

## Duran Duran Case Shouldn't Affect Paul McCartney Contracts

By Helene Freeman, Phillips Nizer LLP

*Law360, New York (January 30, 2017, 8:16 PM EST) --*

Under the United States Copyright Act, authors have the right to terminate contracts for the assignment of copyright, or rights under copyright. This termination right is “inalienable”[1] and it cannot be waived by contract.[2] Under the Berne Convention, foreign authors enjoy the same rights under the U.S. copyright law as American authors enjoy.[3]

The decision by an English trial court[4] that the exercise by the members of Duran Duran of their right to terminate the assignment of their United States copyrights under U.S. law constituted a breach of contract under English law has raised alarming questions about the enforceability of U.S. termination rights for contracts providing for the application of English law.



Helene M. Freeman

The potential impact of the decision led Paul McCartney to file an action for a declaratory judgment that the termination notices he has served on Sony/ATV for The Beatles' music compositions are valid, will revert ownership in him on their effective dates and will not give rise to a valid breach of contract claim.[5]

It is submitted that the Duran Duran decision may not be correct even under English law, and, if upheld on appeal, should not be applicable to Paul McCartney's contracts.

### The Duran Duran Case

The members of Duran Duran served notices under Section 203(a) of the U.S. Copyright Act to terminate a series of contracts executed in 1980 and 1983 with an English music publisher. The contracts assigned the entire copyright in 37 musical compositions, worldwide, for the full term of the copyright and any renewals and extensions “whether now or thereafter conferred by the laws of any country.” Each of the contracts provided for the application of English law and exclusive jurisdiction in England. Gloucester Place Music Ltd. (GPML), the music publisher, responded by suing for a declaration that the group's termination of its right to ownership of the copyrights in the United States constituted a breach of the parties various publishing agreements.

The court acknowledged that under the leading English case[6], the copyright law of the United States was required to be applied to the questions of whether the copyright was assignable at all and, “if so, in what conditions it is assignable,”[7] as that was the place where the protection of the copyright at issue

was claimed.

The parties were in agreement that the U.S. copyright was assignable for the full term and that the assignment would remain in effect unless it was properly terminated. The parties were also in agreement that the effect of the termination would be to revert the U.S. copyrights to the songwriters so that GPML could not exploit U.S. rights. Where the parties parted company was whether the statutory termination right superseded the contract rights that would otherwise exist and precluded GPML's claim for breach of contract.

The court refused to consider the effect of U.S. law on the contract because the question framed by the parties had been one of interpretation of an agreement applying English law on the basis that there were no facts in dispute, that foreign law was a question of fact for which expert evidence was required and that there was no competent expert evidence presented as to the law of the United States when the contracts were made.

Thus, although the court quoted Section 5 of 17 U.S.C. § 203(a), which provides that termination may be effected "notwithstanding an agreement to the contrary," it nonetheless applied general principals of English contract law to the issue presented. The court found that the parties were generally aware of the U.S. termination right and treated it as a subject about which the parties could voluntarily contract. In the court's view, under English law, if termination in the U.S. were to be an exception to the otherwise broad assignment, it needed to be addressed specifically.

The court concluded "not without hesitation" that the full term of U.S. copyright had been conveyed, effectively imposing on the group the obligation to expressly reserve the termination right in the contract. Accordingly, the court found that the service of termination notices constituted breaches of the contracts.

### **The English Court's Error**

The error in the Duran Duran court's opinion is its assumption that the exercise of termination rights was a matter that was a proper subject of contracting rather than a limitation on the extent to which the copyrights were assignable.

When the history, purpose and terms of the U.S. statute are properly considered, the termination right should be seen as an inherent limitation on the ability of the original author to irrevocably assign copyright. Under *Campbell Connolly*, the U.S. Copyright Act should control and the terms of the contract are irrelevant.

### **History of the Termination Rights Provisions of U.S. Copyright Act of 1976**

#### ***The 1909 Copyright Act***

Prior to 1978, the United States Copyright Act provided for an initial term of copyright of 28 years. The initial 28-year term was subject to renewal for an additional term of 28 years, provided that the author or, if he were deceased, specified statutory heirs, filed a renewal application with the Copyright Office during the last year of the initial term.[8] If the renewal application was not timely filed, the work would pass into the public domain.

Under the 1909 Copyright Act, the renewal term was a separate property right and was free of all rights,

interests and licenses granted in the initial term.[9] An assignment of the renewal term copyright would not be effective unless the author survived to the renewal term and the renewal term itself was expressly granted in writing.[10] There is a “strong presumption” against conveyance of the copyright in the renewal term and even conveyance of all right, title and interest in a copyright would not convey the renewal term, unless it is unambiguously conveyed.[11]

The two-tier structure provided in the 1909 Copyright Act was intended to allow the author and not his assignee to regain the value of the copyright in the renewal term.[12] In *Fred Fisher Music Co. Inc. v. M. Whitmark & Sons*, however, the U.S. Supreme Court held that an assignment of the renewal term of copyright by the author was effective, even if made before the renewal term vested, since there was nothing in the statute which limited the author’s power to assign or nullified a grant of his contingent interest in the renewal term. As a result, publishers routinely contracted for both the initial term and the renewal term simultaneously, defeating the ability of authors to obtain the benefits of the renewal term.

### ***The Copyright Act of 1976***

In amending the Copyright Act in 1976, Congress retained the existing renewal scheme provided by the 1909 act for works in which copyright had already been secured, such as The Beatles' catalogue. Under the current law, if the author dies before the renewal term, the renewal right vests automatically in the statutory heirs as it did under the 1909 act. Any prior grant by the author is ineffective. Thus, since John Lennon died in 1980 before the start of the renewal term for The Beatles' song catalogue, Sony/ATV’s rights for his share of the works automatically terminated. It was required to negotiate new agreements with Lennon’s widow and children to retain any music publishing rights following the expiration of the initial 28 years of copyright protection.

For existing copyrights, Congress also extended the total copyright term to 75 years, adding 19 years to the renewal term.[13] But, it wanted to give the benefit of the extension of the copyright term to the original authors, or if dead, their heirs. Otherwise the assignees would get a windfall for which they had not bargained. The right to terminate any grant made prior to Jan. 1, 1978, was the means employed for assuring the author and his heirs benefited from the extended term.

To avoid the holding of *Fred Fisher Music Inc.*, the statute provides that the termination right could be effected “notwithstanding any agreement to the contrary.”[14] A further grant, or an agreement to make a further grant of rights, is not valid unless it is made after termination with one exception. An original grantee has what is in effect a right of first negotiation to retain its rights after a notice of termination is served.[15]

The Copyright Act of 1976 did away prospectively with the two term scheme of copyright for works created after Jan. 1, 1978, replacing it with a single term of life of the author plus 50 (now 70) years. To give authors of works created subsequent to Jan. 1, 1978, rights comparable to those for pre-existing works, the statute gives them the right to terminate a contract 35 years after the date of the grant, or 40 years if the grant is for first publication of the work. It contains provisions assuring that the termination right subsists “notwithstanding an agreement to the contrary” and invalidating agreements to make a grant before termination which are identical as those applicable to pre-1978 works.[16]

The termination right is “inalienable”[17] and cannot be waived by contract. The termination right “was expressly intended to relieve authors of the consequences of ill-advised and unremunerative grants that had been made before the author had a fair opportunity to appreciate the true value of his work

product.”[18] It is, in effect, an express limitation on the assignability of a U.S. copyright. The statute did not permit Duran Duran and its publisher from entering into an enforceable contract precluding termination.

### **Paul McCartney’s Termination Rights**

Whatever may be the ultimate fate of the termination rights of Duran Duran, Paul McCartney’s right to terminate the contracts assigning his publishing rights in The Beatles' compositions cannot be said to have been in the contemplation of the parties to contracts made long before they existed. All U.S. copyright rights in The Beatles' songs would have ended 56 years after the compositions were registered for copyright, but for the subsequent revision of the Copyright Act.

The termination right has been characterized as a new right, wholly separate from the renewal term.[19] Under ordinary principles of contract law, McCartney could not have waived a right that did not exist. Sony/ATV will obtain the benefit of its bargain at the end of 56 years and it will not lose anything it had a right to expect under the contracts, if McCartney terminates them.

### **Conclusion**

The decision in Duran Duran is of questionable authority in light of the court’s refusal to consider the relevant provisions of the U.S. Copyright Act, which are intended to assure that the author cannot be deprived by contract of his termination rights. It should not apply to Paul McCartney’s termination rights, which did not exist when the contracts for The Beatles' songs were entered.

---

*Helene M. Freeman is a partner in the New York office of Phillips Nizer LLP. She recently served as co-defense counsel for Led Zeppelin in the "Stairway to Heaven" copyright infringement case.*

*The opinions expressed are those of the author(s) and do not necessarily reflect the views of the firm, its clients, or Portfolio Media Inc., or any of its or their respective affiliates. This article is for general information purposes and is not intended to be and should not be taken as legal advice.*

[1] E.g., *Classic Media, Inc. v. Mewborn*, 532 F.3d 978 (9th Cir. 2008).

[2] *Marvel Characters, Inc. v. Simon*, 310 F.3d 280, 287 (2d Cir. 2002).

[3] Article 5.

[4] *Gloucester Place Music Limited v. Le Bon et al.* [2016] EWHC 3091 (Ch.).

[5] *McCartney v. Sony/ATV Music Publishing LLC*, 17 Civ. 363 (S.D.N.Y.).

[6] *Campbell Connelly & Co. Ltd. v. Noble*, 1961 C3093 (1962).

[7] *Campbell Connelly* at 255.

[8] Sections 23, 24 of the Copyright Act of 1909.

[9] *Stewart v. Abend*, 495 U.S. 207, 218 (1990).

[10] 1909 Copyright Act, Section 28.

[11] E.g., *Corcovado Music Corp. v. Hollis Music, Inc.*, 981 F.2d 679, 684 (2d Cir. 1993)

[12] H.R. Rep. No. 2222, 60th Cong., 2d Sess. At 14 (1909). See *Fred Fisher Music Co., Inc. v. M. Whitmark & Sons*, 318 U.S. 643, 653-54 (1943); *Class Media* at 963.

[13] 17 U.S.C. § 304(a) and (b)

[14] 17 U.S.C. § 304(c)(5).

[15] Section 304(c)(6)(D).

[16] Section 203(a) and 203(b)(4).

[17] *Classic Media*, 532 F.d at 963.

[18] *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 172-73 (1985).

[19] *Marvel Characters, Inc. v. Simon*, 310 F.3d 280, 287 (2d Cir. 2002).