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Baldwin v. EMI Feist Catalog, Inc.

805 F.3d 18 (2d Cir. 2015)

DEBRA ANN LIVINGSTON, CIRCUIT JUDGE:

This appeal involves a dispute over the copyright in the musical composition "Santa Claus is Comin' to Town" (the "Song"), a classic Christmas song written by J. Fred Coots and Haven Gillespie in the 1930s. In 1976, Congress enacted a complex statutory regime that—as we explain later in this opinion—gave authors and their statutory heirs the right to terminate previously made grants of copyright under certain circumstances, and thereby to recapture some of the value associated with the authors' works. *See* 17 U.S.C. §§ 203, 304(c). Plaintiffs-appellants Gloria Coots Baldwin, Patricia Bergdahl, and Christine Palmitessa ("Plaintiffs") represent Coots's statutory heirs; since 2004, they have attempted to navigate this legal thicket and terminate rights in the Song held by defendant-appellee EMI Feist Catalog, Inc. ("EMI") under the terms of certain grants made by Coots to EMI's predecessors. Plaintiffs brought this lawsuit in the United States District Court for the Southern District of New York, seeking a declaration that either a notice of termination served on EMI in 2007 (the "2007 Termination Notice") or another such notice served in 2012 (the "2012 Termination Notice") will, upon becoming effective, terminate EMI's rights in the Song.

The district court (Scheindlin, J.) granted summary judgment to EMI, holding that its rights in the Song will subsist through the entire remaining copyright term—which, under current law, is scheduled to expire in 2029—pursuant to a 1951 agreement (the "1951 Agreement") that Plaintiffs are powerless to terminate. We reverse. For the reasons set forth below, we conclude (1) that EMI owns its rights in the Song not under the 1951 Agreement but instead under a subsequent contract executed in 1981 (the "1981 Agreement"), and (2) that the 2007 Termination Notice will terminate the 1981 Agreement in 2016. Plaintiffs are, accordingly, entitled to a declaratory judgment in their favor.

BACKGROUND

Coots and Gillespie sold the Song and "the right to secure copyright therein" to EMI's predecessor Leo Feist, Inc. ("Feist") in an agreement dated September 5, 1934 (the "1934 Agreement"). In the 1934 Agreement, Feist agreed to "publish [the Song] in saleable form . . . within one (1) year," and to pay Coots and Gillespie certain royalties generated by the Song. On September 27, 1934, Feist registered its copyright in the Song with the Copyright Office.

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While many authors sold their rights in the initial term and the renewal term simultaneously, Coots granted his renewal rights separately, in the 1951 Agreement. The 1951 Agreement assigned to Feist a number of "musical compositions" by Coots, including the Song, "and all renewals and extensions of all copyrights therein," in exchange for certain royalties to be paid "during all renewal periods of the United States copyright in each of said compositions." Feist renewed its copyright in the Song on September 27, 1961, at which point its rights were set to expire fifty-six years after copyright was originally registered—i.e., on September 27, 1990.

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Under . . . [§ 304\(c\)](#), the 1951 Agreement was, as a pre-1978 grant, subject to termination starting on September 27, 1990, so Coots could serve a termination notice as early as ten years before that date. [17 U.S.C. § 304\(c\)\(3\)](#), [\(4\)](#). Between service of the notice and the date of termination, he could reach an agreement for a further grant of the terminated rights with Feist or its successor in title, but no one else. *Id.* [§ 304\(c\)\(6\)\(D\)](#). In fact, on September 24, 1981, Coots served on Feist's successor, Robbins Music Corporation ("Robbins"), a termination notice naming October 23, 1990, as the termination date for the 1951 Agreement (the "1981 Termination Notice"). Coots's attorney, William Krasilovsky, sent a copy of the 1981 Termination Notice to the Register of Copyrights on November 25, 1981. He then set about negotiating with Robbins on Coots's behalf, culminating in the 1981 Agreement, which was signed on December 15, 1981.

The 1981 Agreement recited that Coots (the "Grantor") had transferred his rights in the Song's renewal term to Feist in the 1951 Agreement; that Feist had renewed the copyright; that Congress had extended the renewal term in the 1976 Act; and that "the parties hereto desire to insure that [Robbins (the "Grantee")] shall, for the balance of the period of copyright [in the Song], be possessed of all United States copyright interest therein.". Coots agreed as follows:

Grantor hereby sells, assigns, grants, transfers and sets over to Grantee . . . all rights and interests whatsoever now or hereafter known or existing, heretofore or at any time or times hereafter acquired or possessed by Grantor in and to [the Song and various derivative works], under any and all renewals and extensions of all copyrights therein and all United States reversionary and termination interests in copyright now in existence or expectant, including all rights reverted, reverting or to revert to Grantor[,] his heirs, executors, administrators or next of kin by reason of the termination of any transfers or licenses covering any extended renewal term of copyright pursuant to [Section 304](#) of the Copyright Act of 1976, together with all renewals and extensions thereof.

Further, he made a series of representations, including that he had served on Robbins "and recorded in the Copyright Office" a termination notice, which, the parties agreed:

shall for the purposes of this agreement and [Section 304\(c\)\(6\)\(D\)](#) of the Copyright Act of 1976 be deemed to have been served upon Grantee, in advance of any further grant of rights hereunder, and shall be deemed to take effect at the earliest date possible under the Copyright Act of 1976 and the regulations prescribed by the

Register of Copyrights.

Robbins agreed to pay both a \$100,000 "non-recoupable bonus" to Coots's children in annual installments from 1981 to 1995, and royalties "as specified in the [1951 Agreement]" for "the period of the Extended Renewal Term of Copyright," a phrase that the 1981 Agreement did not define. Coots's four children—Clayton Coots, Gloria Coots Baldwin, Patricia Coots Chester, and John Coots, Jr.—also signed the 1981 Agreement. "As an inducement to [Robbins] to enter into the . . . agreement," they assigned to Robbins all of their rights and interests in the Song "for the extended renewal term thereof."

On May 26, 1982, Krasilovsky received a letter from the Copyright Office stating: "Pursuant to our telephone conversation of March 1, 1982, we are returning" the 1981 Termination Notice "to you unrecorded." There is no explanation for this decision either in the letter or elsewhere in the record. At his deposition in this case, Krasilovsky could not recall why the notice was returned or what had transpired in the "telephone conversation" mentioned in the letter. The parties agree that the 1981 Termination Notice was never actually recorded, although EMI claims it was not aware of the non-recording of the notice until 2011.

As noted, when the 1981 Agreement was signed, the copyright in the Song was scheduled to subsist until December 31, 2009, the end of the year seventy-five years after copyright was initially secured. The parties therefore did not anticipate that § 203 termination—which is available only against grants executed after January 1, 1978 and lasting longer than thirty-five years—would be available against the 1981 Agreement, which they thought would come to an end in 2009, less than thirty-five years later. Things changed in 1998, however, when Congress passed the Sonny Bono Copyright Term Extension Act (the "1998 Act"), Pub. L. No. 105-298, 112 Stat. 2827. For copyrights still in their renewal term at that time, the 1998 Act extended the renewal term to last "95 years from the date copyright was originally secured." [17 U.S.C. § 304\(b\)](#). Because the Song's copyright was secured in 1934, its copyright was now set to expire on December 31, 2029.

The 1998 Act also added a new termination right to allow authors and their heirs to extract value from the new twenty-year extension of the renewal term. For copyrights still in their renewal term, authors (or their statutory heirs) could effect termination in the same general way as under [§ 304\(c\)](#) if "the termination right provided in [[§ 304\(c\)](#)] has expired by such date" and "the author or owner of the termination right has not previously exercised such termination right." [17 U.S.C. § 304\(d\)](#). Termination pursuant to [§ 304\(d\)](#) can "be effected at any time during a period of 5 years beginning at the end of 75 years from the date copyright was originally secured," *id.* [§ 304\(d\)\(2\)](#)—in the Song's case, starting on September 27, 2009.

The possibilities created by the 1998 Act led to a flurry of activity by Coots's statutory heirs, who sought to take advantage of the termination rights that Congress had afforded, but were forced to contend with uncertainty stemming from the fact that the 1981 Termination Notice was never recorded. In 2004, Coots's heirs served on EMI (Robbins's successor) and recorded in the Copyright Office a [§ 304\(d\)](#) termination notice with an effective date of September 27, 2009 (the "2004 Termination Notice"). Evidently, the 2004 Termination Notice was based on the related

premises that EMI still owned its rights under the 1951 Agreement (a pre-1978 grant), and that Coots had not already exercised his [§ 304\(c\)](#) termination rights. Under the impression that the 1981 Agreement was operative, EMI personnel were confused by the 2004 Termination Notice; they ran a search for a prior [§ 304\(c\)](#) termination notice, which came up empty. EMI prepared a draft affidavit to "refute" the 2004 Termination Notice, but this was never sent. Instead, in 2006, EMI began negotiating with Krasilovsky, who was now representing Coots's heirs.

EMI and Krasilovsky agreed that in light of the 1981 Agreement, EMI's rights in the Song were more appropriately terminated under § 203. Accordingly, in early 2007, Coots's statutory heirs served and recorded the 2007 Termination Notice, which indicated that the 1981 Agreement would terminate pursuant to § 203 on December 15, 2016. Krasilovsky then began negotiating to sell the to-be-terminated rights back to EMI. EMI offered Coots's statutory heirs \$2.75 million for those rights, an offer that was rejected as insufficient. At that point, EMI's efforts to acquire the rights appear to have stalled.

Two years later, in 2009, Warner-Chappell Music, which had been acting as copyright administrator for a Coots family venture called Toy Town Toons, wrote to EMI claiming the copyright in the Song under the 2004 Termination Notice—apparently having returned to the position that termination of the 1951 Agreement had never taken place. EMI responded to this letter through outside counsel, asserting that its copyright "has not been and cannot be terminated" and would expire in 2029. EMI claimed that [§ 304\(d\)](#) termination was unavailable because Coots had already exercised his [§ 304\(c\)](#) termination right in the 1981 Agreement, and that [§ 304\(d\)](#) "does not provide a second right to terminate where the right of termination has already been exercised."

In 2012, Coots's statutory heirs served and recorded the 2012 Termination Notice. Like the 2007 Termination Notice, the 2012 Termination Notice cited § 203, not [§ 304\(d\)](#), as the source of the heirs' right to terminate the 1981 Agreement. But "in an abundance of caution," the 2012 Termination Notice assumed that the 2007 Termination Notice was premature, on the theory (which Coots's statutory heirs anticipated EMI might advance) that the 1981 Agreement was a grant "cover[ing] the right of publication of the work," 17 U.S.C. § 203(a)(3), and that the "publication" of the Song under the 1981 Agreement, which resulted in EMI's owning the nineteen years' worth of rights spanning from 1990 to 2009, took place in 1990. On that potentially available theory, the 1981 Agreement could not be terminated until December 15, 2021—i.e., forty years after the agreement's execution. [Citation.]

... Plaintiffs brought this action in the Southern District of New York on December 21, 2012. Plaintiffs ... seek a declaration that the 2007 Termination Notice will terminate EMI's rights on December 15, 2016, or, alternatively, that the 2012 Termination Notice will terminate EMI's rights on December 16, 2021.

Following discovery, the parties cross-moved for summary judgment. On December 16, 2013, the district court granted EMI's motion and denied Plaintiffs', holding that since the 1981 Termination Notice was never recorded, EMI owns its rights in the Song under the 1951 Agreement—which, as a pre-1978 grant, is not terminable under § 203. Although Plaintiffs had

not specifically argued that the 2004 Termination Notice terminated the 1951 Agreement in 2009 under [§ 304\(d\)](#), the district court rejected any such argument, concluding that [§ 304\(d\)](#) was unavailable because "Plaintiffs exercised their [Section 304\(c\)](#) termination rights when they served the 1981 Notice on EMI and secured a substantial \$100,000 bonus payment." Accordingly, the district court concluded that EMI's rights would survive until 2029. Judgment was entered on December 17, 2013, and Plaintiffs timely appealed.

DISCUSSION

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I.

The first question we must address is whether EMI owns its rights in the Song under the 1951 Agreement or, instead, under the 1981 Agreement. The 2007 Termination Notice and the 2012 Termination Notice purported to terminate EMI's rights pursuant to 17 U.S.C. § 203, but § 203 termination rights are not available against pre-1978 grants. See 17 U.S.C. § 203(a). Accordingly, if the 1951 Agreement is the source of EMI's rights, Plaintiffs cannot terminate those rights under § 203. Plaintiffs argue that the 1981 Agreement superseded the 1951 Agreement and, upon doing so, became the operative source of EMI's rights. EMI responds that the 1981 Agreement did not supersede the 1951 Agreement, and that Coots's failure to record the 1981 Termination Notice means that the 1951 Agreement was never terminated and therefore remains in effect.

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B.

The 1981 Agreement not only granted EMI the future interest scheduled to revert to Coots upon termination, it also replaced the 1951 Agreement as the source of EMI's existing rights in the Song. . . . The question is simply whether the parties intended for the new contract to substitute for the old one, and that intention, if otherwise clear, need not be articulated explicitly in the new agreement. [Citations.]

The parties to the 1981 Agreement "clearly . . . manifested" an intention to replace the 1951 Agreement and not merely to convey to EMI Coots's future interest in the nineteen-year statutory renewal term extension. The relevant language is contained in § 1 of the 1981 Agreement, which reads as follows:

Grantor hereby sells, assigns, grants, transfers and sets over to Grantee . . . [1] all rights and interests whatsoever now or hereafter known or existing, heretofore or at any time or times hereafter acquired or possessed by Grantor in and to [the Song] . . . under any and all renewals and extensions of all copyrights therein and [2] all United States reversionary and termination interests in copyright now in existence or expectant, including all rights reverted, reverting or to revert to Grantor . . . by

reason of the termination of any transfers or licenses covering any extended renewal term of copyright pursuant to [Section 304](#) of the Copyright Act of 1976, together with all renewals and extensions thereof.

(emphasis added). It is quite clear from the first half of the quoted language that Coots was granting more than the vested future interest scheduled to revert to him or his statutory heirs upon termination; he was also granting "all rights and interests . . . heretofore . . . acquired or possessed by [him] . . . under any and all renewals and extensions." . . . EMI makes no effort to explain why EMI and Coots would have included the first half of § 1 had they not meant for it to have some effect. But to give any effect to this language at all, we must read it as replacing the 1951 Agreement, creating a new conveyance of all of Coots's interest in the copyright at once, and not merely as a piecemeal conveyance of his reversionary interest. Put simply, it would make no sense to have two grants of the same exact rights be operative at the same time; if the first half of § 1 were not meant to replace the 1951 agreement, there would be no reason for the parties to have included it.

EMI's arguments to the contrary do not persuade us to ignore the first half of § 1. Relying on our decision in [Penguin Group \(USA\) Inc. v. Steinbeck, 537 F.3d 193](#), EMI points out that the 1981 Agreement does not explicitly rescind the 1951 Agreement or contain other language indicating a desire to replace that earlier contract. In [Steinbeck](#), we observed that "parties to an agreement can mutually agree to terminate it by expressly assenting to its rescission while simultaneously entering into a new agreement dealing with the same subject matter." [Citation.] Relying on that principle, we held that an author or his legatee may, under the existing-grantee exception, rescind an earlier grant of copyright and enter into a new contract conveying rights in the same work to [**28] the same grantee. [Citation.] As we have already explained, however, an intention to enter into a substitute contract may be express or implied. *See DC Comics v. Pac. Pictures Corp.*, 545 F. App'x 678, 680 (9th Cir. 2013) (unpublished) (holding that under New York law, a 1992 copyright grant superseded a 1938 grant to the same grantee even though the latter agreement "d[id] not, in express terms, cancel the 1938 agreement"). . . By granting EMI the same rights that it already owned under the 1951 Agreement *in addition* to the new interest that vested in Coots upon service of the 1981 Termination Notice, the 1981 Agreement made it sufficiently clear that the parties intended to replace the earlier contract.

EMI cites the Ninth Circuit's decision in [Classic Media, Inc. v. Mewborn, 532 F.3d 978 \(9th Cir. 2008\)](#), for the proposition that a grant of already-granted rights does not replace the prior grant. *Mewborn*, however, is readily distinguishable. There, the defendant argued that a 1978 grant from the plaintiff—the daughter of Eric Knight, who wrote "Lassie Come Home"—superseded a 1976 grant between the same parties, so that the plaintiff could not exercise [§ 304\(c\)](#) termination rights against the earlier grant. The court disagreed, holding that although the 1978 grant purported to convey certain movie, TV, and radio rights to the defendant, the 1976 grant had already conveyed the same exact rights, so the conveyance of those rights in the 1978 grant was "a nullity." *Id. at 986*. In other words, the plaintiff's mere conveyance of the same rights twice did not show that the later grant superseded the earlier one. In [Mewborn](#), however, the 1978 grant (1) conveyed ancillary rights that had not been conveyed by the 1976 grant, (2)

stated that the plaintiff was conveying all of the rights mentioned in the grant only "to the extent such rights [were] owned by [her]," and (3) expressly provided that those rights were being conveyed "in addition to the rights granted . . . under and pursuant to" the 1976 grant. [Id. at 981](#). Those three provisions, read together, unmistakably signaled the parties' intention for the later contract to coexist alongside the earlier one, rather than replace it. No similar intention is evident from the 1981 Agreement's terms.

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Under the correct understanding of the 1981 Agreement, Coots's failure to record the 1981 Termination Notice is irrelevant to the question whether EMI presently owns the copyright in the Song under the 1951 Agreement or under the 1981 Agreement. Whether EMI owns the Song's copyright by virtue of owning Coots's rights in the renewal term *qua* the renewal term, or instead by virtue of owning the post-termination interest conveyed back to it in the 1981 Agreement, its rights in the renewal term are traceable to the 1981 Agreement—not the 1951 Agreement—either way. And for deciding whether plaintiffs' termination notices pursuant to § 203 are valid, that is all that matters. Accordingly, we need not decide whether an unrecorded termination notice can serve to terminate a prior grant where the parties have reached an agreement under the existing-grantee exception.

II.

Our conclusion that the 1981 Agreement—a post-1978 agreement—is the source of EMI's rights in the Song means that Plaintiffs can terminate the 1981 Agreement under § 203. Because the 1951 Agreement is not operative, we need not address the district court's holding that Plaintiffs could not terminate the 1951 Agreement because Coots had "exercised" his [§ 304\(c\)](#) termination rights by serving a termination notice and then "secur[ing] a substantial \$100,000 bonus payment." [Baldwin, 989 F. Supp. 2d at 355](#). The only remaining question, then, is whether the 1981 Agreement will be terminated by the 2007 Termination Notice or, instead, by the 2012 Termination Notice. We conclude that the 2007 Termination Notice will terminate the 1981 Agreement in 2016.

As noted, termination under § 203 is available for grants "executed by the author on or after January 1, 1978." 17 U.S.C. § 203(a). Where the author is dead, termination may be effected by individuals holding more than half of the author's termination interest as set forth in the statute. *Id.* § 203(a)(1), (2). Ordinarily, these individuals may effect termination "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." *Id.* § 203(a)(3). In this [**38] case, that period would begin in 2016. But "if the grant covers the right of publication of the work," an alternative calculation method applies: termination may be effected in the five-year period beginning "thirty-five years from the date of publication of the work under the grant or . . . forty years from the date of execution of the grant, whichever term ends earlier." *Id.* A termination notice may be served between two and ten years before the termination date. *Id.* § 203(a)(4)(A). The notice must "state the effective date of the termination," be recorded in the Copyright Office "as a condition to its taking effect," and comply with various other formalities prescribed by regulation. *Id.* § 203(a)(4); see [37 C.F.R. § 201.10](#).

EMI does not dispute that the 1981 Agreement was executed after January 1, 1978, that Plaintiffs own a sufficient percentage of Coots's termination interest, or that the 2007 Termination Notice complies with all of the necessary statutory and regulatory formalities. EMI does, however, advance two arguments in support of its position that the 2007 Termination Notice will not terminate the 1981 Agreement in 2016. Neither argument is persuasive.

First, EMI argues that § 203 termination is unavailable to Plaintiffs because Coots's children signed the 1981 Agreement, which was therefore not "executed by the author." This argument is meritless. As a factual matter, the 1981 Agreement plainly *was* executed by the author—namely, Coots—and specifically identified him alone as the "Grantor," who was "exclusively and solely possessed of any and all termination interests arising under [Section 304](#)." As a legal matter, moreover, the Coots children who signed the 1981 Agreement did not have any interest in the Song that they could have conveyed in 1981, because Coots was still alive; the future interest that vested upon service of the 1981 Termination Notice therefore vested solely in him. *See* 17 U.S.C. § 203(a)(1), (b)(2). Accordingly, while the 1981 Agreement purported to result in the transfer to EMI of all of the Coots children's "rights and interests" in the Song, J.A. 63, the only rights that the Coots children conceivably could have transferred at the time were the termination rights that they were scheduled to inherit by operation of the statute upon Coots's death. *See* 17 U.S.C. § 203(a)(2). Those rights, however, cannot be contracted away. *See id.* § 203(a)(5) ("Termination of the grant may be effected notwithstanding any agreement to the contrary . . .").

EMI's second argument that the 2007 Termination Notice will not terminate the 1981 Agreement is based on the premise that the 1981 Agreement "covers the right to publication" of the Song. In EMI's view, the publication of the Song under the 1981 Agreement occurred in 1990, since "the 1981 Agreement was intended to provide EMI with the right to publish the song commencing upon the effective date of termination of the 1951 Agreement (in 1990)." Under the alternative calculation method for grants that cover the right of publication, EMI argues, the earliest the 1981 Agreement can be terminated is 2021—i.e., forty years after it was executed. We disagree.

At the start, our conclusion that the 1981 Agreement became the operative source of EMI's rights immediately upon its execution suggests that even if EMI's premise that the 1981 Agreement "covers the right to publication" were sound, publication would have occurred under that agreement in 1981. Thus, even the alternative calculation method that EMI prefers would yield an earliest-possible termination date of 2016. Regardless, EMI's premise is incorrect. As relevant here, the statute defines "publication" as "the distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending." 17 U.S.C. § 101. As § 203 itself suggests, the publication of a work is a one-time event. *See id.* § 203(a)(3) (referring to "the date of publication"). . . . In other words, publication happens when the work is first sold or otherwise distributed to the public. EMI does not claim, nor could it, that the Song was not made available to the public until 1990; in the original 1934 Agreement, EMI's predecessor Feist agreed to "publish [the Song] in saleable form" within one year. As a result, it was the 1934 Agreement, and not the 1981 Agreement, that covered the right to publication of

the Song.

The history of the alternative calculation method confirms that it does not apply here. This statutory provision was "added at the behest of book publishers, who argued that a straight period of thirty-five years from execution of the grant could give them a shorter time to exploit a work, insofar as publication contracts are often signed before the work is written, such that years may elapse before it is completed and published." [Citation.] While EMI is correct that an analogous period will generally elapse between the execution of an agreement under the existing-grantee exception and the start of the renewal term extension that the agreement is meant to cover, the problem EMI identifies arose solely from the 1998 Act's further extension of the renewal term by twenty years. The Congress that passed the 1976 Act would not have expected § 203 termination to be available against new grants made under [§ 304\(c\)\(6\)\(D\)](#)'s existing-grantee exception—which, at the time, could be executed a maximum of twenty-nine years before their expiration (i.e., the ten-year period between execution of the new grant and termination of the old grant, plus the nineteen-year period covered by the new one), less than the thirty-five years required by § 203. It is clear, then, that the timing issue that allegedly disadvantages EMI in this case is not addressed by the alternative calculation method for grants "cover[ing] the right of publication." We are not at liberty to fill that apparent lacuna by giving the term "publication" in § 203(a)(3) a meaning that it does not bear.

In sum: EMI does not dispute that the 1981 Agreement was executed on December 15, 1981. Because that grant was "executed by the author" and does not "cover the right of publication," it is terminable under § 203 starting on December 15, 2016—which is the effective date of termination stated in the 2007 Termination Notice. Accordingly, we conclude that the 2007 Termination Notice will terminate the 1981 Agreement on that date.

CONCLUSION

We have considered EMI's remaining arguments and find them to be without merit. For the reasons set forth above, the judgment of the district court is **REVERSED**, and this case is **REMANDED** for the entry of a declaratory judgment in Plaintiffs' favor.