compilation . . . also constitutes a collective work.” NIMMER § 5.03, n.115.

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United States Copyright Office and Sound Recordings as Work Made For Hire: Hearing Before the Subcomm. On Cts. and Intell. Prop. of the Comm. On the Judiciary H.R., 106 Cong. 101 (2000) (statement of Marybeth Peters, Register of Copyrights of the United States Copyright Office); *see also id.* 106 Cong. 98 (statement of Rep. Howard Berman) (“It could very well be that the courts will find, when they start ruling on these cases, that in 2013 some sound recordings are works made for hire and other sound recordings aren’t works made for hire and some sound recordings are contributions to a collective works or a compilation and others aren’t.”).

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NIMMER § 5.03.

senator commented during proceedings on an amendment to remove, effective as of 1999, sound recordings from the works that may be made for hire, “the facts can vary so widely – some albums are primarily the product of the producer, some of one artist, some of a group, many have hired musicians or technicians who contribute but do so as part of their normal employment”⁶⁸

Plaintiffs have not provided any evidence to demonstrate that the threshold question of whether the artists’ sound recordings qualify as contributions to collective works can be resolved based on common proof. As a result, even if the requirement that the parties agreed in writing that the works were made for hire could be ascertained easily from each artist’s recording agreement, determining whether each sound recording was a contribution to a collective work and made at the instance and expense of the record label would require individualized inquiries that undermine predominance.

Other Individual Issues - Validity of Termination Notices

Defendants raise a number of other issues that, they argue, preclude a finding of predominance, including the validity of an artist’s termination notice. For a termination notice to be valid, it must contain “clear identification” of certain information:

“(i) A statement that the termination is made under section 203; (ii) The name of each grantee whose rights are being terminated, or the grantee’s successor in title, and each address at which service of the notice is being made; (iii) The date of execution of the grant being terminated and, if the grant covered the right of publication of a work, the date of publication of the work under the grant; (iv) For each work to which the notice of termination applies, the title of the work and the name of the author or, in the case of a joint work, the authors who executed the grant

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Making Certain Corrections in Copyright Law: Senate Proceeding on H.R. 5107, 106th Cong. 2, 146 Cong. Rec. S10498-01, S10498 (2000) (Statement of Senator Orrin Hatch).

being terminated; and, if possible and practicable, the original copyright registration number; (v) A brief statement reasonably identifying the grant to which the notice of termination applies; (vi) The effective date of termination; and [(additional requirements in cases where the author has died)].⁶⁹

Even if some of this information is missing or incorrect, a termination notice still may be valid if the errors are harmless and “do not materially affect the adequacy of the information required to serve the purposes of [Section 203]” and/or were made in good faith “without any intention to deceive, mislead or conceal relevant information.”⁷⁰

The validity of an artist’s termination notice requires individualized evaluation. For each termination notice that contains defects,⁷¹ the Court would need to assess whether those defects constitute harmless errors, which may necessitate fact-finding as to the artists’ good faith and intent. This Court previously recognized that whether an omitted execution date is fatal to the validity of a termination notice depends on the circumstances.⁷² Defendants identify several termination notices submitted by proposed class members that are missing material information, such as the creation date of a work where the grant was executed before 1978, each of which would require an individualized

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37 C.F.R. § 201.10(b)(1).

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Id. § 201.10(e).

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See Dkt 205-1 at 11-20 (Defendants’ descriptions of various possible defects in proposed class members’ termination notices).

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Waite v. UMG Recordings, Inc., 450 F. Supp. 3d 430, 440 (S.D.N.Y. 2020) (“While perhaps in other circumstances an omitted execution date could be fatal to the validity of a termination notice . . .”).

harmless-error analysis.⁷³ Plaintiffs dispute this, insisting that “[a]ll of the [n]otices of [t]ermination are more than sufficient to reasonably inform the Defendants of all essential information.”⁷⁴ That argument, however, mistakenly focuses on the merits rather than demonstrating how the answer to the question as to the validity of each termination notice can be reached through evidence common to the class.

The work-made-for-hire defense and the validity of termination notices “go to the heart of [D]efendants’ liability”⁷⁵ and demand complicated individualized inquiries, precluding a finding of predominance.⁷⁶

Proposed Class B - Rule 23(b)(2)

A class seeking injunctive and/or declaratory relief may be certified under Rule 23(b)(2). Although Plaintiffs move to certify only proposed Class B under Rule 23(b)(2), they seek

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Dkt 119, Order.

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Dkt 220 at 16.

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Johnson v. Nextel Commc’ns Inc., 780 F.3d 128, 146 (2d Cir. 2015).

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Finding it unnecessary, the Court does not address each issue Defendants raise. I note however that some of the issues are easily resolvable or too minor to defeat predominance. Copyright grants executed by loan-out or furnishing companies or other third parties, as well as artists’ claims that have been settled, withdrawn, or otherwise resolved, are expressly excluded from the definitions of the proposed classes. Dkt 149 at 2. Issues of co-ownership of sound recordings, potential application of foreign law to certain recording agreements, and statute-of-limitations, waiver, and estoppel defenses can be resolved by amending the class definitions and/or “could be determined in individual hearings after common questions are resolved for the class.” *Johnson*, 780 F.3d at 146.

injunctive relief also on behalf of artists in proposed Class A.⁷⁷ The Court accordingly assesses whether Plaintiffs have satisfied the requirements of Rule 23(b)(2) as to each proposed class.

A class may be certified under Rule 23(b)(2) only if “the party opposing the class has acted or refused to act on grounds that apply generally to the class, so that final injunctive relief or corresponding declaratory relief is appropriate respecting the class as a whole.”⁷⁸ The crux of a (b)(2) class is:

“the indivisible nature of the injunctive or declaratory remedy warranted—the notion that the conduct is such that it can be enjoined or declared unlawful only as to all of the class members or as to none of them.” In other words, Rule 23(b)(2) applies only when a single injunction or declaratory judgment would provide relief to each member of the class. It does not authorize class certification when each individual class member would be entitled to a different injunction or declaratory judgment against the defendant.⁷⁹

Although there is no predominance requirement in Rule 23(b)(2), the party moving to certify a Rule 23(b)(2) class must demonstrate that the class is “cohesive” – “that the class’s claims are common and that adjudication of the case will not devolve into consideration of myriad individual issues.”⁸⁰

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Dkt 95 at 31, 41.

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Fed. R. Civ. P. 23(b)(2).

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Wal-Mart Stores, Inc. v. Dukes, 564 U.S. 338, 360 (2011) (quoting Richard A. Nagareda, *Class Certification in the Age of Aggregate Proof*, 84 N.Y.U. L. Rev. 97, 132 (2009)).

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2 NEWBERG AND RUBENSTEIN ON CLASS ACTIONS § 4:34 (6th ed. 2022).

The issues that defeat predominance under Rule 23(b)(3) also counsel in this case against certifying a class pursuant to Rule 23(b)(2).⁸¹ In addition to those issues, Plaintiffs have not demonstrated that Defendants have acted on grounds generally applicable to the class. To be liable for copyright infringement, Defendants must continue to exploit the sound recordings commercially after the effective dates of termination.⁸² This Court's discussion of whether Defendants continued to exploit former plaintiff Kasim Sulton's exclusive rights following the effective date of termination in his notice is illustrative. Implicit in my rejection of Plaintiffs' theory that Defendants' contention that Sulton's termination notice was invalid constituted copyright infringement was that such denials or failures to honor termination notices do not *per se* constitute infringement.⁸³ As with Sulton, Plaintiffs have offered no evidence that Defendants have exploited all proposed class members' sound recordings after the effective dates of termination.⁸⁴

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In re Rezulin Prod. Liab. Litig., 210 F.R.D. 61, 75 (S.D.N.Y. 2002) (“[T]he individual issues that defeat the predominance requirement of Rule 23(b)(3) also pose an obstacle to class certification in the Rule 23(b)(2) context.”).

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Waite v. UMG Recordings, Inc., No. 19-cv-1091 (LAK), 2022 WL 4227300, at *3 (S.D.N.Y. Sept. 13, 2022).

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Id.

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The declaratory judgment Plaintiffs seek for proposed Class B fails to satisfy the requirements of Rule 23(b)(2) largely for the same reasons that the Rule 23(b)(3) class fails to satisfy the predominance requirement. A declaration, for example, that the class members' “Notices of Termination are valid . . . and Defendants' disregard of the rights of Plaintiff Straw and the members of Class B violates the Copyright Act” requires the same individualized analyses described above that plague class certification under Rule 23(b)(3).

For this reason and for the individual issues discussed above in the (b)(3) section, certification pursuant to Rule 23(b)(2) is inappropriate. I have considered Plaintiffs' other arguments in support of class certification and found them all unpersuasive.

Conclusion

Plaintiffs' claims raise issues of fairness in copyright law that undoubtedly extend beyond their own grievances. However, the individualized evidence and case-by-case evaluations necessary to resolve those claims make this case unsuitable for adjudication on an aggregate basis.⁸⁵

Plaintiffs' motion for class certification (Dkt 149) is denied in all respects.

SO ORDERED.

Dated: January 27, 2023



Lewis A. Kaplan
United States District Judge

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As Judge Louis Stanton has remarked:

"Generally speaking, copyright claims are poor candidates for class-action treatment. They have superficial similarities. The nature of their legal requirements and analyses are similar: plaintiff must prove ownership of a copyright and the copyrighted work infringed [by Defendants] But that merely identifies some of the issues, each of which must be resolved upon facts which are particular to that single claim of infringement, and separate from all the other claims. Thus, accumulation of all the copyright claims, and claimants, into one action will not simplify or unify the process of their resolution, but multiply its difficulties over the normal one-by-one adjudications of copyright cases." *Football Ass'n Premier League Ltd. v. YouTube, Inc.*, 297 F.R.D. 64, 65-66 (S.D.N.Y. 2013).

203. Termination of transfers and licenses granted by the author³

(a) Conditions for Termination.—In the case of any work other than a work made for hire, the exclusive or nonexclusive grant of a transfer or license of copyright or of any right under a copyright, executed by the author on or after January 1, 1978, otherwise than by will, is subject to termination under the following conditions:

(1) In the case of a grant executed by one author, termination of the grant may be effected by that author or, if the author is dead, by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's termination interest. In the case of a grant executed by two or more authors of a joint work, termination of the grant may be effected by a majority of the authors who executed it; if any of such authors is dead, the termination interest of any such author may be exercised as a unit by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's interest.

(2) Where an author is dead, his or her termination interest is owned, and may be exercised, as follows:

(A) The widow or widower owns the author's entire termination interest unless there are any surviving children or grandchildren of the author, in which case the widow or widower owns one-half of the author's interest.

(B) The author's surviving children, and the surviving children of any dead child of the author, own the author's entire termination interest unless there is a widow or widower, in which case the ownership of one-half of the author's interest is divided among them.

(C) The rights of the author's children and grandchildren are in all cases divided among them and exercised on a per stirpes basis according to the number of such author's children represented; the share of the children of a dead child in a termination interest can be exercised only by the action of a majority of them.

(D) In the event that the author's widow or widower, children, and grandchildren are not living, the author's executor, administrator, personal representative, or trustee shall own the author's entire termination interest.

(3) Termination of the grant may be effected at any time during a period of five years beginning at the end of thirty-five years from the date of execution of the grant; or, if the grant covers the right of publication of the work, the period begins at the end of thirty-five years from the date of publication of the work under the grant or at the end of forty years from the date of execution of the grant, whichever term ends earlier.

(4) The termination shall be effected by serving an advance notice in writing, signed by the number and proportion of owners of termination interests required under clauses (1) and (2) of this subsection, or by their duly authorized agents, upon the grantee or the grantee's successor in title.

(A) The notice shall state the effective date of the termination, which shall fall within the five-year period specified by clause (3) of this subsection, and the notice shall be served not less than two or more than ten years before that date. A copy of the notice shall be recorded in the Copyright Office before the effective date of termination, as a condition to its taking effect.

(B) The notice shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation.

(5) Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.

(b) Effect of Termination.—Upon the effective date of termination, all rights under this title that were covered by the terminated grants revert to the author, authors, and other persons owning termination interests under clauses

(1) and (2) of subsection (a), including those owners who did not join in signing the notice of termination under clause (4) of subsection (a), but with the following limitations:

(1) A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.

(2) The future rights that will revert upon termination of the grant become vested on the date the notice of termination has been served as provided by clause (4) of subsection (a). The rights vest in the author, authors, and other persons named in, and in the proportionate shares provided by, clauses (1) and (2) of subsection (a).

(3) Subject to the provisions of clause (4) of this subsection, a further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is signed by the same number and proportion of the owners, in whom the right has vested under clause (2) of this subsection, as are required to terminate the grant under clauses (1) and (2) of subsection (a). Such further grant or agreement is effective with respect to all of the persons in whom the right it covers has vested under clause (2) of this subsection, including those who did not join in signing it. If any person dies after rights under a terminated grant have vested in him or her, that person's legal representatives, legatees, or heirs at law represent him or her for purposes of this clause.

(4) A further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is made after the effective date of the termination. As an exception, however, an agreement for such a further grant may be made between the persons provided by clause (3) of this subsection and the original grantee or such grantee's successor in title, after the notice of termination has been served as provided by clause (4) of subsection (a).

(5) Termination of a grant under this section affects only those rights covered by the grants that arise under this title, and in no way affects rights arising under any other Federal, State, or foreign laws.

(6) Unless and until termination is effected under this section, the grant, if it does not provide otherwise, continues in effect for the term of copyright provided by this title.

17 U.S.C. § 101 Definition of “Work Made for Hire”

A “work made for hire” is—

- (1) a work prepared by an employee within the scope of his or her employment; or
- (2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. For the purpose of the foregoing sentence, a “supplementary work” is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work, such as forewords, afterwords, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, and indexes, and an “instructional text” is a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities.