

English High Court Issues Substantial Ruling Regarding Section 203 Termination of U.S. Copyright Grants Made Under English Law

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Communications & Media; Copyright & Trademark Litigation

On December 2, 2016, the English High Court ruled that the members of the band Duran Duran would be in breach of the contracts under which they assigned their publishing copyrights if they exercised their U.S. statutory right to terminate the transfer of the U.S. copyrights under section 203 of the Copyright Act. The case, *Gloucester Place Music Limited v Simon Le Bon & Others* [2016] EWHC 3091 (Ch), has potentially significant ramifications for post-1977 U.S. copyrights assigned under instruments governed by foreign law.

Background

Section 203 provides that, other than with respect to works made for hire, a grant or transfer of copyright executed on or after January 1, 1978 may be terminated by the author during a five-year period beginning 35 years after the date of execution, or in the case of publishing rights, either 35 years after publication or 40 years after the date of execution, whichever is earlier. Section 203 also provides that termination may be effected “notwithstanding any agreement to the contrary,” including an agreement “to make any future grant.”

Since 2013—when the window for terminating copyrights assigned in 1978 first opened—recorded music and music publishing companies in particular have been concerned about the possibility that artists would contend that their works are not works made for hire, and attempt to terminate the copyright assignments that typically are included in recording and publishing contracts.

In July 1980 and June 1983, members of Duran Duran entered into agreements with their music publisher, now Gloucester Place Music Limited, which granted the publisher a worldwide assignment of “... all the copyrights and all other rights whatsoever and howsoever now or hereafter known ... in all musical compositions and/or lyrics and/or original arrangements of musical works ... throughout the world and the right to renew and extend such copyrights and other rights ...” The agreements contained English choice-of-law provisions and gave the English Courts exclusive jurisdiction to determine disputes.

In 2014, the band members served a series of notices on the music publisher under section 203, terminating the assignments of the U.S. copyrights in 37 Duran Duran songs.

The Lawsuit

In response to these notices, the publisher commenced an action against the band members in the U.K., seeking a declaration that the Section 203 termination notices constituted a breach of the band's publishing agreements. The publisher argued that Duran Duran had agreed to assign the U.S. copyrights to it for the full term of that copyright's existence and that in the absence of any express reservation of rights, the agreements prohibited the exercise of section 203 rights. The publisher also pointed to the need for commercial certainty with respect to the duration of a copyright grant under English law, given that the publisher had entered into other agreements with third parties (e.g., sub-publishers in other countries) that might be affected if it no longer had the copyrights.

For its part, Duran Duran argued that the U.S. copyrights were inherently subject to the statutory rights of termination. Therefore, in the absence of any express prohibition, the agreement allowed the exercise of section 203 rights.

The court ultimately ruled in favor of the publisher, albeit "not without hesitation." The court reasoned that the parties were aware of section 203 at the time they entered into their agreements—a critical fact given that, under English law, a court looks to what the contract would have meant objectively, to a "reasonable person having all the background knowledge which would reasonably have been available to the parties in the situation in which they were *at the time of the contract*" (emphasis added). Accordingly, given the broad and general language of the assignment, a reasonable person would have been under the impression that the entire copyright (including U.S.) was vested in the music publisher, and for its full term, notwithstanding any statutory termination right. The court did not dispute the effectiveness under U.S. law of the termination notices. But especially given the band's contractual agreement not to transfer any interest in the copyrights to any other person (other than the music publisher), the Court found that termination—which would result in a transfer to the band members themselves—amounted to a breach of contract for which the publisher could sue for damages.

Analysis

This case represents a significant development with respect to grants of U.S. copyrights executed under foreign law. While the effectiveness of a Section 203 termination notice is exclusively a question of U.S. copyright law, termination is of little economic consequence if the terminating party is answerable in damages for the results of terminating.

The precedential effect of the decision might be dulled, however, by the procedural niceties of the case. The band sought to rely on a statement by its solicitors to the effect that, under U.S. copyright law, the rights granted would necessarily have been limited by the statutory termination right. The Court refused to consider this, however, for two reasons. First, the publisher brought the proceeding under the "Part 8" procedure in the English courts, which is used where there is no substantial dispute as to the facts, rather than the more usual "Part 7" procedure. As a result, the Court refused to consider any extrinsic evidence regarding U.S. law. The Court also considered the evidence inadmissible or irrelevant, because the lawyer giving it did not claim an expertise in U.S. law, gave no basis for the statement, and did not say what the position was at the time the 1980 and 1983 agreements were signed.

It thus remains an open question what an English court would do if confronted with admissible evidence supporting a conclusion that at the time a grant of U.S. copyrights was executed, a reasonable person would have understood that grant to incorporate the termination rights provided for in Section 203.

Regardless, music publishers, record companies, and others that receive termination notices would be well advised to consider whether the agreements containing the grants at issue are governed by foreign law, and if so, whether the exercise of Section 203 rights might amount to a breach of those agreements.

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<u>Ronald Dove</u>	+1 202 662 5685	rdove@cov.com
<u>Simon Frankel</u>	+1 415 591 7052	sfrankel@cov.com
<u>Mitchell Kamin</u>	+1 424 332 4759	mkamin@cov.com
<u>Gregory Lascelles</u>	+44 20 7067 2142	glascelles@cov.com
<u>Alexander Leitch</u>	+44 20 7067 2354	aleitch@cov.com
<u>Jonathan Sperling</u>	+1 212 841 1153	jsperling@cov.com

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