How to Give an Old Song a New License: A Recently Adopted Alternative to Rodgers and Hammerstein Organization v. UMG Recordings

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Jacqueline M. Allshouse-Hutchens¹

I. INTRODUCTION

The compulsory licensing scheme for the right to distribute copyrighted musical performances has been in place for nearly a century. These licenses give the public a means of enjoying existing musical compositions while still compensating the copyright owner for the use of his federally granted monopoly on the music. The public relies on this system heavily, and The Harry Fox Agency facilitates the granting of a majority of such licenses.

As the digital age has changed many of the ways that copyrightable material, including music, is perceived, the Copyright Act has accommodated many of the inconsistencies created by the new media with frequent revisions, including those of the Digital Millennium Copyright Act. The new laws are still adjusting to best effectuate their purposes, to avoid internal conflicts, and to fully cover the new applications presented by digital media. In this transformation of the Copyright Act, Congress has rewritten the compulsory licensing system to permit the granting of licenses for the use of recordings in new digital media.

In addition to mandating new compulsory licenses for distribution of digital media, the Digital Millennium Copyright Act extends preexisting

¹ J.D. 2006, University of Kentucky. I wish to thank Professor Jonathan Cardi for suggesting this topic and his insights on the problems at hand, as well as the editorial board and staff of the Kentucky Law Journal for all their help, revisions, and support. I also thank my family and husband for their constant support in all my endeavors.


compulsory licenses such that they grant a license to distribute the copyrighted works in digital media. These licenses for recording and performance in the new media were not contractually granted in the previous compulsory license. In many cases, such a license could not have been issued, as the new medium did not exist at the time of the original license. Though the license for use in a new medium was required, the licensors were forced to go through the motions of obtaining an entirely new license to record and perform in the new medium. The formalities leading to the new license cause delayed and sometimes difficult transitions to digital media and increased, but perhaps unnecessary, administrative tasks for the government’s Harry Fox Agency. This Note compares the onerous system that previously did not recognize a digital compulsory license right with the more efficient, convenient, and sensible approach to the compulsory licensing system espoused in the Digital Millennium Copyright Act.

This Note begins with a discussion of the Constitutional purposes of the Copyright Act in general and the logical development of the compulsory licensing system. Next, a discussion of Rodgers and Hammerstein Organization v. UMG Recordings frames the problem of translating old licenses to new media and the obstacles the old system presented to licensees. The following section presents the Copyright Office’s recent comments on the resolution to the compulsory licensing problems. In an attempt to foresee and solve problems that may develop in this frequently changing area of law, the fourth section sets out the various interpretation issues in the Copyright Office’s current solution and some variations on the present system that facilitate the licensee’s transition to digital media. The next section discusses the recent addition of section 115(c)(3) to the Copyright Act, extending compulsory licensing rights to digital media. The Note then points out the potentially adverse implications of the Rodgers and Hammerstein court’s interpretation that Harry Fox licenses are not compulsory licenses. The conclusion suggests that the revision of the Copyright Act will provide the easiest and most efficient resolution for the compulsory licensing system in its transformation to include the licensing of digital uses for works that existed before digital media was in existence.

6 See infra notes 13–63 and accompanying text.
7 Rodgers and Hammerstein, 60 U.S.P.Q.2d (BNA) at 1354.
8 See infra notes 64–95 and accompanying text.
9 See infra notes 96–121 and accompanying text.
10 See infra notes 122–26 and accompanying text.
11 See infra notes 127–35 and accompanying text.
12 See infra notes 136–37 and accompanying text.
II. THE CONSTITUTIONAL UNDERPINNINGS AND DEVELOPMENT OF THE COMPULSORY LICENSING SYSTEM

The Constitutional provisions authorizing a federal copyright system are premised on the idea that an author should have a property right in his or her work to encourage the further creation of such works. The intended beneficiaries of this unique system of law were not just authors, but the public as a whole, in that it would gain the enjoyment of the increased expressive creations of others. This purpose is reflected in the subsequent development of the compulsory licensing system which increases public access to the works protected by the Copyright Act.

A. The Constitutional Underpinnings of the Copyright System

The Constitution grants authority to Congress to enact a system for a national register of copyrights intended to encourage the continued development of creative works. A copyright granted by the federal government gives the owner “a property right in an original work of authorship that is fixed in a tangible form.” In authorizing such a system, the founding fathers intended to create a free flow of new information and ideas through the protection of expressive media. Although such a system grants a virtual monopoly over the work to the copyright holder as a reward for his development of the expression, public access to the work is assured through preservation of a copy of the work in the Library of Congress. Thus, the purpose of the Copyright Clause of the Constitution is effectuated by the public’s ability to access the information which was copyrighted and to make use of the underlying ideas while not copying the author’s expression.

14 See infra notes 32–63 and accompanying text.
15 “The Congress shall have Power to... promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries...” U.S. Const. art. I, § 8, cl. 8. This clause empowers Congress to enact laws granting both copyrights and patents.
16 See Gorman & Ginsburg, supra note 13, at 14.
18 See Gorman & Ginsburg, supra note 13, at 12–15. The public interest-based motivation was the original intention of the founders and persisted for many years. However, in recent years, a new theory has emerged, centering the rationale for copyrights on the owner’s rights and property interests. Gorman & Ginsburg, supra note 13, at 14.
19 It should be noted that copyrights do not protect the idea conveyed by the copyrighted material but the embodiment of the work’s expression only. See id. at 12.
21 See Gorman & Ginsburg, supra note 13, at 14 (citing H.R. Rep. No. 2222 (1909) (discussing the underpinnings of the Copyright Act of 1909) (“[P]rimarily for the benefit of the public, such rights are given. Not that any particular class of citizens, however worthy, may
In the case of musical expression, the underlying music and lyrics are separately copyrighted from an artist's recording of a performance of the musical work. The actual recording is assigned a phonographic copyright. Therefore, one can sing, play, or write out the lyrics and tune of a song without infringing the distribution rights in a recording of the song. Doing so, however, does not convey the characteristics of the particular rendition reflected in the copyrighted recording. The nuances of the particular recording can only be adequately communicated through hearing the recording of the work itself. If the public desires copies of the musical recording in order to communicate and replay the particular copyrighted recording, a problem may arise. Unlike the creativity contained in a book or the events of a play, the details of a particular rendition cannot be communicated easily without playing an actual copy of the recording. Therefore, the owner of the phonographic copyright has a monopoly over the distribution of the recording, giving him or her the power to choose whether or not to distribute copies of the work. If the copyright holder chose to exercise this distribution right, however, he or she might have had the opportunity to sell the individual copies of the copyrighted work to only select individuals or for only exorbitant prices. Such a monopoly would have made certain people benefit, but because the policy is believed to be for the benefit of the great body of people .... The granting of such exclusive rights, under the proper terms and conditions, confers a benefit upon the public that outweighs the evils of the temporary monopoly.

The idea/expression dichotomy is a fundamental concept of copyright law. Copyrights are intended to merely protect the expression of the work, such as the particular arrangement of a poem, or the distinct structure and phrasing of a story. Copyright does not protect the underlying ideas in a work. Patent protection is available for novel ideas. Ideas that do not meet the high standards of novelty required for patent protection are presumed to be too common for a monopoly. For a more in-depth discussion of the idea/expression dichotomy, see GORMAN & GINSBURG, supra note 13, at 90-115.

23 Copying, singing, and playing the lyrics and tune might, however, infringe the reproduction and performance rights of the songwriter's copyright. 17 U.S.C.A. § 106 (West 2006).
24 See White-Smith Music Publ'g Co. v. Apollo Co., 209 U.S. 1, 13 (1908) (citing Boosey v. Whight, (1900) 1 Ch. 122).
25 For example, if one were trying to convey the song "In My Life" to another, it would be possible to sing or play the melody. However, in trying to convey the contents of the recording by The Beatles as opposed to the contents of the recording by Bette Midler, it would be more difficult to accurately communicate the expression contained in the work without playing an actual copy of the recording.
26 Of course, as stated above, the copyright holder is under no obligation to distribute the work at all. If this is the case, there is no monopolistic problem; the owner, by not distributing the work, does not encounter the potential risks of overpricing or monopolistic selective distribution.
27 See GORMAN & GINSBURG, supra note 13, at 14 (discussing the proper balance of a monopoly on a work in both a reward to the author and a benefit to the public, effectuating the ultimate purpose of the Copyright Act).
exclusively privy to the ideas underlying the recorded musical expression, controverting the ideal of the free proliferation of ideas upon which the Copyright Clause was premised.

This monopolistic problem was brought before the Supreme Court in 1908 with the case of White-Smith Music Publishing Co. v. Apollo Co.\textsuperscript{28} In White-Smith, rolls of player piano music were used to record or fix copies of music for future exhibition. The rolls of music fixed not only the notes and melody of the music but also the specific rendition and length of notes as played by the author and performer.\textsuperscript{29} In White-Smith, the Court first recognized that Apollo's sole right to reproduce the piano rolls constituted, in effect, a sole right to distribute the recording of the author's rendition of the musical work,\textsuperscript{30} though the piano rolls themselves were not copyrightable as visual representations such as sheet music.\textsuperscript{31} Thus, the problem of a monopoly of the musical performance arose.

B. The Current Compulsory Licensing System

The Court in White-Smith, however, ultimately found itself without the power to design a solution to this distribution problem, as Apollo was merely distributing something that Congress had not specifically recognized as a means of fixing copyrightable music, piano rolls.\textsuperscript{32} The potential failure of the system to proliferate the copyrighted musical expression for the public benefit caused Congress to promptly develop the modern solution to the problem of distribution of musical performances: the compulsory mechanical license.\textsuperscript{33} Compulsory licenses have since been applied to cable system transmissions,\textsuperscript{34} ephemeral recordings,\textsuperscript{35} digital transmission of public performances,\textsuperscript{36} jukebox performances of recorded music,\textsuperscript{37} and the non-

\textsuperscript{28} White-Smith Music Publ'g Co. v. Apollo Co., 209 U.S. 1 (1908).
\textsuperscript{29} Fixation is a particular requirement of copyrightability. Under the Copyright Act at the time of the White-Smith case, fixation of the particular expression of copyrightable material was a prerequisite to the acquisition of a copyright. It remains a prerequisite today, but, under the current Copyright Act, the copyright vests automatically at the moment of fixation. See 17 U.S.C.A. § 102(a) (West 2006). The recordings were made by perforating the rolls of music automatically as the musician performed the work. See White-Smith, 209 U.S. at 9-11.
\textsuperscript{30} White-Smith, 209 U.S. at 11.
\textsuperscript{31} Id. at 12 (citing Stearn v. Rosey, 17 App. D.C. 562 (App. D.C. 1901) and Kennedy v. McTammany, 33 F. 584 (D. Mass. 1888)).
\textsuperscript{32} Id. at 18.
\textsuperscript{33} 17 U.S.C.A. § 115 (West 2006).
\textsuperscript{34} 17 U.S.C.A. § 111(d) (West 2006).
\textsuperscript{35} 17 U.S.C.A. § 112 (West 2006).
\textsuperscript{36} 17 U.S.C.A. § 114(d)(1) (West 2006).
\textsuperscript{37} 17 U.S.C.A. § 116(b) (West 2006).
commercial broadcasting of certain works. In this scheme, phonographic recordings are specifically identified as *mechanical* compulsory licenses.

As the current Copyright Act stands, for nondramatic recordings of musical works, "the exclusive rights ... to make and to distribute phonorecords of such works, are subject to compulsory licensing ...." If an owner of a copyright in a nondramatic musical recording chooses to license one or more people to distribute copies of the recording, the copyright owner must then grant a license to distribute the recording to any other person whose "primary purpose in making phonorecords is to distribute them to the public for private use, including by means of digital phonorecord delivery." The compulsory license is limited to duplications of the work in the same style and does not allow other performances of the music or derivative works. The price of the license is limited by a statutorily stated amount—currently 8.5 cents for the work as a whole or 1.65 cents per minute, whichever is the higher rate. Licensees are required to pay the statutorily fixed amount per copy for royalties to the copyright owner.

Compulsory licenses may be obtained in two ways. First, the proposed licensee may contact the copyright owner or his or her personal agents to negotiate the terms of a license. The licensor is, of course, bound by the compulsory licensing regulations and must grant the license to perform the recorded work in statutorily identified forms if the licensee is willing to pay the statutory minimum fee. This individualized negotiation allows the licensee to potentially obtain a better rate or terms than those mandated by the compulsory licensing statutes.

Most commonly, however, licensees obtain compulsory licenses through The Harry Fox Agency. The Harry Fox Agency is a subsidiary of the National Music Publisher's Association, the main music publisher trade group in the United States. This agency grants compulsory licenses for the dis-

45 See 17 U.S.C.A. § 115(c).
tribution, reproduction, and synchronization of musical works,\(^49\) while other agencies have been developed to facilitate the compulsory licensing of performance rights.\(^50\) The following discussion focuses on the usual method of obtaining a compulsory license through The Harry Fox Agency.

1. Formation of a Compulsory License.—From the earliest days of compulsory mechanical licenses, the primary problem has been the formation and granting of the license.\(^51\) The compulsory license, though perhaps involuntary on the part of the licensor, is a binding contract.\(^52\) Certain organizations have undertaken the job of granting compulsory licenses on behalf of the licensor to simplify the process of obtaining a license and to make the terms of the license agreeable to both parties.\(^53\) In particular, The Harry Fox Agency acts as an agent for the copyright holder offering licensing fees at or below the statutorily required price of licensing and has devised a form contract as the license.\(^54\)

In order for a person to obtain a compulsory license, the Copyright Act requires the individual to give a Notice of Intention to use the work.\(^55\) The Notice of Intention informs the copyright owner of his contractual obligation as licensor but does not allow him to avoid granting the license.\(^56\) As stated earlier, the proposed licensee has several options in trying to obtain the license: he may independently negotiate a license for more or less than the statutory amount with the copyright holder,\(^57\) he may obtain a compulsory license directly through the Copyright Office by personally issuing a Notice of Intention to distribute the work and await the Copyright Office's recognition of the Notice of Intention,\(^58\) or, as is commonly done,
he may register his request for a license with The Harry Fox Agency, acting as agent for the copyright holder.59

2. Imposed Time Limitations Bar on Subsequent Compulsory Licenses.—As opposed to compulsory licenses, if the proposed licensee chooses to independently negotiate a non-compulsory license, he is not constrained by a time limit in which to obtain the license. The proposed licensee may choose to negotiate a license years after first copying and distributing the recording if such a license is also agreeable to the copyright holder. Of course, it should be noted that such behavior is risky, as the copyright holder may sue the distributor on the grounds of infringement for any distribution or copying of the copyrighted work before a license was obtained.60

If, however, the proposed licensee chooses to obtain a compulsory license, he or she is limited in time. The proposed licensee must file the Notice of Intention “before or within thirty days after making, and before distributing any phonorecords of the work....”61 If a proposed licensee makes a copy and does not file a Notice of Intention within thirty days, the proposed licensee is forever barred from seeking a compulsory license.62 At the expiration of thirty days, the proposed licensee is liable for copyright infringement for copying the copyright holder’s recording without obtaining a license to do so,63 unless he negotiates a license other than a compulsory license with the copyright holder that retroactively justifies the previous copying of the recording.

III. The Problem Embodied in Rodgers and Hammerstein v. UMG

In Rodgers and Hammerstein Organization v. UMG Recordings, Inc., the U.S. District Court for the Southern District of New York encountered this digital medium distribution licensing problem.64 Rodgers and Hammerstein owned the copyrights to several older recordings, such as “These Boots are Made for Walking” and “White Christmas.”65 UMG is an organization that distributes the recordings of the songs.66 UMG has licenses through the Harry Fox Agency for several of Rodgers and Hammerstein’s copyrighted recordings, including the above-mentioned works. The defendants

63 Id.
64 See Rodgers and Hammerstein, 60 U.S.P.Q.2d (BNA) at 1355-57.
65 Id. at 1355.
66 Id.
obtained the compulsory licenses through The Harry Fox Agency before any objectionable copying and distribution of phonograph records, compact disks, or cassette tapes by UMG.67 In light of the developing technologies, UMG, in conjunction with its subsidiary, Farmclub, began making the licensed music available on the Internet as a streaming audio file.68

Rodgers and Hammerstein repeatedly objected to this distribution of their copyrighted recordings. They claimed that the compulsory license agreements, consented to by both Rodgers and Hammerstein and UMG, did not extend to digitally streaming audio distributions of the recordings.69 Because UMG lacked a license for digital distribution, Rodgers and Hammerstein claimed that UMG was infringing its right as copyright owners to distribute the recordings.70

UMG, in response to Rodgers and Hammerstein's claims, asserted that the decision as to whether a separate license was required to digitally stream previously licensed works was not clear and recommended that the Copyright Office properly decide the issue.71 Accordingly, UMG filed a petition for a decision from the Copyright Office regarding the matter. Meanwhile, Rodgers and Hammerstein initiated a civil action.72

UMG argued that the compulsory license granted through the Harry Fox Agency was automatic. In other words, a license was granted as soon as the Notice of Intention was received by the Harry Fox Agency.73 This argument was premised on the idea that since a compulsory license requested by a person with intent to distribute a musical recording cannot be refused, and no negotiating or tangible proof of agreement is necessary for a compulsory license to be effective, the license should automatically apply upon timely receipt of the Notice of Intention—the only action a licensee must take to obtain a compulsory license.74

Rodgers and Hammerstein argued that the compulsory mechanical license was not automatic but only resulted from the document, labeled "License," returned to UMG by The Harry Fox Agency upon receipt of the Notice of Intention.75 Therefore, according to Rodgers and Hammerstein, UMG did not possess a proper compulsory mechanical license. Rather, they possessed a negotiated license that was limited by the explicit terms of the document issued by The Harry Fox Agency. Since the mechanical licenses

67 Id.
68 Id. at 1356.
69 Id. at 1357.
70 Id.
71 Id.
72 Id.
73 Id.
75 Rodgers and Hammerstein, 60 U.S.P.Q.2d (BNA) at 1357.
for "White Christmas" and "These Boots are Made for Walking" were issued by The Harry Fox Agency before any of the parties involved had any inkling of the possibility of digital streaming of the recording, such a means of distribution was not mentioned at all in the license document.  

UMG's interpretation of the formation of a compulsory license is convenient in the case of emerging technologies because it allows a licensee to freely use and distribute a song, regardless of the medium of phonorecord. Thus, when cassette tapes gave way to compact discs as the preferred means of distributing music, a licensee could continue distributing the recording in a popular and convenient fashion just as he had done previously. Likewise, when digital streaming audio sparked a trend in the distribution of music recordings, a licensee could freely switch to that medium. There is no apparent harm done—no new recordings are being copied and distributed, the licensor is still aware of the songs that are being distributed by the licensee under the original Notice of Intention, and the licensee is able to smoothly transition into the new method of distribution of recordings. A copyright holder could not deny a new license for distribution, as the copyright holder is bound to issue a compulsory mechanical license when requested.

Of course, Rodgers and Hammerstein's theory has benefits as well. From one perspective, the theory is particularly beneficial to copyright owners who wish to carefully police the use of their recorded works. As in the present case, the copyright holder can catch a licensee who has not registered for one particular embodiment of distribution that the licensee is using through the Harry Fox Agency. A copyright owner, however, has a genuine interest in the methods of distribution of his recording; he must know the channels of the distribution so that he may monitor the propriety of the royalties that are being paid by the licensee. Indeed, in Rodgers and Hammerstein, this was a significant argument on which Rodgers and Hammerstein based their infringement case.

Ultimately, the court agreed with Rodgers and Hammerstein's theory. The court determined that the explicit terms of the license contract confined the methods of distribution for the recordings. In support of this theory, the court noted that it was customary for licensees to file multiple Notices of Intention for each medium of the copy of the recording. In support of this theory, the court noted that it was customary for licensees to file multiple Notices of Intention for each medium of the copy of the recording. Indeed, regarding previously established media such as cassettes, LP's, and

76 Id. at 1356.
78 Rodgers and Hammerstein, 60 U.S.P.Q.2d (BNA) at 1356.
79 Id. at 1358. Had the court interpreted the Harry Fox Licensing Agreement as a properly noticed compulsory mechanical license, the digital means of distribution would be properly licensed as well. Therefore, the defendants would be licensed distributors of the recordings, not infringers.
80 Id.
compacts discs, UMG had complied with this custom. Though this industry custom is persuasive, it does not establish a legal proposition that a separate compulsory license is statutorily required for the distribution of a licensed recorded work through a different medium than the one initially intended.

The court also relied heavily on a previous Second Circuit case, Fred Ahlert Music Corp. v. Warner/Chappell Music, Inc. In Ahlert, both parties claimed the right to royalties from a copyrighted recording used in the motion picture *Sleepless in Seattle.* Although the defendant owned a compulsory license for distribution, the copyright owner sued because the licensee used the recording as part of the film's soundtrack. The copyright owner contended that this use was a derivative work not authorized by the compulsory license for distribution. The Second Circuit Court of Appeals agreed with the copyright owner and held that the defendant's license did not authorize additional uses or releases of the original copyrighted piece of music. However, Ahlert is distinguishable from Rodgers and Hammerstein because it involves the use of the licensed recording in the development of a derivative work, whereas Rodgers and Hammerstein simply conveyed the copyrighted work in a different medium of distribution. Thus, despite the court's reliance on Ahlert, it does not appear that the Second Circuit has taken a persuasive stance on whether a separate Notice of Intention and compulsory mechanical license is required for each medium of distribution of the recorded work.

Indeed, the court in Rodgers and Hammerstein notes the Second Circuit's policy of broad interpretation of licenses as laid out in ABKCO Music, Inc. v. Westminster Music, Ltd. Pursuant to this view, the court should interpret

81 *Id.*

82 Rodgers and Hammerstein, 60 U.S.P.Q.2d (BNA) at 1358-60 (citing Fred Ahlert Music Corp. v. Warner/Chappell Music, Inc., 155 F.3d 17, 24 (2d Cir. 1998)).

83 *Fred Ahlert Music Corp.*, 155 F.3d at 19.

84 *Id.* at 21.

85 *Id.* at 25.

86 17 U.S.C.A. § 101 (West 2006) ("A 'derivative work' is a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a 'derivative work.'").

87 17 U.S.C.A. § 101 (West 2006) (The definition of a "sound recording" states that a movie soundtrack is a separate copyrightable work from the individual musical composition on which it is comprised. The soundtrack itself is copyrightable as a compilation. It is also copyrightable as an element of a motion picture.; see also Robert P. Merges et al., *Intellectual Property in the New Technological Age* 371 (3d ed. 2003)

compulsory mechanical licenses to allow the distribution of music in any medium that could "reasonably be read to fall within the scope of the license." Using the broad interpretation, the license should encompass the use of a different medium of distributing the recording other than the one originally specified.

The court further rationalized its finding by claiming that the compulsory license for the digital distribution, even if it were obtained, would not be sufficient to allow digital streaming. Copies on servers, which facilitate the distribution of the phonorecords, are not themselves intended for distribution. However, this argument does not take into account the fact that, in the manufacture of other recordings, such as cassette tapes or compact discs, the information which allows the imprinting of the recording on the tape or disk is "copied" into the manufacturing machine, which itself is not distributed. This copy is allowed implicitly, however, by permitting the manufacture of the tapes and cassettes for recording.

Most importantly, though, UMG lost its ability to obtain a compulsory license for the digital streaming audio of the songs because of the lapse of the thirty-day window from first distribution in the new medium. It had already distributed the songs without filing a Notice of Intention and is forever barred from taking advantage of the compulsory licensing system. In fact, if the approach of Rodgers and Hammerstein were to become universal, any Harry Fox licensee trying to keep current with the trends of music recording distribution, in reliance on a previous license that did not expressly allow digital medium distribution, would be left in a difficult situation. Such a licensee would be liable for infringement and forever barred from using the compulsory licensing mechanism. The licensee would be at the mercy of the copyright holder, possibly unable to obtain a license to legally digitally distribute the work for the entire duration of the copyright. Such a bar seems opposed to the public proliferation of works rationale behind the compulsory license system and the purpose of the licenses obtained through the Harry Fox Agency.

As the court notes in Rodgers and Hammerstein, there is but one evident way for the mistaken licensee to right himself after distributing the same music in a new medium without obtaining a new license. The licensee must seek to obtain a "negotiated license" from the copyright holder. The copyright holder is under no obligation to grant the license at all; even if the copyright holder decides to do so, he or she may choose to impose ex-

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89 Rodgers and Hammerstein, 60 U.S.P.Q.2d (BNA) at 1359.
90 Id. at 1360.
92 Id.
93 Rodgers and Hammerstein, 60 U.S.P.Q.2d (BNA) at 1358.
traordinary contractual terms, including exorbitant prices, on the licensee. Thus, the system as chosen by the court in *Rodgers and Hammerstein v. UMG* was ripe for exploitation by the copyright holders. Holders who wish to carefully control the access of distributors to their work could gouge or disallow licenses to distributors. This is inconsistent with the Constitutional policy behind copyrights: to encourage increased public access to works. As discussed above, in the musical recording industry, compulsory licenses safeguard distributors who effectuate the Constitutional purpose of free communication of ideas and expressions. It is a severe penalty indeed to irreversibly revoke this safeguard because of the licensee’s mistaken use of a different medium without a separate filing of a Notice of Intention for each new type of medium.

The court’s holding in *Rodgers and Hammerstein* had many inconsistencies to overcome. Licensees who negotiated with the copyright owners through the Harry Fox Agency would like to shift the use of their compulsory mechanical licenses to different mediums of recording for distribution as technology changes. In light of the numerous medium changes likely to occur in the future, the eventual solution to this problem could have widespread ramifications. An ultimate and definitive answer to this problem is necessary.

### IV. Possible Solutions to the Problem of Compulsory Mechanical Licenses in Shifting Media

Since *Rodgers and Hammerstein*, the Copyright Office has responded to the issue of translating prior compulsory licenses to digital distribution licenses. It has adopted a textual interpretation of the license contracts. However, the Copyright Office’s opinion has not yet been applied. It is not specifically defined, and interpretation of the terms will be necessary for each situation. Moreover, being merely persuasive authority, not all courts adopted the Copyright Office’s opinion. The section below discusses some interpretive suggestions and possible issues that may arise in this area.

#### A. The Copyright Office Opinion

In *Rodgers and Hammerstein v. UMG*, UMG suggested that the Copyright Office devise a solution to this problem. The District Court found that approach inappropriate to influence the outcome of a case which was already in progress. However, in response to the requests for clarification from The

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94 U.S. Const. art. I, § 8, cl. 8.
95 See supra notes 13–27 and accompanying text.
96 *Rodgers and Hammerstein*, 60 U.S.P.Q.2d at 1361 (citing Morris v. Business Concepts,
Harry Fox Agency, the National Music Publishers' Association, Inc., the Digital Media Association, the Recording Industry Association of America, Inc., and other agencies, the Copyright Office has considered the problem of digital media compulsory licensing for prior license holders. The recent overhaul of the Copyright Act, dubbed the Digital Millennium Copyright Act ("DMCA"), is still a work in progress. Many amendments have been passed, and even more are still under consideration. The Copyright Office has established that digital streaming of copyrighted recordings is subject to compulsory licensing. Furthermore, the Copyright Office defined digital phonorecord delivery under the Copyright Act as each individual delivery of a phonorecord by digital transmission of a sound recording which results in a specifically identifiable reproduction by or for any transmission recipient of a phonorecord of that sound recording, regardless of whether the digital transmission is also a public performance of the sound recording or any nondramatic musical work embodied therein.

Although the notice requirement stated in section 115(b)—which requires notification to "the copyright owner of [the licensee's] intention to use the copyright owner's musical work to make and distribute phonorecords under the section 115 license"—was not changed by the DMCA, the Copyright Office has spoken directly on point with the digital distribution issue:

In light of the fact that the purpose of the Notice of Intention is merely to give notice to the copyright owner of a licensee's intention to use the copyright owner's musical work to make and distribute phonorecords subject to the terms of the section 115 compulsory license, additional notices to update information that was correct at the time of service are not part of the statutory scheme. Once a notice is served, the copyright owner is on notice.

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that the licensee will be using the identified musical work to make phonorecords. The licensee is then obligated to provide specific information about the types and numbers of phonorecords made and distributed as part of the monthly and annual statements of account, making it unnecessary to file follow-up notices for this purpose.\footnote{Id. at 34,581 (reasoning based on the legislative intent of the 1980 Amendments to the Copyright Act.)}

This opinion issued by the Copyright Office has yet to be utilized in a court of law. However, it seems responsive to subsequent cases that undoubtedly will emerge involving the problem of compulsory mechanical licenses being transferred to developing digital media. In fact, it seems somewhat surprising that issues regarding the validity of a compulsory license in varied media of distributing recordings have not elicited a Copyright Office decision before now.

Even so, the Copyright Office's opinion is not binding on the courts.\footnote{See, e.g., Morris v. Business Concepts, Inc., 259 F.3d 65, 71 (2d Cir. 2001) (citing Bartok v. Boosey & Hawkes, Inc., 523 F.2d 941, 946-47 (2d Cir. 1975)).} The Copyright Office does not have the authority to create law by which courts must abide.\footnote{Bartok v. Boosey & Hawkes, Inc., 523 F.2d 941, 947 (2d Cir. 1975).} Therefore, the above opinion was merely a suggestion of how courts might deal with the issue of translating existing compulsory licenses in the digital age. Until federal legislation cements the application of previous compulsory licenses to digital phonorecords, courts are free to fashion other methods of interpreting the preexisting licenses.

**B. Contractual Interpretation of the Copyright Office's Opinion**

The Copyright Office's opinion interprets the compulsory licensing contracts somewhat flexibly. The opinion did not confine distribution to the explicit terms of the original contract, instead opting for a more liberal construction. The Copyright Office's interpretation is inconsistent with a line of decisions led by the Ninth Circuit referring to independently negotiated copyright licenses which used the explicit terms of the license contract as a limit on the scope of the license, thereby requiring further licenses for any additional uses.\footnote{See, e.g., Rey v. Lafferty, 990 F.2d 1379 (1st Cir. 1993); Cohen v. Paramount Pictures Corp., 845 F.2d 851 (9th Cir. 1988) (both holding that the explicit terms of the contract limited the scope of the copyright license).} However, the Copyright Office's approach is consistent with a more lax approach adopted by the Second Circuit.\footnote{See, e.g., Boosey & Hawkes Music Publishers, Ltd. v. The Walt Disney Co., 145 F.3d 481 (2d Cir. 1998) (holding that the copyright license is flexible enough to include all uses which might fall within a reasonable interpretation of the description of licensed uses in the contract); see also Bartsch v. Metro-Goldwyn-Mayer, Inc., 391 F.2d 150 (2d Cir. 1968) (finding that the original license could be interpreted broadly enough to encompass the defendant's...}
Second Circuit approach has a great deal of academic support. Under the more elastic Second Circuit interpretation, courts should attempt to make reasonable readings of the words of the contract—the party advocating departure from the reasonable reading should be prepared to justify such departure. Thus, for technology unknown to the parties at the time of contracting, the breadth of language and rights granted might be persuasive as to whether the license also authorizes similar uses developed in new media.

If the Second Circuit interpretation were universally adopted, the results might be quite different than the outcome in Rodgers and Hammerstein. In particular, the language in the Harry Fox form compulsory licensing agreement is inclusive of many types of licenses, letting the licensor specify any currently applicable media in one portion of the agreement. The license informs the licensee that he need not file a Notice of Intention. It broadly informs the licensee that they possess a compulsory license on the phonorecords, with no language explicitly limiting the distribution rights to certain media. Under the Second Circuit test, the inclusively drafted license would likely be interpreted to include future similar uses; this can be inferred from the admonitions to the licensee that they need not file further documents to use the license.

Additionally, the Second Circuit test is consistent with the contract interpretation maxim of construing terms against the drafter. The Harry Fox Agency acts as the agent for the publisher, the copyright owner of the work. Therefore, the lack of specificity in the contract should work to the advantage of the licensee.

The licensor is statutorily required to grant the compulsory licenses to the applicant licensees. The copyright owner gains nothing through omission of new digital distribution mechanisms from the original compulsory license. He will still gain the royalties for the distributed copies of the phonorecord from the registered licensees. The only result is the possibility that the licensee may accidentally lose his or her rights to obtain a license for new distribution mechanisms. Under the Ninth Circuit test eschewed by the Copyright Office, since the later developed digital distribution tech-

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108 See 3 Melville B. Nimmer & David Nimmer, Nimmer on Copyright § 10.10[B], 10–90 (2005) (discussing the interpretation of license contracts in the event of new use applications). Nimmer's treatise is widely regarded as one of the most eminent authorities on American copyright law.

109 See, e.g., Boosey, 145 F.3d at 488.

110 The Harry Fox forms refer generally to rights to produce phonorecord copies of the work. The forms do allow the licensor to choose which media they plan to use.

111 Id.

112 Id.

113 Id.
nology is not explicitly mentioned, it is not included in the license, despite the almost misleadingly inclusive language of the Harry Fox License Agreement. The more flexible Second Circuit test, espoused by the Copyright Office, better fits the purpose and scheme of the compulsory licensing system as a whole.

C. Suggestions for Interpretation of the Compulsory License Agreements

Though the current Copyright Office opinion seems to solve the problem by allowing distributors to seamlessly transition from obsolete means of distributing recordings to newer digital means, the DMCA is still rapidly changing. The system adopted by the Copyright Office does effectuate the free communication of ideas contained in musical recordings, but other burgeoning possibilities may someday take its place.

The time limit for seeking a compulsory license may be altogether unnecessary. In the absence of a time limit, a distributor of copies who has not sought a license would still be liable for infringement regarding the copies sold before the license was sought. But the time limit may be effective in deterring distribution of copies of recordings by those who have not yet sold copies. Perhaps this rationale is enough to uphold the imposition of the thirty-day time limit.  

Additionally, the limits on the applicability of the rule proposed by the Copyright Office are unclear. The rule was almost certainly not intended to extend as far as the situation in *Fred Ahlert Music Corp. v. Warner/Chappell Music, Inc.*, where a derivative work was developed for distribution. Such a use of the licensed, recorded work in a different medium would infringe on the copyright owner's right to create or authorize derivative works, outside the scope of compulsory licensing.

One possible limitation on distribution of the recorded works resembles the patent law concept of the doctrine of equivalents. In patent law, the doctrine of equivalents expands the explicitly stated scope of a patent to applications and embodiments which were not foreseen at the time of filing, but which are equivalent in purpose and function to the claims stated in the patent. This concept would be useful in the context of copyright

115 *See supra* notes 96–105 and accompanying text.
116 *See supra* notes 82–87 and accompanying text.
117 A derivative work is an exclusive right of the copyright holder. 17 U.S.C.A. § 106(2) (West 2006); *see also* 17 U.S.C.A. § 501(a) (West 2006) (“Anyone who violates any of the exclusive rights of the copyright owner... is an infringer of the copyright...”).
compulsory licensing as well. It would serve as a bar to uses of the licensed recording which are not similar to those stated in the original Notice of Intention but would allow free transition of the licensee from one method of distribution to a more modern means.

The doctrine of equivalents can also be used as a limiting mechanism for mechanical licenses. Applying a type of reverse doctrine of equivalents, licenses would be limited to the intended uses of the contract, regardless of whether future uses technically fit the explicit description of rights in the license contract. For instance, the situation in *Fred Ahlert v. Warner/Chappell* could be easily solved under the reverse doctrine of equivalents. The license contract was clearly intended to include the distribution of the musical composition as an independent audio work only. The use of the work as accompaniment to a motion picture is sufficiently different than the audio-only sales intended by the parties at the time of contracting.

The doctrine of equivalents and the reverse doctrine of equivalents translate well from patent analysis to compulsory license analysis. The application of these concepts seems consistent with the lenient Second Circuit approach to copyright license interpretation and would increase administrative convenience within the Copyright Office. Rather than creating a new license for a work each time a novel distribution technology emerges, the same license can be used to cover the distribution of the same work by a similar, though modernized, means. Under this system, the copyright holder will reap the same royalties, but the licensee will more efficiently obtain his or her license for use of the work in new ways through one transaction.

V. THE LEGISLATIVE ANSWER TO THE DIGITAL COMPULSORY LICENSING PROBLEM

In response to the inconsistencies with the *Rodgers and Hammerstein* court’s decision and other problems with the interpretation of the applicability of compulsory licensing to digitally distributed phonorecords, Congress amended the constantly changing Copyright Act to include section 115(c)(3)(A). This section states:

A compulsory license under [section 115] includes the right of the compulsory licensee to distribute or authorize the distribution of a phonorecord

120 See *supra* notes 82-87 and accompanying text.

121 Of course, as discussed above, the court was also able to dispose of the issue by determining that the pairing of the music with the motion picture effectuated the creation of a derivative work, infringing the derivative works right of the copyright owner, not the distribution right.

of a nondramatic musical work by means of a digital transmission which constitutes a digital phonorecord delivery.... For every digital phonorecord delivery by or under the authority of the compulsory licensee..., the royalty payable by the compulsory licensee [shall be prescribed in the remainder of the section at special rates unique to digital distributions of phonorecords].\(^{123}\)

The amendment recognizes, to some extent, the similarities of digital distributions and physical distributions of hard copies of sound recordings. However, it also recognizes a fundamental difference in the two—that the licensee does not necessarily part with a digital copy or phonorecord when he distributes it.

The amendment, by extending compulsory license rights automatically to digital distributions of phonorecords, follows the trend of the Copyright Act to make rights for licensees and copyright holders in digital media similar to what they would receive in tangible media. The Act constantly changes its language to include recognition of the development of artistic work on the Internet or as produced by a computer program. The statute's retroactivity extends these rights to users of digital distribution media who had possessed compulsory licenses not specifically directed toward digital use.\(^{124}\)

The statute provides a separate pricing system for the royalties payable to licensors. This reflects Congress' recognition of the difference between tangible copies of a work and digital streaming or distribution—when a person distributes a compact disc or cassette tape, he no longer possesses that particular physical embodiment of the recording. However, when he distributes a digital phonorecord, the distributor loses nothing. He still retains the computer copy, assuming it is not manually erased, no matter how many copies are sent or how long the person streams the recording over the Internet.\(^{125}\)

The statute harkens to section 106(6) of the Copyright Act, which recognizes a new right for a performance of phonorecords through digital streaming.\(^{126}\) Explicitly granting the copyright holder the right to limit digital performances exemplifies Congress's recognition of the increased likelihood that potential infringers might perform a work on the Internet. Infringement of performance rights online are analogous to the increased likelihood of illegal Internet digital phonorecord distributions.

\(^{123}\) *Id.*


\(^{125}\) This dichotomy is also commonly encountered and analogized to the distinction between intellectual property and tangible property.

VI. THE IMPLICATIONS OF THE RODGERS AND HAMMERSTEIN INTERPRETATION OF HARRY FOX AGREEMENTS

While interpreting the DMCA's digital licensing system, Rodgers and Hammerstein may have caused a deeper problem. The court decided that the Harry Fox Agreements were not compulsory licenses at all, but ordinary licenses limited to their explicit terms. Although the court based this decision on the fact that the licensees relied on The Harry Fox Agency to provide the requisite notice to the copyright holder, as opposed to the licensees providing the notice as required by statute. While the court found other justifications for their holding in this particular case, the broad interpretation of Harry Fox Agency licenses as individually negotiated licenses, not compulsory licenses, prospectively causes dramatic repercussions.

The holding is particularly surprising considering the language and clear intent expressed in a standard Harry Fox Agency agreement. These agreements explicitly identify themselves as compulsory licenses. When the intended licensees sign and accept this agreement, blessed by the National Music Publisher's Association, and read language specifically identifying the agreement as a compulsory license, they have a reasonable expectation to walk away with just that. Instead, according to Rodgers and Hammerstein, the intended licensees take away no legal rights or potential exposure to a copyright infringement suit.

A. Potential Problems Faced by Current "Licensees" Under Harry Fox Agreements

While most copyright owners have not brought litigation based on the Rodgers and Hammerstein invalidation of the Harry Fox Agreements as compulsory licenses, the possible litigation consequences of doing so could be

127 Rodgers and Hammerstein Org. v. UMG Recordings, Inc., 60 U.S.P.Q.2d (BNA) 1354, 1358 (S.D.N.Y. 2001) ("By choosing to submit a license application to Harry Fox rather than serve the statutorily required notice, Defendants exercised the option Congress granted them to obtain a ‘negotiated license’ as opposed to a compulsory license.").

128 17 U.S.C.A. § 115(b)(1) (West 2006); see also Rodgers and Hammerstein, 60 U.S.P.Q.2d (BNA) at 1360 ("Since Defendants’ server copies are neither intended for distribution to the public nor part of a process for distributing digital copies of the existing phonorecords, Section 115 would not give the Defendants a right to a compulsory license for the server copies.").


130 The Harry Fox Agency Mechanical License Agreement, on file with author. Although the Harry Fox Agency website provides forms entitled “Mechanical License Agreements,” only registered music distributors may access these forms. The Harry Fox Agency, Inc., Mechanical Licensing, http://harryfox.com/public/licenseMechanical.jsp (last visited May 8, 2006).

131 The Harry Fox Agency is run by the National Music Publisher's Association [NMPA] specifically to ease compulsory licensing of musical works.
disastrous. Not only the intended licensees, who innocently sought a compulsory license, but also the Harry Fox Agency and courts could suffer from the potential litigation.

After obtaining a Harry Fox agreement, intended licensees model their behavior on the belief that they have a compulsory license. They distribute the musical work, paying the royalties set forth in the agreement. Believing that an effective license is already in place, the intended licensees do not take further steps to acquire a proper compulsory license before use, and do not attempt to negotiate a noncompulsory license. However, since no valid compulsory license has been granted under the standards of Rodgers and Hammerstein, the intended licensees are subjected to myriad legal problems. They are liable for retroactive damages for all distributions made under the belief that a compulsory license was in effect. The intended licensees also must pay the legal costs of any ensuing litigation. Even after the infringement battle concludes, the intended licensee is forever barred from obtaining a compulsory license at the statutorily limited royalty rates.

This bar to unintentional infringers who attempted to give proper notice and obtain a valid compulsory license frustrates the policy behind the compulsory licensing system. After paying penalties and damages for distributing the songs without a license, the intended licensee may still wish to distribute the songs. However, he or she no longer has the option to choose whether to opt for the statutorily limited compulsory license royalty rate. The licensee must seek an independently negotiated license from his or her prior opponent in litigation. The relationship between the copyright holder and the party seeking a license may now be contentious, and negotiation of a license may be impossible. Even if the relationship has not soured, the copyright holder may now refuse to grant a license to distribute or may set a price for the license which is so high as to make the license impractical. Neither situation effectuates the government’s intent in instituting the mechanical compulsory license system: the availability and affordability of licenses for distribution of music.

The intended licensees have several defenses available in court. They may assert that the Harry Fox Agreement, if not a valid compulsory license, at least is a valid contract between the proposed licensor and the copyright owner (through its agent, The Harry Fox Agency). Until Rodgers and Hammerstein’s holding, both parties clearly intended and believed that the Harry Fox Agreement constituted a valid compulsory license, and allowed distribution accordingly. Basic maxims of contract interpretation demand that the expectations of the parties be considered in determining the dam-

133 Id.
134 See supra notes 13–27 and accompanying text.
ages flowing from a breach of the contract. If both parties expected that distribution of the copyrighted material at the royalty rate in the Harry Fox Agreement should be the result of the contract, then perhaps all licensors should be required to allow the proposed licensor to distribute copies at that rate. Certainly, any damages granted to the copyright holder must be tempered by the royalty fees already paid by the licensee under the terms set out in the Harry Fox Agreement to avoid the unjust enrichment of the copyright holder. Courts must quantify the damages suffered by the copyright holder for use of the copyrighted material without a valid license based on the fair market value of such a license. Since the copyright holder did not previously object to the royalty amount set forth in the Harry Fox Agreement, the courts might choose to equate that royalty amount with the fair value of the license. Thus, assuming the intended licensee paid the royalty as he agreed to do under the Harry Fox Agreement, the copyright holder may be deemed to have no additional compensatory damages due to him. Of course, statutory penalties may still be assessed for infringement of the copyright.

Further defenses in estoppel might be available. Copyright holders have tacitly acquiesced to the Harry Fox Agreement's use as compulsory licenses for decades. The licensees continued to use the Harry Fox Agreements in reliance on the fact that copyright holders had not challenged their validity. Perhaps copyright holders should be estopped from claiming that the Harry Fox Agreements do not function as compulsory licenses after treating them as such for so long.

Courts may suffer an influx of litigation from copyright owners hoping to collect from the intended licensees under Harry Fox Agreements. In addition to computing any damages due to the copyright holder for years or decades of distribution, the courts must also deal with several defenses available to the intended licensees. Moreover, the unclear precedential effect of cases giving credence to the Harry Fox Agreements, such as those enforcing demands for royalties, may be a further hurdle for the courts. Ultimately, the cases presented to the courts would be time consuming and perhaps overwhelming.

B. Consequences for The Harry Fox Agency

A second strand of litigation could stem from the Rodgers and Hammerstein holding. Intended licensees, after legal attacks from copyright holders, might seek relief from the Harry Fox Agency. After all, the intended licensees reasonably relied on a document entitled “Compulsory License Agreement” to obtain a license. The Harry Fox Agency touted the Agreements as a way to obtain a valid license. Dissatisfied intended licensees

135 Indeed, following Rodgers and Hammerstein, The Harry Fox Agency continues to offer
might seek damages for Harry Fox's misrepresentation of the Agreement as a compulsory license. The intended licensees should have a claim that they reasonably relied on The Harry Fox Agency to provide them with a valid contract when they claimed to do so. Such action seems contrary to public policy in that it hinders an organization designed to ease the compulsory licensing process for copyright holders and distributors alike.

Though copyright holders have not yet attacked intended licensees under the Harry Fox Agreements, the looming possibility of widespread litigation remains. The holding in *Rodgers and Hammerstein* gives copyright holders an unexpected, unbargained-for right to sue, despite the clear intent of the copyright holder, the intended licensee, and The Harry Fox Agency to grant an enforceable compulsory license. Should such cases arise, the courts might be most fair to disallow retroactive damages and force copyright holders to grant a new license under compulsory license terms and pricing. However, such equitable relief would be at the court's discretion. The statutes provide no standard solution. The results could be unpredictable and highly detrimental to intended licensees who innocently distributed copyrighted material under the belief that they held a valid compulsory license.

**VII. Conclusion**

Congress's solution to the problem of rapidly changing means of distributing musical recordings through flexible compulsory licensing appears to be a solid solution to the problem of licensing digital distributions of copyrighted material. The interpretation of this doctrine by courts may, however, point to different problems and possibilities. This point of law, like the entire turbulent DMCA, is subject to much future discussion, interpretation, and possible amendment. The potential applicability of contractual interpretive devices,\(^\text{136}\) patent law doctrines,\(^\text{137}\) or other interpretive devices may yet be necessary to clarify the application of section 115(c)(3)(A) to actual copyright cases.

The possibility that Harry Fox licenses are no longer valid as compulsory licenses, however, is a very real danger to digital distributions, both past and prospective. Though digital distributions are subject to the compulsory licensing system in general, the common case of licenses sought through The Harry Fox Agency may not allow licensees to take advantage of the amendments in the DMCA. This may subject licensees to retroac-

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\(^{136}\) See *supra* notes 106–13 and accompanying text.

\(^{137}\) See *supra* notes 119–121 and accompanying text
tive damages for the past belief that they were properly distributing digital phonorecords under a compulsory license. Harry Fox license holders may also have a hard time obtaining an independently negotiated license for future digital distributions, contravening the purpose of the DMCA in allowing such licenses.

Ultimately, courts, copyright holders, and copyright licensees will benefit from the adoption of the elastic mechanism for extending copyright compulsory licenses to new distribution methods without further filing, subject to the hurdle for current Harry Fox license holders created by Rodgers and Hammerstein. Adoption of the flexible compulsory licensing system will streamline the licensing process, make the licensing agencies more administratively convenient, prevent licensees from accidentally sacrificing their rights to compulsory licenses, and, most importantly, assist licensees in employing new technology to distribute and proliferate musical works for the benefit of the public and profit of the copyright holder.