



School of Law

**A LICENSE IS NOT A  
“CONTRACT NOT TO SUE”:  
DISENTANGLING PROPERTY  
AND CONTRACT IN THE LAW  
OF COPYRIGHT LICENSES**

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## I. INTRODUCTION

*“Whether express or implied, a license is a contract governed by ordinary principles of state contract law.”<sup>1</sup>*

Statements to this effect are commonplace in commentary and case law concerning both patent and copyright. Rarely, though, does anyone spell out exactly what they mean. If by “license” is meant “license agreement,” then the assertion is straightforward and unremarkable. Certainly, there exists a subset of contracts in which the consideration offered by one side (or perhaps both) consists of the grant of a license, and such contracts are no different from contracts involving other sorts of consideration. The statement that a “license is a contract,” however, seems to assert more than this. It seems to assert that the “grant of a license” *itself* amounts to nothing more than the assumption of a contractual duty, that a license may be defined as “a contract not to sue.”<sup>2</sup>

To assert that a license is a form of contract is to assert that licensor-licensee relationships and their effects should be identified, construed, and enforced within a particular universe of legal doctrines and formalities. And yet, despite seeming unquestioned acceptance of the premise that a license is simply a type of contract (I shall refer to this as “the contract theory of license”), no one seems inclined to follow it through to all of its logical consequences. If they did, one would expect them to adopt (or feel compelled to explain why they do not adopt) the following positions with regard to copyright licenses:

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<sup>1</sup> McCoy v. Mitsuboshi Cutlery, Inc., 67 F.3d 917, 920 (Fed. Cir. 1995)(*quoting* Power Lift, Inc. v. Weatherford Nipple-Up Sys., Inc., 871 F.2d 1082, 1085).

<sup>2</sup> See, e.g., Harris v. Emus Records Corp., 734 F.2d 1329, 1334 (9th Cir. 1984) (“a license has been characterized as an agreement not to sue the licensee for infringement”); MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT: A TREATISE ON THE LAW OF LITERARY, MUSICAL AND ARTISTIC PROPERTY AND THE PROTECTION OF IDEAS § 10.01[C][5] & n.73.1 [hereinafter “Nimmer”] (“A license is, in legal contemplation, merely an agreement not to sue the licensee for infringement.”); Raymond T. Nimmer & Jeff Dodd, MODERN LICENSING LAW §10:8 (2009) (“Licensing law is fundamentally a species of contract law, broadly understood.”); STAFF OF S. COMM. ON THE JUDICIARY, 86TH CONG., DIVISIBILITY OF COPYRIGHT 1 (Comm. Print 1960)(report by Abraham L. Kaminstein). (“An assignment carries all rights; a license is really a contract not to sue the licensee[.]”).

- 1) As no contract is valid absent consideration and mutual assent,<sup>3</sup> any attempt to grant a license either gratuitously or unilaterally is invalid.
- 2) Generally speaking, contracts are not specifically enforced if damages are adequate to protect the expectation interest of the injured party.<sup>4</sup> This means that the existence of a license should not necessarily prevent a licensor from treating the licensee as an infringer. In at least some circumstances, the licensor should be permitted to engage in efficient breach by breaking the promise not to sue her licensee, paying expectation damages, and putting the licensed work to some higher-valued exclusive use.
- 3) Contracts may be rescinded or terminated upon a material breach of one of the parties, in which case the non-breaching party is prospectively freed of the duty to perform.<sup>5</sup> If a license consists of nothing but a “contract not to sue for infringement,” it follows that where a licensee commits a material breach justifying termination, the licensor is entitled to bring an infringement suit for any prior uses of the work made by the licensee that are still within the statute of limitations, including uses that were made prior to termination of the license.
- 4) Contracts bind only those who make themselves party to them. Therefore, if a copyright owner transfers ownership of her copyright to some other party, the transferee is not bound to honor any outstanding licenses entered into by the transferor, unless he expressly assumes a duty to do so.<sup>6</sup>

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<sup>3</sup> See RESTATEMENT (SECOND) OF CONTRACT § 17 (1981) (“[T]he formation of a contract requires a bargain in which there is a manifestation of mutual assent to the exchange and a consideration.”).

<sup>4</sup> See *id.*, at § 359 (1981) (“Specific performance or an injunction will not be ordered if damages would be adequate to protect the expectation interest of the injured party.”).

<sup>5</sup> See *id.* §§ 237-242.

<sup>6</sup> See Thomas W. Merrill & Henry E. Smith, *The Property/Contract Interface*, 101 COLUM. L. REV. 773, 827-28 (2001):

If leases were bilateral contracts and nothing more, then in the event of a sale of the fee arguably the new owner could evict the tenant (because the burden of the lease would not run with the land), and the tenant would be left with nothing but a cause of action against the original landlord for breach of contract.

All the above would be fairly straightforward implications of the contract theory of license, and yet no-one suggests that any of them is or should be the law.

Nor do courts really comply consistently with the choice of law principle asserted in the quote above. While federal courts generally do apply state contract law to the enforcement of express license agreements, they have also not hesitated to develop and apply principles of license construction derived from federal copyright policy.<sup>7</sup> When it comes to the area of implied copyright licenses, federal courts have gone further and developed what can only be called a pure body of federal common law governing their creation and scope. This has occasionally been done with a bad conscience, as some judge or party worries that state law really ought to control such issues,<sup>8</sup> but despite gestures toward state law principles, the courts deciding these cases tend to ignore choice of law and base their decisions entirely on a line of doctrine developed by federal courts.<sup>9</sup>

On the other hand, sometimes jurists actually *do* apply the contract theory of license—only with inconsistent and counterproductive results. Much of the trouble comes from attempts to apply the contract theory of license in conjunction with Section 204 of the Copyright Act, which provides that in order to be valid, an exclusive license (but not a nonexclusive one) must be in a writing signed by the owner of the rights conveyed.<sup>10</sup> Assuming that a license is simply a contract leads courts to think of Section 204 as a statute of frauds intended to govern *contract formation*, which can lead to the invalidation of entire contracts that would

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*See also* Perkins v. Gilman, 25 Mass. 229, 235 (1829) (a covenant by the payee of a promissory note not to sue the maker within a limited time, cannot be pleaded in bar to an action brought within the time by a person to whom the note was indorsed after it became due).

<sup>7</sup> See, e.g., Cohen v. Paramount Pictures, 845 F.2d 851, 754 (9th Cir. 1988) (consulting federal copyright policy in deciding how to construe a license agreement's scope with regard to later-arising technologies).

<sup>8</sup> See e.g. *Foad Consulting Group, Inc. v. Musil Govan Azzalino*, 270 F.3d 821, 827 (9th Cir. 2001).

<sup>9</sup> See Nimmer & Dodd, *supra* n. 2 at §10:4 (“ [W]e know of no cases (other than Foad) where a court is asked to determine, or feels a need to determine, which state's law governs the estoppel or implied license analysis. That is an issue that would be important if the cases were indeed relying on state law.”).

<sup>10</sup> See 17 U.S.C. § 204(a) (2006):

A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent.

have been valid under state law, simply because part of the deal can be construed as an attempt to grant an exclusive license.<sup>11</sup> Further, where an express attempt to grant an exclusive license fails to satisfy Section 204, the contract theory of license casts doubt on whether *any* license—even a non-exclusive one—has been effectively granted.<sup>12</sup> Such reasoning threatens to result in actions undertaken with the express consent of the copyright owner being held to infringe. While any formality can act as a trap for the unwary, these constructions of Section 204 create pitfalls for contracting parties (particularly would-be licensees, who may be left with no legal remedies or protection at all) that do not further the purpose of Section 204, which is to make readily discernible the identities of parties entitled to enforce the exclusive rights granted by copyright law.

Such issues represent only a few of the consequences for copyright doctrine that hinge on our understanding of the nature of a license. A full list would include at least the following:

- What formalities govern the effective creation of revocable, nonrevocable, and exclusive license privileges?
- What transactions (and what aspects of those transactions) are governed by the formal requirements of Section 204?
- Under what circumstances does breach of a license agreement amount to infringement?
- Are exclusive copyright licenses freely transferrable without the consent of the licensor?
- What rules govern the creation and irrevocability of implied licenses?
- Under what circumstances should a licensee be regarded as an “owner” for purposes of exhaustion (first sale) doctrine?
- What aspects of state law bearing on licensor-licensee relationships are preempted by federal copyright law?

These are far too many cans of worms to open at once, and this article shall not attempt to go beyond the first three. I list the others at the outset in the

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<sup>11</sup> See *Valente-Kritzer Video v. Pinckney*, 881 F.2d 772, 774 (9th Cir. 1989) (holding that “Section 204(a) not only bars copyright infringement actions but also breach of contract claims based on oral agreements.”).

<sup>12</sup> Nimmer, *supra* note 2, at §10.03 [A][7]:

May a court accord partial significance to the attempted grant by construing it as an effective, albeit nonexclusive, license? To do so would raise serious questions under contract law, as the enterprise would plainly contravene the mutual intent of the parties.

hope of persuading the reader that conceptual clarity as to the nature of a license is an abstract endeavor with fairly broad and important practical implications, enough to make worthwhile the attempt to pin down what Wesley Hohfeld described as a word of such “convenient and seductive obscurity” that “the task of dealing at all adequately with the intricate and confused subject would, in and of itself, require a long article.”<sup>13</sup>

One may, of course, dispute my premise that trying to pin down the conceptual meaning of the term “license” is at all a promising way of getting at the answers to these practical problems. Each of those problems, it can be argued, presents its own welter of concrete policy issues, and should be resolved by reference to the relative pros and cons of different answers we might give, not as a matter of lexical deduction. My approach, however, is not a simple attempt to elevate the syllogism over the felt necessities of the time.<sup>14</sup> Rather, I assume that doctrinal concepts such as “contract,” “property,” and “license,” are the result of a complex and lengthy interplay *between* logic and experience. The law evolves in response to practical problems and the experience of trying to solve them; it uses logic to organize the fruits of that experience into conceptual categories that can be generalized and used to deduce solutions to new problems that are at least likely to be fairly good first approximations of good ones. Holmes is right: to show that the consistency of a system requires a particular result “is not all.”<sup>15</sup> But as he also recognized, it *is* “something.”<sup>16</sup> How much that something amounts to will depend upon how persuasively we can explain the logic of the system as reflecting and furthering its functional underpinnings. The reader may judge how well my argument succeeds against such a standard.

By the same token, showing the inconsistency of a system does not demonstrate that all its results are undesirable, but it does undermine any reason to rely on its logic as a source for generating desirable ones. In asserting that a license “is not” a contract, I do not mean to deny that licenses are most often (though not always) granted in the context of a contractual relationship, or that the very words used to create the license are often themselves contained in the same instrument that also memorializes a contract. Nor do I deny that licensors may (and often do) bind themselves contractually *not to revoke* their licenses, which is probably what people

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<sup>13</sup> See Wesley Hohfeld, *Faulty Analysis in Easement and License Cases*, 27 YALE L.J. 66, 92 (1914).

<sup>14</sup> Cf. Oliver Wendell Holmes, THE COMMON LAW, LECTURE I.

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

really mean when they say a license is a “contract not to sue.” For all that, however, the various transactions and resulting interests that we commonly refer to as “licenses,” along with certain consequences that we commonly understand to follow from those relationships, cannot be fully or satisfactorily explained within the system of contract doctrine alone. The contract theory of license therefore threatens to force our thinking about licenses into channels that were not carved to serve our purposes.

The concept of license, I argue, belongs fundamentally to property, not contract. Property rights allocate control of resource use to titleholders, while placing all others under *in rem* duties of non-interference. License is the means by which titleholders relieve selected others of those duties and permit them to participate in (or even delegate to them the power to direct) the use of—and this is the crucial point—resources to which *the licensor continues to retain title*. The particular set of legal problems associated with licenses revolves around a central issue: to what extent (and by what means) should the law permit control over use of a resource to be exercised by one person while nevertheless regarding *another* person as the resource’s ultimate owner. Discussing this issue clearly is difficult, because “ownership” itself does not consist of a single, uniquely defined set of jural relations.

In claiming that a license is properly construed as a form of property interest, I do not mean to assert that all license questions should therefore be decided by slavish application of or extrapolation from traditional property doctrine. While the essential core of any license is a use privilege granted by the titleholder as an exercise of powers conferred by property law, license interests can be far more complex than that. Depending on the purpose of the license, it may be desirable to provide varying types of protection to the licensee and his interests in use. Both property and contract provide various means of creating configurations of jural relations tailored to serve these purposes. They do so in different ways, however, governed by different sets of formalities and giving rise to different practical implications. My purpose in this article is to focus attention on the distinctive roles of property and contract in the realm of license, in the belief that this provides legal actors with a broader and more nuanced set of tools with which to arrange their affairs than is presently understood.

In Part II I explain what it means to describe a license as a form of property interest. I begin by positing distinctions between three key concepts: 1) “title,” which is a legal interest giving someone the exclusive right to assign uses to a resource; 2) “license,” which is a legal interest



created by a titleholder granting use privileges to some non-titleholder, and 3) “ownership,” which encompasses any form of property interest that is held with immunity to revocation at the will of another. Next I describe the formal means through which property law empowers titleholders to create property interests in others that fall short of full assignment of title. The most fundamental of these is the bare use privilege, which forms the essential core of every property interest referred to as a “license.” A bare license is revocable at will, and requires no formal act beyond manifestation of consent to use. Titleholders are also empowered to grant irrevocable use privileges—such as easements or profits à prendre—by means of written deed. When such irrevocability is created through property formalities, it disables the titleholder’s power of revocation and creates an *in rem* ownership interest in the licensee. Such irrevocable interests in tangible property are always coupled with rights of non-interference, but their transferability is subject to various constraints that serve to avoid over-fragmentation of the privileges needed to make use of the resource.

In Part III I take up the analysis of licenses from within the confines of contract doctrine. The first, basic point is that contract doctrine cannot account for the bare license. Contract law creates irrevocable rights and duties, not revocable privileges. The act of entering into a contract may itself manifest the consent to use that gives rise to a privilege as a matter of property law, but this effect does not stem from contract law and is independent of the contract’s enforceability. Actions that are privileged when they occur cannot be rendered retroactively trespassory by subsequent breaches of the licensee. Were a license merely a contractual obligation to refrain from suit on the other hand, actions later resulting in termination would free the licensor to sue over acts taken while the contract was still in force. It is therefore incoherent to define a license as a “contract not to sue.” The role played by contract in the realm of license is a different one—it provides a means for licensors to protect a licensee’s interest in non-revocation, without granting an ownership interest in the property. The common law of land uses has long recognized this distinction by treating a landowner’s revocation of use privileges as legally efficacious even though undertaken in breach of contract. Contract law may also be used to create an exclusive license, but such exclusivity consists solely of *in personam* duties undertaken by the licensor to refrain from licensing others and to enforce her right to exclude against them. It does not give the licensee any rights enforceable directly against third parties.

In Part IV, I discuss the nature of copyright interests and the provisions of the Copyright Act that govern their transfer. In copyright as with

tangible property, the creation of a bare license interest is not a matter of contract but a unilateral exercise of power by the copyright owner, requiring no more than a manifestation of consent to use. This principle is well-established in copyright law with regard to nonexclusive licenses, and yet despite its clear inconsistency with the contract theory of license, that theory has been invoked to infuse the law with needless complications, largely revolving around the application of Section 204. There is no reason in principle why copyright law, like land law, should not permit the creation of irrevocable and exclusive license interests by means of *either* property conveyance *or* contract, leaving each to be enforced through the appropriate means.

Section 204 functions like a statute of frauds for property conveyance, with the difference that, unlike the traditional Statute of Frauds for land, it requires a deed not to create irrevocability but to transfer the sort of exclusivity that is enforced *in rem* against infringers, as opposed to *in personam* against licensors. A transaction that fails to comply with Section 204 will thus not result in a transfer of the ability to invoke the exclusive rights of Section 106 against third party infringers. Such a transaction, however, may nevertheless manifest the copyright owner's consent to use and thus give rise to use privileges in the intended licensee. Section 204 *does not govern contract formation*, and should not be read to invalidate contractual duties that do not affect the ownership of exclusive rights. Nor should it be read to invalidate (even though it does not *require*) the use of a written deed to render irrevocable a nonexclusive license. The existence of Section 205(e), which enables a written nonexclusive license meeting the same formal standards as Section 204 to trump a conflicting assignment of the copyright, corroborates the view that such a writing functions as a deed to grant limited ownership interests that need not be based on consideration.

While I argue that copyright owners should be permitted to effectively use deeds in ways now called into question by the contract theory of license, I do not deny that contract law has an important role to play in copyright licenses. Instead of using a deed, copyright owners can still contract not to revoke their licenses. I argue that here the differences between copyright and land law justify the move that was forbidden in the latter—that of giving specific enforcement to the duty of non-revocation by treating it as the equivalent of an equitable immunity. This immunity would only be good against the person who granted the license however; to obtain an immunity from revocation good against successors in interest to the title, a written deed is necessary as provided in Section 205(e).

I conclude with a summary restatement of the law of copyright licenses as I believe it should be construed, and provide preliminary discussions of the implications of my approach for two controversial issues: the nature of the implied copyright license, and the transferability of an exclusive copyright license.

## II. LICENSES AS PROPERTY INTERESTS

### A. *Preliminary distinctions: title, license, and ownership.*

The law of property is about allocating control over the use of resources. By investing a particular person<sup>17</sup> with the exclusive right to assign uses to a given thing,<sup>18</sup> we seek to achieve several interrelated goals: We create spheres of protected autonomy within which people can incorporate resources into their long-term plans without fear of interference. We provide a mechanism for avoiding conflicting and discordant attempts to make incompatible uses of the same resources.<sup>19</sup> We provide a basis for exchange and an incentive for individuals to seek out and implement ways to maximize the value derived from given resources. To achieve these goals in a world where anyone may interfere destructively with another's attempt to use things, property law must impose duties that apply not only to selected consenting individuals, but to the world at large. Because universal consensus on each allocative decision would be impossible, property law gives individuals the power to create property rights unilaterally through appropriation, thereby imposing duties on others without their specific consent.<sup>20</sup> These duties nevertheless remain ascertainable and manageable, because they require only that one refrain from actions interfering with the use and enjoyment of resources owned by

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<sup>17</sup> Whether property rights would be better invested in a single human being or in some collective entity may vary depending on the resource and the circumstances, and is irrelevant to the present argument. I am concerned with the ways in which property law mediates the relationship between owners and nonowners, not with any policy arguments as to what sorts of organizational entities ought to be owners.

<sup>18</sup> For extended discussion of what we mean by "given thing," see Christopher M. Newman, *Transformation in Property and Copyright*, 56 VILL. L. REV. 251, 263-64 (2011).

<sup>19</sup> The purpose of copyright will be somewhat different from this. See *infra* Part IV.

<sup>20</sup> By "specific consent" I mean consent to each new duty imposed as the result of new acts of appropriation. One might argue that consent (at least tacit) is nevertheless required to the overall institution of property, and that once the general duty to respect property rights has been accepted, individual acts of appropriation do not create new additional duties but merely add content to the general duty already assumed. For present purposes, we need not take a definitive position on such matters.

others.

Much of property theory and doctrine is concerned with defining the types of resources that can legitimately be appropriated, the means by which one may legitimately do so, and the exact content of the duty of non-interference as applied to different resources in different contexts. We need not dwell on these matters here, as we are primarily concerned with licenses, and the issue of license arises only on the assumption that someone wishes to undertake an action that we already agree would violate property rights as a default matter. For our purposes then, we can treat property law as assuming a backdrop, not of privileges into which inroads are made by appropriation, but of duties out of which exceptions are carved by license. This is in fact the way most of us actually experience property law, because we were born into a society in which the vast majority of the things we encounter already have owners, and we are required to structure our activities in ways that take into account the rights of those owners. The key question for our purposes is what powers owners have to create use privileges in others, and what formalities govern the creation of such privileges as a matter of property law.

While we often use the term “owner” broadly to refer to the person having decisionmaking power over a given resource, it will be worthwhile for our purposes to be more precise, and to distinguish between “ownership interests” in general, and a specific form of ownership interest called “title.” Conceptually, what I mean by “title” is “a legal interest giving someone the exclusive right to assign uses to a resource.” To unpack what this means operationally, it is useful to adopt Hohfeld’s analytic taxonomy of jural relations<sup>21</sup> and describe title as a legal interest in a resource comprising the following set of jural relations:<sup>22</sup>

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<sup>21</sup> Throughout this article, I shall use the terms “privilege,” “right,” “duty,” “power,” “disability,” “no-right,” “liability,” and “immunity” in accordance with their Hohfeldian definitions. See Hohfeld, *Some Fundamental Legal Conceptions As Applied In Judicial Reasoning*, 23 YALE L.J. 16, 33-44. I shall further define the term “legal interest” as “a set of one or more interrelated jural relations having value to some individual.”

<sup>22</sup> I deliberately avoid using the common phrase “bundle of rights,” because it has connotations that I wish neither to endorse nor to critique at any length here. See generally Daniel B. Klein and John Robinson, Intellectual Tyranny Of The Status Quo Symposium, *Property: A Bundle Of Rights?* 3 ECON. J. WATCH 193 (2011). For now, suffice it to say that my distinguishing analytically between different jural relations that follow from the concept of “title” should not be thought to imply that title is nothing more than an arbitrary “bundle” of such relations. Indeed, one of the key threads of my argument seeks to trace the reasons *why* certain “rights” are traditionally “bundled”

A *privilege* permitting the titleholder (at least as a default matter) to engage in any use<sup>23</sup> of the resource without thereby violating any property rights in that resource.

A *right* of non-interference imposing a *duty* on all others to refrain from actions that would interfere with the titleholder's use and enjoyment of the resource.<sup>24</sup>

A *power* to grant legal interests in the resource (i.e., property interests) to others.<sup>25</sup>

An *immunity* against being deprived non-consensually of any of the above.<sup>26</sup>

We are concerned primarily with the rules governing exercise of the titleholder's power to grant legal interests in the owned property to others. The key questions are: (1) What sorts of interest is a titleholder empowered to grant? (2) What formalities govern the effective exercise of this power?

The most basic form of property interest is a use privilege, which is

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together.

<sup>23</sup> By "use" I mean any direct interaction with a resource by means of which one realizes some benefit. For a fuller discussion, see Newman, *supra* note 18, at 260-62.

<sup>24</sup> As I have explained elsewhere, the so-called "right to exclude" others physically from the property altogether is best understood as a prophylactic application of this narrower right of non-interference, so as to categorically prohibit all unauthorized possessory uses. This is justified because such uses threaten to interfere with an owner's ability to assign uses to the property at will, and the information costs of distinguishing between those that do and those that do not outweigh the costs stemming from the overinclusiveness of the bright line rule. See Newman, *supra* note 18, at 262-67. The right of non-interference is also applied in a more nuanced fashion to non-possessory uses that are nevertheless consumptive—i.e., that injure an owner's use and enjoyment; i.e., nuisances.

<sup>25</sup> By a "legal interest in a resource," I mean a legal interest that renders a specific resource more valuable to the interest holder, by permitting her (or promising to permit her in future) to undertake actions with respect to that resource from which she may derive value, and which she would not be in as good a position to undertake absent the interest. The propriety (no pun intended) of using the term "property interest" this broadly is discussed later in this article. See *infra* Part II.A.

<sup>26</sup> Again, the immunity is robust but not absolute. There are certain prescribed methods, such as adverse possession and eminent domain, by means of which a titleholder may be non-consensually deprived of some or all of the interests included in her title.

defined as the absence of any duty owed to any other person to refrain from engaging in some specified use.<sup>27</sup> In a state of nature, everyone has unlimited use privileges to everything. Once the institution of property is introduced, titleholders are presumed to hold privileges with regard to any conceivable use of their own property, while everyone else has duties not to engage in either possessory uses or non-possessory but nevertheless consumptive uses (i.e., nuisances) of property owned by others.<sup>28</sup>

Now suppose that titleholder A wishes to enable B to engage in some use of her property. One way of doing this would be to transfer title to B, but if this were the only way it would be impossible to enlist the help of others in exploiting a resource without relinquishing one's own control of it. This is why the power to grant use privileges to non-titleholders has always been regarded as an essential part of the concept and function of title ownership. As James Penner has argued, this follows naturally from the understanding that property rights exist to protect an owner's ability to assign uses to an owned resource. It would be absurd to construe the power of allocating resource use as limited to selection of uses that the owner can engage in singlehandedly; to realize the promise of property, the power to include is as important as the right to exclude.<sup>29</sup> Section 106 of the Copyright Act makes this connection explicit, conferring on copyright owners the right to do *or to authorize* the acts defined as within their

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<sup>27</sup> This does not mean that any actions by means of which such use is made are absolutely privileged. For example, A may use her own property in such a way as to violate a neighbor's right of non-interference in *his* property, thus becoming liable for nuisance. In this case however, the duty violated by A is not defined in terms of prohibited uses of her own property, but in terms of prohibited harms caused to her neighbor. If A were to find some way to engage in the very same uses without harming the neighbor, she would be free to do so. Note that this is very different from intellectual property rights, which prohibit specific means of deriving utility from one's own tangible property without regard to whether any actual harm is caused thereby. See Christopher M. Newman, *Patent Infringement As Nuisance*, 59 CATH. U. L. REV. 61, 106-07 (2009) (likening patent rights to negative easements in gross affecting all tangible property within reach of law).

<sup>28</sup> This does not exhaust the universe of potential uses, and in fact there are many valuable uses that non-titleholders retain privileges to engage in, such as aesthetic contemplation of someone else's property while standing outside it. See Newman, *supra* note 18, at 260-62.

<sup>29</sup> J.E. Penner, *The "Bundle of Rights" Picture of Property*, 43 UCLA L. REV. 711, 745 (1996).

It would be ridiculous to impose on the idea of a person's relationship of control over a thing the notional straightjacket that one cannot use one's property socially, or that such use entailed a different "idea" of property. No one lives like that. There never has been, nor could there ever be, a property system that insisted that one could not share one's bed or sofa or sitting room, cook a meal for a friend, or lend a jacket.

exclusive rights.<sup>30</sup>

I will now venture a definition of the troublesome word “license”: A license is a legal interest created by the titleholder of some property<sup>31</sup> that gives some non-titleholder a privilege to make designated uses of the property that would otherwise violate property rights.<sup>32</sup> Unlike contractual duties, whose purpose requires that they be immune to revocation once granted, the default presumption about license privileges is that they are revocable by the licensor at will.<sup>33</sup> This too follows from the understanding that granting a license is an exercise of an owner’s exclusive right to decide how to use a resource, a way of enlisting and incorporating the cooperation of others in one’s own plans of use.<sup>34</sup> If you couldn’t grant licenses, you couldn’t accomplish much, and if you couldn’t revoke them, you would lose the control over use that property rights exist to protect. Granting and revocation of license privileges are thus both exercises of the same power to allocate use, and any privileges so created are presumptively liable to be terminated by the owner in accordance with future alterations in her plans for use of the property.

There are different types of recognized interests that fall into the category of “license.” A “bare license” is understood to consist of nothing more than a use privilege, which remains liable to the licensor’s power of revocation at will. Other legal interests commonly labeled “licenses,” however, conjoin the use privilege with additional jural relations. For example, an “irrevocable license” is a use privilege granted in such a way that the licensee has some form of legal protection against its arbitrary

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<sup>30</sup> 17 U.S.C. § 106 (2006).

<sup>31</sup> I am concerned in this article only with licenses that pertain to external assets and create exemptions from duties imposed by “property law,” but assuming that each individual is regarded as a titleholder in his or her own person, this definition would also encompass the sorts of licenses at issue in personal torts—such as consent to bodily contact that would otherwise constitute battery—that today are not usually categorized as pertaining to “property.”

<sup>32</sup> Building on Hohfeld’s opening salvo, Charles Clark later diagnosed as one of the primary sources of confusion the failure to distinguish between the operative acts of the licensor and the legal interest thereby created. See Charles E. Clark, *Licenses in Real Property Law*, 21 COLUM. L. REV. 757, 758-62 (1921). Taking Clark’s insight to heart, herein I shall try to use the term “license” to refer only to a type of legal interest. By “legal interest,” in turn, I mean simply a set of interrelated jural relations having value to some individual. This use of the term “interest” will be discussed further shortly.

<sup>33</sup> See Albert J. Harno, *The Revocability of Licenses As Applied to Property in Land*, 7 KY. L.J. 1 (1919) (“The word ‘license’, as applied to property in land, has ever had as a companion word the adjective, ‘revocable.’”).

<sup>34</sup> See Penner *supra* note 29.

revocation. There is more than one set of additional jural relations through which such protection might be provided. One would be a *duty* on the licensor not to exercise her (still persisting) power to revoke the license arbitrarily. This would imply a correlative *right* on the part of the licensee enforceable against the licensor, whose practical effect would depend upon the manner in which the duty was enforced.

Another way to protect the privilege, however, would be to regard it as accompanied by an *immunity* from revocation, replacing the licensor's power to revoke with a *disability*. Such a privilege may still fall within my above definition of a "license," because it is possible to acquire an immunity from revocation without also acquiring title to the underlying property. Historically however, the law has referred to immune use privileges as "property interests," and has often distinguished these from "licenses." The classic statement is Chief Justice Vaughan's dictum in *Thomas v. Sorrell*: "A dispensation or license properly passeth no interest, nor alters or transfers property in any thing, but only makes an action lawful which without it had been unlawful."<sup>35</sup> For Justice Vaughan, the distinction between having a "license" and owning an "interest" is precisely that an interest is immune to revocation. The holder of an easement does not have title to the land, but he does own a property interest in it. The holder of a bare license does not "own" anything.

While the bare licensee may not *own* anything however, surely he *has* something, and the problem with Justice Vaughan's strict dichotomy between the terms "license" and "interest" is that it deprives us of any abstract term to denote the category of legal phenomena of which a license is an example. Hohfeld criticized this usage,<sup>36</sup> suggesting that we should use the term "property interest" broadly to encompass any interrelated set of

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<sup>35</sup> (1672) Vaughan 330, 351.

<sup>36</sup> See Hohfeld, *supra* note 21, at 95:

What shall we say of this "unaccompanied" "privilege—no-right" relation (or series of such relations) thus vested in S subject to the liability of being extinguished by R's exercise of his legal power of "revocation?" Was Chief Justice Vaughan strictly correct in asserting, in effect, that a mere privilege of this kind is not an "interest" or "property" in land? . . . [I]t is submitted that his statement is, strictly and analytically considered, erroneous; and that it has had its full measure of influence in confusing the vast number of later judicial discussions and decisions relating to the subject. The "privilege—no-right" relation of S or, a fortiori, a series of such relations seems indeed to be an "interest" in land, although it be unaccompanied by rights (or claims) and even though S be under a liability of having his privilege or privileges divested as already indicated.



jural relations rendering an asset more valuable to the interest holder, while recognizing that such interests may vary with respect to whether they include rights or immunities, and may thus justify more or less stringent formal requirements for their creation.<sup>37</sup> Even prior to Hohfeld's critique, courts had in fact abandoned Justice Vaughan's strict dichotomy when thinking about patent licenses.<sup>38</sup> Rather than treating a "license" as something *other* than an "interest," patent courts concerned themselves with the distinction between an "assignment," which was "a parting with the whole property," and a "license," which transferred "a less or different interest than either the interest in the whole patent, or less than an undivided part in the whole."<sup>39</sup> The Restatement of Property, too, defines the term "license" as a particular sort of "interest in land in the possession of another," differentiating it from other such interests, namely estates in land and easements.<sup>40</sup>

We may therefore take as given that it is acceptable usage to refer to a license as a type of "interest" in property. If we are going to use the term "property interest" in this broad sense, however, we will then want to be careful to distinguish a subset of such interests called "ownership interests," composed of all property interests that are immune to revocation at the will of another. Which is also to say that an ownership interest is one that nobody possesses any power to revoke—not even such a power subject to a duty of non-exercise.<sup>41</sup> Thus, an easement is an ownership interest; a bare license is not.

Notice however that according to my tentative definition of "license" above, the easement (at least one granted by the titleholder rather than obtained via prescription) would count as a type of "license" as well, for it

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<sup>37</sup> *Id.* at 95-96.

<sup>38</sup> See Adam Mossoff, *A Simple Conveyance Rule for Complex Innovation*, 44 TULSA L. REV. 707, 714 (2009) (describing how licenses came to be described as transferring "interests", albeit "lesser," "different," or "limited" ones as compared to those that are transferred by assignment).

<sup>39</sup> *Id.* at 713 (quoting *Potter v. Holland*, 19 F. Cas. 1154 (C.C.D. Conn. 1858)).

<sup>40</sup> RESTATEMENT (THIRD) OF PROP. § 512 (2000):

The term "license," as used in this Chapter, denotes an interest in land in the possession of another which

- (a) entitles the owner of the interest to a use of the land, and
- (b) arises from the consent of the one whose interest in the land used is affected thereby, and
- (c) is not incident to an estate in the land, and
- (d) is not an easement.

<sup>41</sup> This is not to say that ownership interests are necessarily permanent, however. Irrevocable interests may still be defeasible. See *infra* at Part II.B.2.

is a use privilege (albeit an immune one) created by a titleholder in a non-titleholder.<sup>42</sup> This is an unorthodox way to talk, one that conflicts with the Restatement and would surely have Justice Vaughan spinning in his grave.<sup>43</sup> And yet I shall persist in it for now, for two reasons. First, the basic functional problem I am trying to address here is the following: By what means does the law enable a property owner to empower others to make use of her property short of transferring the title to them outright? Despite the technical ways in which the verb “to license” has been used in the law, I think that most people would understand its core meaning (at least as applied to property rights) to be “legally empower someone to use my property while I retain ultimate ownership of it.” If some useful ways of achieving this end involve the creation of limited ownership interests in others while keeping title for myself, it is not obvious why I need to exclude those relations from my general concept of “license.” Second, whatever we or Justice Vaughan might prefer, any desire to maintain a bright line distinction between the categories of “license” and “ownership interest” in the world of U.S. copyright law is already D.O.A. The Copyright Act of 1976 saw to this, by defining the term “transfer of copyright ownership” to include an “exclusive license.”<sup>44</sup>

To recap: Title is an interest in property giving its owner the exclusive ability to decide how a resource is to be used. This entails (among other things) the power to grant or deny use privileges to others. Use privileges granted by titleholders to non-titleholders are called licenses, and there are different types of licenses depending on the additional jural relations that accompany the granted privilege. Our task now is to identify these different types of licenses and the formalities governing their creation.

#### B. *Creation of licenses through property formalities.*

As Lon Fuller explained, legal formalities serve several purposes: (1) to provide evidence to third parties of the existence and content of legal relations (the “evidentiary” function); (2) to prevent individuals from entering into legal relations inadvertently or carelessly (the “cautionary” function), and (3) to provide individuals with standardized means through which they may effectively exercise their legal powers (the “channeling”

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<sup>42</sup> When referring to an “easement” here (and throughout this article unless expressly noted), I have in mind one that is deliberately granted by the titleholder, not an implied or prescriptive easement.

<sup>43</sup> On the other hand—and more importantly—it coheres just fine with the concepts of “assignment” and “license” developed in the patent cases cited above.

<sup>44</sup> 17 U.S.C. §101 (2006).

function).<sup>45</sup> The extent to which a given formality furthers these salutary functions must always be weighed against the extent to which it renders transactions more costly and threatens to entrap people who fail to understand or employ it. Writing has long been favored as a formality. It fulfills Fuller's three functions admirably well, and is relatively accessible and inexpensive for most people, though it can be made less so with the addition of requirements such as seals, witnessing, notarization, and formal delivery or service.

#### 1. Bare licenses.

Because a "bare license" is a use privilege unaccompanied by any immunity, it makes sense that no formality be required to create (or revoke) it beyond the owner's unilateral manifestation of intent to do so.<sup>46</sup> To require anything more would encumber the owner's ability to control use of the resource from moment to moment, and actions that can be revoked at will call for little in the way of cautionary measures. On the other hand, while unfettered flexibility to grant or revoke use privileges is convenient to owner-licensors, it is potentially troubling to prospective licensees. I will be wary of accepting an invitation to enter on your property for dinner if at any moment my presence there can be converted into a violation of rights for which I may be legally liable.

Property law addresses this concern by making license privileges revocable only prospectively, and by requiring that licensees be given a reasonable amount of time in which to extricate themselves and their personal belongings from a revoking licensor's property before they can be treated as trespassers.<sup>47</sup> You cannot invite me to your house, serve me

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<sup>45</sup> Lon L. Fuller, *Consideration and Form*, 49 COLUM. L. REV. 799, 800-801 (1941).

<sup>46</sup> See RESTATEMENT (FIRST) OF PROP. § 515 (1936) ("No formalities are essential to the creation of a license."); *De Forest Radio Telephone & Telegraph co. v. U.S.*, 273 U.S. 236, 241 (1927):

No formal granting of a license is necessary in order to give it effect. Any language used by the owner of the patent or any conduct on his part exhibited to another, from which that other may properly infer that the owner consents to his use of the patent in making or using it, or selling it, upon which the other acts, constitutes a license, and a defense to an action for a tort.

<sup>47</sup> See Jonathan Hill, *The Termination of Bare Licenses*, 60 CAMBRIDGE L.J. 89, 89-90 (2001). This rule has been applied to revocable copyright licenses as well. See *Quinn v. City of Detroit*, 23 F.Supp.2d 741, 750 (E.D. Mich. 1998) (City's license to use software included a reasonable period of time to transfer its data to a new system in the case of a

dinner, see me off, and then turn around and hold me liable for trespass. The act of granting the license replaces your right to exclude me from the property with a no-right and my duty to stay out with a privilege. This state of jural relations persists until either you exercise your power of revocation, or the privilege expires in accordance with the terms of the grant.<sup>48</sup> While it persists, actions I take within the scope of my privilege do not, by definition, violate any duty.<sup>49</sup>

These rules also minimize the evidentiary problems that might arise from the absence of formal requirements for grant and revocation of licenses. There is no need to document every grant of permission; rather, owners need only take steps to document their requests to a non-compliant licensee that property use cease, at which point any earlier permissions become irrelevant to the status of actions going forward. With regard to the risk of being charged with liability for completed actions, licensees who have some reason to fear duplicity or conflict can always refuse to interact with the property without privileges granted in writing.

## 2. Irrevocable licenses.

In some cases, a bare privilege will not be enough to enlist my assistance in projects involving your property. Before investing resources in a project whose ultimate value to me can only be reaped through continued access to your property for two years, I will want some legal assurance that you will not revoke my license privileges before then.<sup>50</sup> How does property law enable you to provide me with such assurance short of transferring title?

In addition to the power to grant bare licenses to non-owners, property owners are understood to have the power to grant more durable interests in the use of their property. Let us distinguish here between interests that are revocable and those that are defeasible. By revocable we mean that the owner retains the unfettered power to terminate the privilege at will. If an

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revocation of the license by the author).

<sup>48</sup> If for example, you invite me for Tuesday night, I cannot unilaterally decide to come Wednesday instead.

<sup>49</sup> By the same token, acts that constituted infringement when undertaken cannot be retroactively authorized. *See Davis v. Blige*, 505 F.3d 90, 107 (2d Cir. 2007) (co-owner of copyright in songs could not retroactively transfer interests to a third party so as extinguish other co-owner's accrued infringement claims).

<sup>50</sup> To simplify the discussion, let us assume that you are not in a position to physically block my access.

interest is irrevocable, the owner has no such power.<sup>51</sup> An irrevocable interest can still be defeasible, however. By defeasible we mean that the interest was created subject to built-in conditions that were specified at the time of creation. The triggering of these conditions can terminate an interest or render it revocable. In Hohfeldian terms, a defeasible interest is one accompanied by an immunity that is itself subject to a predefined liability.

The ultimate irrevocable property grant is assignment, which simply transfers the property owner's entire interest, including all rights, privileges, powers, and immunities—i.e., her title—to someone else. It is possible, however, to grant a property interest falling short of full assignment along various dimensions. As we have already seen, a bare license consists of some set of specified use privileges, unaccompanied by either immunity from revocation or right of non-interference. An easement, on the other hand, includes both immunity from revocation and a right of non-interference, thus saddling the property owner with both disability and duty.<sup>52</sup> Property law also permits assignments and easements (at least concerning land) to be defeasible, in which case grantors retain some form of reversionary interest in their relinquished powers and privileges.<sup>53</sup>

The primary formality used for transfer of tangible goods has long been physical delivery.<sup>54</sup> Personally relinquishing possession of a chattel into the power of another tends to impress upon the mind of the transferor the loss of control resulting from the act of transfer, thus fulfilling the cautionary function. Where the transfer is significant enough to bring evidentiary concerns to the fore, the act of delivery can be ritualized and performed in the presence of witnesses, as in the Roman procedure of *mancipatio* or livery of seisin at common law. Such rituals are excessively cumbersome for most quotidian transfers of property however, and so physical delivery with some indication of requisite intent is usually deemed sufficient.<sup>55</sup>

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<sup>51</sup> We are speaking here of irrevocability as created within the realm of property law. As will be discussed later, contractual irrevocability bears different analysis.

<sup>52</sup> RESTATEMENT (FIRST) OF PROP. § 1.2 cmt. c (1936) (“[T]he holder of the easement or profit has the right to exclude everyone, including the servient owner, from making any use of the land within the easement boundaries.”).

<sup>53</sup> “An easement may be created to terminate upon the occurrence of a given event.” JAMES W. ELY, JR & JON W. BRUCE, THE LAW OF EASEMENTS & LICENSES IN LAND § 10:3

<sup>54</sup> See W.W. Buckland, A MANUAL OF ROMAN PRIVATE LAW, 135-37 (1939) (describing *traditio*, an informal transfer of ownership by transfer of control) 121-24 (describing *mancipatio*, a highly ritualized and public form of transfer by physical delivery).

<sup>55</sup> RESTATEMENT (THIRD) OF PROP. (WILLS & DON. TRANS.) § 6.2 (2003) (“The

Interesting questions sometimes arise as to whether some other means of expressing intent to transfer can be effective *without* physical delivery, the answer often being held to be no.<sup>56</sup>

Despite the continued importance of delivery as a formality for transfer of tangible property rights, the use of a formal writing emerged as an alternative means of transfer, particularly for immovables such as land that cannot actually be delivered. Deeds began as non-required documents ancillary to a feoffment,<sup>57</sup> but their obvious evidentiary value led to widespread use and was ultimately required by the Statute of Frauds,<sup>58</sup> which provided that any attempt to create an interest in land “not putt in Writeing and signed by the parties soe making” would have “the force and effect of Leases or Estates at Will onely and shall not either in Law or Equity be deemed or taken to have any other or greater force or effect[.]”<sup>59</sup> While transfer of title to most chattels may still be effected by simple delivery (with certain exceptions, such as automobiles, requiring title deeds)<sup>60</sup>, the current Restatement of Property would permit the substitution of an “inter vivos donative document.”<sup>61</sup> We are thus arrived at a property law regime prescribing roughly the following tiers of transfer formalities:

- 1) Bare use privileges may be created or revoked at will by any manifestation of the owner’s intent to do so.
- 2) Title to chattels can generally be transferred by physical delivery with requisite intent.
- 3) Title to either chattels or land may be transferred by use of a written deed satisfying the Statute of Frauds.<sup>62</sup>

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transfer of personal property, necessary to perfect a gift, may be made by delivering the property to the donee[.]”).

<sup>56</sup> See, e.g. *Foster v. Reiss*, 112 A.2d 553, 561 (N.J. 1955) (handwritten note from wife to husband describing location of objects in house and stating that they were “yours” not sufficient to effect gift in absence of physical delivery).

<sup>57</sup> ALFRED WILLIAM BRIAN SIMPSON, *HISTORY OF THE LAND LAW* 120-21. (1986).

<sup>58</sup> Philip Hamburger, *The Conveyancing Purposes of the Statute of Frauds*, 27 AM. J. LEGAL HIST. 354, 372 (1983).

<sup>59</sup> Statute of Frauds (1677) 29 Car. II c.3. Note that this section of the statute governs the creation of property interests, while a separate section governs contracts for sale. Many contemporary lawyers tend to associate the idea of a “statute of frauds” with contract rather than property law, but in fact it applies to both.

<sup>60</sup> Though title requirements for autos appear to be more about facilitating state regulation of auto ownership and use than about fulfilling the functions of formalities in property transfer.

<sup>61</sup> RESTATEMENT (THIRD) OF PROP. (WILLS & DON. TRANS.) § 6.2 (2003) § 6.2.

<sup>62</sup> Hamburger, *supra* note 58, at 379.

- 4) The creation or transfer of any irrevocable interest in land must be by written deed satisfying the Statute of Frauds.<sup>63</sup>

If, then, you wish to grant me an irrevocable privilege to make some use of your property (while retaining title), the law of property interests appears to provide only one means of doing so: a written deed.<sup>64</sup> If you wish this irrevocable privilege to last only for some limited duration or subject to the continuance (or non-occurrence) of particular circumstances, you will have to set forth those conditions in the deed so as to make the granted interest defeasible. By executing such a deed, you relinquish your power to revoke the granted privileges until such time as any conditions on the grant come into play. Indeed, you have effectively granted me an ownership interest in the property, albeit a limited one.

This has an important consequence: My interest is enforceable not merely *in personam*, but *in rem*. It governs not only my relations with you, but my relations with anyone else—such as any successor in interest to whom you assign your residual title—who might purport to assert against me a right to exclude stemming from ownership of the property. No assignee of yours can thereby acquire any such right against me, because you relinquished it in granting my irrevocable privilege, and the residual estate therefore no longer includes it. At most, the residual estate contains a reversionary interest in the right to exclude me, assuming my irrevocable privilege was made defeasible.

### 3. Exclusive licenses and divisibility of ownership.

As we saw above, a bare license does not give the licensee any rights of non-interference protecting his ability to engage in the privileged use. Nor, as an analytical matter, does an irrevocable license necessarily do so. It is hard to imagine a scenario, however, in which one would go to the trouble of obtaining an irrevocable privilege to some use of tangible property without also insisting on rights of non-interference.<sup>65</sup> This is why the traditional property interests that amount to “irrevocable privileges”—easements and profits à prendre—each include *in rem* rights of non-interference enforceable against either the owner or third parties who seek

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<sup>63</sup> *Id.* at 374.

<sup>64</sup> I might also acquire such an interest by prescription or estoppel, of course, but here we are considering only voluntary grants of interests by the owner.

<sup>65</sup> As will be discussed later, this is in marked contrast to IP, where an irrevocable nonexclusive license is not uncommon at all.

to obstruct the use.<sup>66</sup> Because irrevocability and rights of non-interference always went together as aspects of the same property interest, traditional property doctrine had no occasion to question whether they should be governed by the same formalities. As already noted, these interests can only be created by written deed, and they are irrevocable but potentially defeasible in accordance with conditions set forth in the grant.

The existence of these interests shows that the land law has long followed what is now referred to in copyright as the “principle of divisibility.”<sup>67</sup> This means that different uses of the same object of ownership may be divided up and owned by different persons. We are not talking here about dividing up the object of ownership itself, though this is also possible, as when an owned parcel of land is subdivided into smaller parcels. Rather, we are talking about divided ownership of interests in different uses of the *same* parcel. I own Blackacre, but John owns an easement that gives him the privilege of traversing a path that crosses it, while Mary owns a profit à prendre that permits her to forage for and remove the berries that grow along the path. John and Mary also have rights of non-interference, which do not exclude me generally from entering or using the area of the path, but do exclude me from activities that would obstruct their privileged uses.<sup>68</sup>

Given that John and Mary may both use the land without my permission, what does it mean to say I “own title to” Blackacre? It means, first, that I am still assumed by default to possess both privileges to make any uses of the land I wish (excepting only those that would obstruct privileged uses like those of John and Mary that are protected by rights of non-interference),<sup>69</sup> and rights of non-interference protecting those uses. As we have already seen, it also means that I alone have the power to create (or revoke) new use privileges in others, and to couple them with immunities and *in rem* rights. All of this stems from the core principle that as owner, I am the person ultimately empowered to determine how the property is to be used. Clearly, if the number of indefeasible use privileges accompanied by

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<sup>66</sup> Unlike the bright line “right to exclude” often associated with property ownership, these rights do not categorically prohibit persons other than the interest holder from occupying or using the property, but only from actions that obstruct the privileged use.

<sup>67</sup> See H.R. REP. NO. 94-1476 (1976)(comment on Section 201(d)(2)) (“the first explicit statutory recognition of the principle of divisibility of copyright in our law.”); Nimmer, *supra* note 2, at § 10.02.

<sup>68</sup> RESTATEMENT (FIRST) OF PROP. § 1.2 cmt. c (1936)

<sup>69</sup> The right to use the land on which an easement has been dedicated remains in the owner of the servient estate so long as such right does not conflict with the purpose and character of the easement. See 25 Am.Jur.2d, pp. 494-495.



rights of non-interference granted to others were to increase, the scope of effective privilege and power attached to my “title” would correspondingly diminish, until at some point I could hardly be said to “own” the land any more meaningfully than any of the other interest owners. This could lead to the risk of “anticommons,” in which the land’s most valued uses might be unachievable because they would violate the irrevocable rights of numerous interest holders who might be difficult to negotiate with collectively.<sup>70</sup>

Various traditional common law doctrines restricting the creation or alienability of easements can be seen as attempts to avoid encouraging such excessive fragmentation of use rights. Most easements are appurtenant to, and can only be transferred along with, adjacent tenements. Easements in gross were presumed to be non-transferable, while negative easements could not be in gross at all.<sup>71</sup> To the extent that the separately owned use interests are defeasible, the fragmentation problem is ameliorated, because the title owner’s power to reassign uses to the property will tend to reconstitute itself over time as outstanding interests expire or come to be terminated. There is a tension in property law between the desire to have a single title owner capable of effectively putting the property to its highest valued use, and the desire to place restrictions on this ability into the hands of others for various purposes.

### III. LICENSES AS CONTRACTUAL RIGHTS

#### A. *Contract and contract formalities*

Contract law is about enforcing promises.<sup>72</sup> The world of contract assumes a backdrop of privileges, and recognizes a power in each individual to voluntarily replace them with chosen duties. I am by default free to act or not as I wish, but I may contractually bind myself to do or not to do certain things. I value the ability to assume legally binding duties to others (thus giving those others rights assertable against me), because I value the possibility of thereby inducing others to act in ways favorable to me, including by assuming legally enforceable duties that benefit me. The first-order question of contract doctrine is to identify the types of duties that

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<sup>70</sup> See Michael A. Heller, *The Tragedy of the Anticommons: Property in the Transition from Marx to Markets*, 111 HARV. L. REV. 621 (1998).

<sup>71</sup> See Alan David Hegi, *The Easement in Gross Revisited: Transferability and Divisibility Since 1945*, 39 VAND. L. REV. 109, 113 (1986).

<sup>72</sup> See RESTATEMENT (SECOND) OF CONTRACTS § 1 (1981) (defining contract as “a promise or a set of promises for the breach of which the law gives a remedy, or the performance of which the law in some way recognizes as a duty.”).

may be assumed, and the means by which they may be rendered legally binding. While I may bind myself morally merely by promising, moral obligations are not legally enforceable as such. Rather, for various reasons the law is willing to recognize and enforce only a subset of voluntarily assumed duties, those that satisfy certain legally prescribed formalities.<sup>73</sup>

For our purposes, the key characteristics of contemporary contract doctrine as a means of altering the landscape of jural relations are the following:

- 1) Each individual is assumed by default to have no contractual duties to anyone.
- 2) Each individual has the power to assume contractual duties by voluntarily consenting to do so.
- 3) For this power to be effectively exercised, the duties consented to must create corresponding rights in a specific rightsholder, and be sufficiently well-defined to allow them to be understood and enforced by third parties.
- 4) Once effectively created, contractual duties are immune to alteration or termination by the unilateral will of the dutyholder, though they may be liable to alteration or termination in certain circumstances, including the consent of the rightsholder or a significant failure by the rightsholder to fulfill his own duties under the same contract. (I.e., they are irrevocable but defeasibly so.)

Given that the whole purpose of contract law is to facilitate reliance on promises by making them legally enforceable, it is essential that a

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<sup>73</sup> The above description corresponds fairly well to our contemporary understanding of contract law and the role of formalities within it, but it is a vast oversimplification of history. To mention just a few of the omitted details, the term “contract” did not always refer to the branch of legal doctrine governing legal enforcement of consensual executory agreements, and the question whether such an agreement satisfied the formal prerequisites for legal enforcement was not always binary. To medieval English lawyers, a consensual executory agreement would have been called a “covenant,” not a “contract,” the latter term denoting rather a transaction which transferred property or generated a debt. And while covenants were enforceable in royal courts only if embodied in a deed under seal, informal contracts lacking such a deed might still be actionable in local courts. I raise all this in order to make clear that in criticizing the practice of calling a license a form of “contract,” I am not claiming that the term “contract” is founded on some immutable internal logic that renders it incompatible with the functions we seek to fulfill with a license. Rather, I am claiming that the jural relations described and created by contemporary contract doctrine do not suffice to explain the nature of a license.

contractual duty be accompanied by immunity from unilateral revocation. A promise that could be revoked by the promisor at will would serve little purpose, and so contracting parties must relinquish the power to do so. The crucial problem in the doctrine of contract formation, then, is to identify the formal circumstances that must exist in order for a promise to be recognized by third parties as legally binding, at which point both the duty and the immunity come into being simultaneously.

While there are good reasons for not requiring all transactions to employ such stringent formalities,<sup>74</sup> there would seem to be little reason not to allow those who wish to resort to them to do so effectively. Thus, while contract doctrine *requires* the use of a writing only in certain categories of transactions, it still *permits* people to bind themselves unilaterally through delivery of a sealed writing setting forth the promise and naming promisor and promisee.<sup>75</sup> A promise delivered in this form requires neither consideration nor offer and acceptance to be binding;<sup>76</sup> the acts of affixing a seal and delivering a written promise are sufficiently uncommon and deliberate to ensure that only a promisor who intends to be bound will undertake them, and a judge need seek no further evidence that the promise was one on which the promisee was justified in relying. A sealed covenant of this kind is also referred to as a *deed*.<sup>77</sup>

It is only in the absence of a deed that we resort to a secondary tier of formalities—offer, acceptance, and consideration—to identify the subset of promises giving rise to legally enforceable duties. For some categories of promises we additionally require a writing signed by the party to be bound, but unlike the sealed covenant, the writing required by the “Statute of Frauds” is not sufficient of its own force to render a contract binding.<sup>78</sup> Finally, a bare, informal, unilateral statement of intent to be bound is never sufficient to create a binding contractual duty, though it might in some instances provide the basis for a claim of promissory estoppel.

Contract doctrine thus provides three basic tiers of formality through

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<sup>74</sup> Fuller, *supra* note 45 at 805 (“ We must preserve a proportion between means and end; it will scarcely do to require a sealed and witnessed document for the effective sale of a loaf of bread.”).

<sup>75</sup> RESTATEMENT (SECOND) OF CONTRACTS §95 (1981).

<sup>76</sup> *Id.* § 104.

<sup>77</sup> Black’ s Law Dictionary 475 (9th ed.2009); 2 WILLIAM BLACKSTONE , COMMENTARIES \*295.

<sup>78</sup> “ The Statute of Frauds, for example, has only a kind of negative canalizing effect in the sense that it indicates a way by which one may be sure of not being bound.” Fuller, *supra* note 45 at 802.

which binding duties (i.e., duties immune from unilateral revocation) may be created:

- 1) Any duty may be assumed unilaterally through use of highly formalized writing (seal and delivery).
- 2) In lieu of a sealed covenant, any duty may be assumed through bilateral agreement based on offer, acceptance, and consideration, coupled with a moderately formal written memorandum (signed by promisor).
- 3) In lieu of either of the above, some (less onerous) duties may be assumed through bilateral agreement based on offer, acceptance, and consideration that is not formalized in any writing.

B. *Contract formalities and the creation of license interests.*

1. Licenses are not contracts, though they may arise from acts of contracting.

Despite oft-repeated assertions that a “license is a contract,” it is clear that at least with regard to “bare licenses,” contract doctrine is a very bad fit:

- 1) Bare licenses are revocable at will; contracts are not.
- 2) Bare licenses can be created through unilateral, informal fiat; contracts cannot.
- 3) Bare licenses create only privileges; contracts create only duties.<sup>79</sup>

The last point is fundamental, and bears fleshing out. We have already noted that a bare license is liable to be revoked at will. It has also long been understood that a bare license is merely a permission; it creates only privileges, and imposes no duties on the licensor. A bare license to enter my land frees you from any risk of committing trespass by doing so, but does not impose any duty on me to leave the gate unlocked for you.<sup>80</sup> It would make little sense for a revocable license to include such a duty, for a licensor who wished to evade the duty and obstruct use could simply revoke

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<sup>79</sup> Hohfeldian jural relations come in correlative pairs, so to be fully accurate I should say that bare licenses create “only privileges and their correlative no-rights,” while contracts create “only duties and their correlative rights,” but to avoid cumbersome turns of phrase I will assume the reader to understand this.

<sup>80</sup> Clark, *supra* note 32, at 762-63.

the license. As we saw above, a duty unaccompanied by any immunity serves little purpose.

But what about my claim that contracts do not create privileges? If I sell you an admission ticket to my theater, wouldn't it be silly to say that our contract imposes a duty on me to let you in, but gives you no privilege to enter? Before answering this question, I want to examine a different example, one that makes the distinction I wish to draw clearer.

Suppose we make a contract in which I agree to sell you my cow. This means that I have assumed a duty, conditioned on your tendering the sale price, to transfer title to the cow to you. If you tender the money and I refuse to go through with the transaction, I will have violated my contractual duty and will be liable to contract remedies, but you will not obtain title to Bessie by operation of contract law. Even in those rare cases where a court will grant you specific enforcement of the contract rather than simply an award of expectation damages, that enforcement will not take the form of a judicial declaration that title has now vested in you. Rather, it will take the form of an order compelling me, under pain of contempt, to perform the formal actions that property law prescribes for effective transfer of title. For a chattel like the cow, this may consist of no more than physical delivery of possession. When I perform this act, I exercise my power of transfer as a property owner. I also fulfill my contractual duty, but the existence of that duty has no independent influence on the question whether title has passed.

Now, imagine it were the case that property law required no physical formalities for transfer of title beyond a clear manifestation of intent to do so. In this regime, my act of entering into the contract of sale would itself manifest such an intent and would therefore suffice to transfer title.<sup>81</sup> Though one might describe this as a transfer of title "by contract" however, it remains the case no less than before that *contract law* plays no role in the transfer of title. Rather, what has occurred is that the same set of actions on my part has triggered two parallel but distinct sets of legal consequences: it has expressed my assent to a contract, thus giving rise to binding rights and duties under contract law, and it has manifested my intent to transfer property, thus resulting in an exercise of my power to transfer title under property law.

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<sup>81</sup> Depending on the precise terms of the contract and contours of property doctrine, I might be regarded as having transferred title from the moment I entered the contract, or else I might be regarded as having expressed a conditional intent that would result in effective transfer without further action on my part the moment payment was tendered.

Charles Clark emphasized that in order to avoid the confusion often surrounding discussion of licenses, we must distinguish between the act of granting permission and the legal consequences that follow from it.<sup>82</sup> To discuss clearly the relationship between license and contract, we must also distinguish between acts that signify assent to binding agreements, documents in which those agreements are memorialized, and various legal consequences that follow from them. Not all legal consequences that are triggered by acts of contracting flow from contract law.

These waters can be muddied further, and have been. Section 2-401 of the UCC, for example, provides that, subject to certain provisions, “title to goods passes from the seller to the buyer in any manner and on any conditions explicitly agreed on by the parties.” Presumably this explicit agreement will form part of the same agreement in which the parties consent to be bound by contractual obligations to buy and sell, and it will likely (though it need not) be memorialized in the same written document. Moreover, all of us will naturally describe these agreed means of transferring title as being among the “terms of the contract.” Nevertheless, such provisions are not, strictly speaking, contractual. I mean by this that they do not serve to define the reciprocal rights and duties assumed by the contracting parties. There is no way to breach a provision that says merely “title shall pass upon delivery.”<sup>83</sup> Rather, such a provision prescribes what shall be the legal consequences of certain actions as a matter of *property* law. In effect, the UCC delegates to the contracting parties within its purview the legislative power to specify formalities of property transfer to govern their dealings. The distinction matters, because contracts bind only contracting parties, while a transfer of title is intended to bind the whole world. A mere contractual duty on my part to regard you as the owner of something would not give you property rights enforceable against third parties.

Now we can return to the question I posed above. If I sell you an admission ticket to my theater, I take on a contractual duty to allow you to enter the premises at the appointed time and place (as well as possibly to

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<sup>82</sup> Clark, *supra* n. 32 at 760-61.

<sup>83</sup> It would of course be possible to draft the contract in such a way that the term specifying transfer formalities also served to give content to contractual obligations—if, for example, instead of agreeing directly to delivery of goods on a given date, the selling party agreed to “take actions required to transfer title to the goods as set forth in this Agreement.” In such a case the term defining transfer formalities would simultaneously serve two distinct functions, one under property law and one under contract law.

provide specified entertainment of some sort). If when you arrive I bar your entry, I violate my contractual duty and you have a claim for breach of contract. But suppose I do allow (i.e., take no steps to obstruct or forbid) your entry as agreed. May I nevertheless charge you with trespass on the ground that while our contract imposed a duty on me to let you come in, it could not and did not grant you any privilege to do so? The answer is no. It is true that *contract law* creates only duties and not privileges. But as we have seen, property law places no formality on the creation of bare use privileges beyond some manifestation of intent to do so. Selling you an admission ticket would be understood by all as manifesting the intent to grant you permission to enter, and so it would effectively exercise my power as a property owner to grant you that privilege. The privilege would thus result from the same acts that give rise to a binding contract, but it would not flow from or depend upon contract formation as a legal matter. The privilege would be valid even if some technicality of contract law (say, failure to comply with a statute of frauds) prevented the creation of binding contractual duties. Even in the face of such a failure, if you were to show up at the time designated on the ticket and enter the premises, you would not be trespassing unless and until I revoked the privilege by asking you to leave.

If, on the other hand, we were to take seriously the notion that a license consists of nothing but a contractual obligation not to sue, then my hypothetical would have real bite. Under this reasoning, even though I am bound by contract to let you enter the theater, you are still technically a trespasser—it's just that I have a contractual duty not to bring a claim charging you as one. Is there any practical difference between having a privilege to use my property and having a right not to be sued for doing so? Indeed there is. Suppose my contractual duty not to sue you for trespass is part of a larger agreement in which you undertake other duties to me, some of which are due to be performed soon after your bargained-for use of my property is complete. If you then refuse or fail to perform in such a way as to constitute a material breach of the agreement, the contract may be terminated, thus relieving me prospectively of my duties under it, including the duty to refrain from suing you. This means that even though your prior uses of my property took place while the license (i.e., the contract) was still in force, if they are still within the statute of limitations for trespass I am now free to sue you over them. The contract theory of license cannot explain or justify the rule that licensed actions taken while the license remains in force are forever immune from claims of infringement.

Nor is the contract theory of license reconcilable with the phenomenon, common in copyright law, of multiple co-owners, each of whom is empowered to grant nonexclusive licenses without the others' consent.<sup>84</sup> Were such a license a contract, it would bind only the grantor and not other co-owners, who would remain free to sue for infringement. One might seek to explain this by theorizing that co-owners of the same work exist in some sort of privity such that a license agreement by one contractually binds the others, but clearly copyright law does not hold this to be the case. If it were, a single co-owner should be equally capable of granting an exclusive license binding on all other co-owners and rendering void any subsequent attempts of theirs to grant conflicting licenses. Instead, the law prevents the creation of conflicting exclusive licenses by holding that where there are co-owners, the power to create exclusive rights can only be wielded by all of them acting jointly.<sup>85</sup>

## 2. Contractual irrevocability.

As we have seen, there are two ways in which you as titleholder might provide me with use privileges intended to be irrevocable for some determinate period. One is to use property law to grant me an immunity from revocation. The other is to use contract law to create a duty—in this case, the duty not to exercise your power to revoke my privilege. In the former case, you relinquish your power and assume a disability that will last as long as specified by the terms of the grant. In the latter, you retain your power but take on a duty not to use it. Whether there is a practical difference between such a duty and a disability will depend on how the duty is enforced. One possibility would be to hold that a contractual license can still be revoked at will, leaving the licensee to the remedy of a suit for damages. Another would be to give the contract some form of specific enforcement that prevents the licensor from exercising her right to exclude against the licensee in violation of the contract.

The common law traditionally took the former approach. The leading case is *Wood v. Leadbitter*,<sup>86</sup> in which the purchaser of a ticket to attend a race on the defendant's property was forcibly expelled from the premises after refusing to leave when asked. He sued for assault and false imprisonment, claiming that he had "leave and license" to be on the land, and as he had not engaged in any misconduct, there was no justification for the forcible expulsion. The defendant contended that he had the right to

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<sup>84</sup> See *Davis v. Blige*, 505 F.3d 90, 100 (9th Cir. 2007).

<sup>85</sup> See *id.* at 101.

<sup>86</sup> 153 E.R. 351 (Exch. 1845).



revoke the license at will, and having done so, the right to use reasonable force to expel the plaintiff when he refused to leave. The court found in favor of the defendant, holding that a license is revocable, regardless of the fact that consideration is paid for it. The plaintiff may have an action for damages for breach of contract, but the existence of the contract did not diminish the defendant's power to revoke the license at will.

The basis for this result was straightforward: the plaintiff was claiming an enforceable right of way over the land, and the only recognized form such a right could take was that of an easement, which had to be granted by deed whether it was of limited duration or not.<sup>87</sup> Anything short of an easement granted by deed was a mere license, and licenses are inherently revocable at will regardless of whether they are granted for consideration or under seal.<sup>88</sup> The abstract distinction between relinquishing a power and assuming a duty not to exercise it was thus held to make all the difference in the world.

The U.S. Supreme Court adopted this reasoning in *Marrone v. Washington Jockey Club*, a case presenting similar facts.<sup>89</sup> As Justice Holmes put it:

A contract binds the person of the maker, but does not create an interest in the property that it may concern, unless it also operates as a conveyance. The ticket was not a conveyance of an interest in the race track, not only because it was not under seal, but because by common understanding it did not purport to have that effect. There would be obvious inconveniences if it were construed otherwise.<sup>90</sup>

Justice Holmes's passage helps to flesh out the rationale of *Wood*, identifying two distinct reasons why the ticket should not be regarded as imposing a disability on the land owner.<sup>91</sup> One is the formality issue: a mass-printed admission ticket does not satisfy the formal standards required of an instrument in order to divest a property owner of her powers and rights. The other is a matter of objectively manifest intent. Even if it were

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<sup>87</sup> *Wood* at 355.

<sup>88</sup> *Id.*

<sup>89</sup> 227 U.S. 633, 636 (1913).

<sup>90</sup> *Id.*

<sup>91</sup> Note that Holmes here uses the term "interest" in the same restrictive sense Justice Vaughan did, to include only an interest that imposes *in rem* disabilities and duties enforceable against the land owner.

solemnly issued under seal, an admission ticket does not purport to divest the land owner of the power of revocation, and “common understanding” would not read it as doing so. True to form, Justice Holmes does not pause to spell out the “obvious inconveniencies” that would follow if admission tickets were irrevocable, but I offer the following as one way of doing so:

A landowner who holds an event on her land to which members of the public are invited is taking on the burden of organizing and overseeing the activities of those persons in such a way as to maximize the success of the shared activity. Her right to admit or exclude individuals at will gives her the ability to manage the event, to prevent overcrowding and damage to the property, to maintain order and safety by promulgating rules tailored to the nature of the event, the characteristics of the property, and the circumstances prevailing from moment to moment. So long as everyone respects her right to exclude, she can maintain control over the event by the simple mechanism of expelling those who fail to comply. If she does so arbitrarily in violation of contractual obligations made to ticketholders she can be held accountable for this later, but in the meantime she will have the clear authority needed to manage the orderly use of the resource in the moment. Issuing written tickets to such an event helps greatly in controlling the number of people admitted and in assuring those who are that the facilities will be able to accommodate them, but if issuing a ticket (whether free or by sale) were construed as divesting the owner of power to expel the ticketholder at will, the owner’s ability to fulfill the above functions would be severely undermined.

The alternative to subjecting licensees to immediate expulsion at the arbitrary will of the owner is subjecting them only to regulation promulgated by public officials, who will lack the information and ability to make rules that adequately take into account all the relevant circumstances that differ across types of property and desired uses. In addition to the inevitable mismatch between such regulation and local circumstances, the very need to apply an objective standard to ticketholders in order to justify expulsion would hamper the maintenance of order. Licensees would be more likely to contest the validity of the landowner’s decision to expel and to refuse to comply, thus increasing the likelihood that force would be needed.<sup>92</sup>

All of this provides a good rationale for treating a license to use tangible

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<sup>92</sup> The argument in preceding two paragraphs is an application of the reasoning developed by Henry Smith. *See generally*, Henry E. Smith, *Property and Property Rules*, 79 N.Y.U.L. REV. 1719,(2004). *See also* Newman, *supra* note 18.

property as revocable despite a contract to the contrary. It follows that there is nothing inconsistent in principle about holding a licensee liable for trespass for refusing to leave at a licensor's request, and holding the licensor simultaneously liable for breach of contract in making the demand. One has violated an *in rem* duty to respect property rights, the other an *in personam* duty imposed by contract.

In practice, however, one would usually not expect to see a breaching landowner sue over past trespasses in such cases. There would seem to be little point, for presumably any damages recovered would then have to be returned to the (ex)licensee as part of his own recovery for breach of contract.<sup>93</sup> The licensee had a contractually-protected expectation that he would be allowed to use the property without being treated as a trespasser, and so any costs to him (including the need to pay damages) of being so treated would be recoverable as contract damages.<sup>94</sup> Where the license in question would now be clearly expired on its terms even absent revocation (as with a one-time admission ticket), the only practical implication that follows from holding the breaching revocation to have been effective is the one at issue in *Wood* and *Marrone*—that it may provide the licensor with a defense to tort claims brought by the licensee over steps taken to physically exclude or expel him from the property. Despite criticism,<sup>95</sup> the rule of

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<sup>93</sup> *Cf.* *Perkins v. Gilman*, 25 Mass. 229, 236 (1829) (“It is a well settled principle, that a covenant never to sue an existing demand is equivalent to a release; not that such a covenant is in fact a release, but it is allowed so to operate, to avoid circuity of action.”).

<sup>94</sup> On the other hand, the analysis could be a great deal more complicated than this, depending upon whether one construes the licensee's duty to mitigate damages as requiring him to voluntarily comply with the request to cease the infringing activity upon revocation, which might depend in turn on how the costs of such compliance to the licensee compare to the apparent costs to the owner of refusal. *Cf. Perkins*, 25 Mass. at 237 (noting that the damages to be recovered for the violation of an agreement not to sue for a limited time “are not to be measured by the amount of the debt or demand, but may be more or less, according to circumstances.”). Whereas if such an agreement includes a stipulation that the demand be forfeited if sued on within the agreed period of limitation, it will be read as “an agreement for liquidated damages commensurate to the amount of the demand,” and hence serve as a bar to the action. *Id.*

<sup>95</sup> *See Clark*, *supra* note 32 at 774:

It is submitted that Justice Holmes' suggested restriction upon one's exercise of his privileges is sustained neither on principle nor on authority, and that in general one may exercise his privileges--such as are not dependent upon the existence of some other relation--notwithstanding another's lack of consent or breach of contract.

*See also* *Hurst v. Picture Theatres, Ltd.*, [1915] 1 K.B. 1 (Ct. App. U.K. 1914) (holding, on facts similar to *Wood v. Leadbitter*, that the superseding merger of law and equity required the court to allow a licensee expelled in violation of contract to plead his assault case to a jury).

*Wood* and *Marrone* has continued, by and large, to govern in cases of this sort.<sup>96</sup>

Though the *Marrone* approach may be legally coherent and consistent with the efficient use of property rules to achieve private ordering, it has been attacked as failing to take into account the requirements of equity.<sup>97</sup> A court of equity may, for example, recognize the licensor's legal power to revoke a parol license, but enter an order compelling her to execute a deed that would effectively grant the bargained-for privileges.<sup>98</sup> This result is not inconsistent with the reasoning of *Marrone*, provided such a remedy is limited to cases where the transaction was one that "common understanding" would recognize as ultimately intended to divest the property owner of power to revoke. More directly, the court of equity could simply regard the licensee as having an equitable privilege that survives revocation of the legal one, which is tantamount in effect to treating the owner's contractual duty as an equitable disability, her revocation as a nullity.<sup>99</sup> This approach is more controversial, as it undermines the functions served by the requirement of a deed.<sup>100</sup> It would also seem to violate the Statute of Frauds' express admonition that noncompliant creations of property interest not be deemed irrevocable "either in Law or Equity."

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<sup>96</sup> See Bennett Leibman, *The Supreme Court and Exclusions By Racetracks*, 17 VILL. SPORTS & ENT. L.J. 421, 471(2010) (the *Marrone* case continues to remain the law with respect to patrons at racetracks in nearly all states where the common law has not been abrogated by legislative enactments); John G. Cameron, *Easements and Other Servitudes*, ST005 ALI-ABA 815 (2011) ("Licenses are revocable at the will of the licensor, even if supported by consideration and even if the licensee spends money in reliance upon the license.").

<sup>97</sup> See *supra* n.95.

<sup>98</sup> See S.S. Merrill, *Licenses Among Individuals*, 39 CENT. L.J. 220, 221 (1894) (listing cases in which courts "construe the license as an agreement to give the right and compel specific performance by deed as of a contract in part executed").

<sup>99</sup> See *Hurst*, [1915] 1 K.B. 1 (Ct. App. U.K. 1914); Harno, *supra* note 33 (arguing that where consideration has been paid, the licensee has an equitable privilege that trumps the licensor's power to revoke); Clark, *supra* note 32.

<sup>100</sup> See *Croasdale v. Lanigan*, 29 N.E. 824 (1892):

The jurisdiction of courts to enforce oral contracts for the sale of land is clearly defined and well understood, and is indisputable. But to change what commenced in a license into an irrevocable right, on the ground of equitable estoppel, is another and quite a different matter. It is far better, we think, that the law requiring interests in land to be evidenced by deed should be observed, than to leave it to the chancellor to construe an executed license as a grant depending upon what, in his view, may be equity in the special case.

The real limits on *Marrone* become evident when we consider what happens if the license contracted for is long-term, and the licensee continues to seek to exercise his privileges under it despite the breaching licensor's notice of revocation. We've been told that the licensee's legal privilege ends and the property owner can engage in reasonable self help without fear of tort liability, but can she get an injunction requiring the licensee to stop? This is a harder question, because an injunction is an equitable remedy, and ordinarily should not be granted to one who seeks it in direct violation of her contractual duties.<sup>101</sup> It is one thing to refrain from enjoining a breaching promisor to perform, thus leaving the injured promisee to damages as a remedy. It is another for the court to use its equitable *in personam* powers in direct furtherance of the breach by ordering the injured party to refrain from the activities he had bargained to engage in.

It seems, then, that unless the revoking licensor could show good cause for the revocation—the sort of good cause that the defendants in *Wood* and *Marrone* were not required to show—she would be left to her self help, and to lawsuits for damages in response to each new trespass, until such time as the breached license agreement would have expired on its own terms. As we have pointed out, such lawsuits would probably be a pointless exercise given the licensee's offsetting claims for contract damages. Thus the licensor who revokes in arbitrary breach of contract would technically regain her legal right to exclude, but would receive little help from the law in enforcing it beyond the privilege of self help.

In contrast to a property transfer, an irrevocable license created by contract is binding only on the parties to the contract. You may have a duty not to exercise your power of revocation against me, but you may still transfer that power (provided you do so along with the rest of your interest) to someone lacking any such duty. I will therefore want to prevent this by contractually binding you not to sell your interest to anyone unless they agree to respect my license. If you breach this secondary duty however, my only remedy will be damages from you, and the new owner will still be able to revoke my license.

### 3. Exclusive rights by contract.

It is also possible to obtain rights of non-interference by contract. If the

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<sup>101</sup> See *General Elec. Co. v. Minneapolis Elec. Lamp Co.*, 10 F.2d 851, 854-55 (D.C.Minn. 1924) (The maxim that “He who comes into equity must come with clean hands” applies to cases where the unconscionable conduct of the plaintiff is directly connected with the subject-matter of the suit).

only person in a position to interfere with my licensed use is the property owner, then he need merely bind himself contractually not to do so. If there are unknowable third parties who might interfere with my licensed use, then I will need the licensor to assume an additional duty, that of enforcing her *in rem* right to exclude against others when necessary on my behalf. My contractual relations with the licensor give me no rights directly enforceable against third parties however, so my only remedy will be suing the licensor for breach of contract if she fails to prevent them from interfering with my licensed use. This renders my security against interference somewhat precarious, as the effectiveness of my rights in this regard depends on the owner being locatable and cooperative when it comes time to enforce them.

#### IV. THE LAW OF COPYRIGHT INTERESTS

Copyright differs from tangible property in that it does not seek to mediate between physically incompatible uses of resources, but only economically incompatible ones. Tangible property rights require dutyholders to refrain from actions that threaten to interfere physically with an owner's ability to use and enjoy a particular owned thing. Copyright requires dutyholders to refrain from certain modes of using and enjoying things that are in all other respects the dutyholders' own property. The copyright owner's exclusive rights are conceptualized as pertaining to a "work of authorship," but exploitation of such a work does not necessarily depend upon the possession or use of any specific objects.

This means that unlike users of tangible property, those seeking irrevocable privileges to use copyrighted works will often be indifferent as to whether they are also given rights of non-interference enforceable against others. Such rights are not generally necessary to protect their ability to use the licensed work; any needed protection is provided by the tangible property rights they already hold in the materials used to do so. People who want to use a work for their own pleasure or without commercial gain may care about the irrevocability of their own use privileges without caring to prevent others from doing the same thing. Other licensees, on the other hand—those who wish to exploit the licensed work for commercial gain—may care about exclusivity very much.

The interference addressed by copyright law is economic interference in an owner's ability to realize exchange value by selling access to the expressive content of the work. Section 106 enumerates various categories of activity through which that exchange value is most likely to be extracted

(or dissipated) and gives copyright owners the exclusive right to engage in or authorize them. Because irrevocability and exclusivity have independent value in the realm of copyright, there is no reason why granted interests including one but not the other should necessarily be governed by the same formalities.

Creation and rearrangement of the jural relations arising out of federal copyright law are currently governed by the Copyright Act of 1976.<sup>102</sup> As before, we are not concerned here with the formalities that govern initial appropriation,<sup>103</sup> but only those governing rearrangement of the entitlements thus created. In that regard, Section 201(d) of the Copyright Act provides initially that:

(1) The ownership of a copyright may be transferred in whole or in part by any means of conveyance or by operation of law, and may be bequeathed by will or pass as personal property by the applicable laws of intestate succession.<sup>104</sup>

The transfer “in part” of copyright ownership contemplated here would appear to be the division of title into shares, as the next subsection deals with the divisibility of the copyright itself into separate exclusive use rights:

(2) Any of the exclusive rights comprised in a copyright, including any subdivision of any of the rights specified by section 106, may be transferred as provided by clause (1) and owned separately.

While Section 201 permits ownership of copyright to be transferred by any means of conveyance recognized by state law, Section 204 then superimposes the following formality as a matter of federal law:

A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner’s duly authorized agent<sup>105</sup>

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<sup>102</sup> I limit this discussion to federal copyright law, not any of the state-created rights in intellectual works that survive federal preemption.

<sup>103</sup> See 17 U.S.C. § 102 (2006)(“ Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression[.]”).

<sup>104</sup> 17 U.S.C. § 201(a) (2006).

<sup>105</sup> 17 U.S.C. § 204(a) (2006).

Section 204, in turn, needs to read in conjunction with the statutory definition given to the term “transfer of copyright ownership”:

A “transfer of copyright ownership” is an assignment, mortgage, exclusive license, or any other conveyance, alienation, or hypothecation of a copyright or of any of the exclusive rights comprised in a copyright, whether or not it is limited in time or place of effect, but not including a nonexclusive license.<sup>106</sup>

The formality imposed by Section 204 can be read as contemplating several distinct categories of transactions:

- 1) Complete transfers of title in a copyright.
- 2) Assignments of one or more exclusive rights comprised in a copyright.
- 3) Exclusive licenses of either the entire copyright or one or more exclusive rights comprised in it.
- 4) Mortgages or hypothecations of any of the above interests.

It seems clear that each of these contemplated transfers is irrevocable, for this is strongly implied by the term “transfer of ownership.”<sup>107</sup> Irrevocability, however, is not the defining characteristic of the group. Nonexclusive licenses can be irrevocable, and they are expressly excluded, whereas an exclusive license is expressly included though it need not be irrevocable.<sup>108</sup> Section 204 therefore differs in this respect from the Statute of Frauds, which was triggered specifically by the conveyance of a property interest purporting to be irrevocable (i.e., to be other than “at Will”).

Instead, Section 204 appears to be triggered by a different criterion: transactions that result (or, in the case of mortgages, may ultimately result) in transfer of the *in rem* exclusive rights created by copyright law. The provision is intended less to protect grantors from inadvertent creation of binding grants—though it may also do so—than it is to ensure clear chains

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<sup>106</sup> 17 U.S.C. § 101 (2006).

<sup>107</sup> The statute also recognizes the possibility that at least some of these irrevocable ownership interests may be temporally defeasible, given the phrase “whether or not it is limited in time[.]” 17 U.S.C. § 101 (2006).

<sup>108</sup> Nothing prevents a copyright owner from granting an exclusive license in accordance with Section 204 and stating in the signed writing that the license is revocable at will.



of title and clear delineation of the open-ended subdivisions of exclusive rights permitted under the 1976 Act.<sup>109</sup> A writing that complies with Section 204 is copyright's equivalent of a deed.

The requirements of Section 204 are less stringent than the traditional ones for a deed conveying title to land. While an "instrument of conveyance" can be used, a "note or memorandum of the transfer" will do just as well.<sup>110</sup> All that matters is that it be in writing and signed by the conveying owner or her agent. There is no need for a seal, and recordation is encouraged but not required.<sup>111</sup> It seems safe to conjecture that the vast majority of the time (though not always), when licenses are granted in accordance with Section 204 the "writing" used to effect the transfer is a written license agreement which also serves as the memorandum documenting a contractual agreement between the licensor and licensee. As we have seen above, it is important to distinguish between the various legal roles this document might play, and their respective consequences. The document called a "license agreement" may serve as any (or all) of the following:

- 1) a written memorandum evidencing the parties' agreement to a contract and satisfying the Statute of Frauds so as to render the contractual duties enforceable;
- 2) a deed conveying an ownership interest; and
- 3) a manifestation of intent to grant use privileges.

A. *Property v. contract formalities in the creation of copyright privileges.*

What formalities govern the creation of a bare copyright license? The contract theory of license implies that consideration and mutual assent should be required, but this is clearly not the case. As the Supreme Court held long ago in the patent case *De Forest Radio Telephone & Telegraph*

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<sup>109</sup> See *Konigsburg v. Rice*, 16 F.3d 355, 357 (9th Cir. 1994) (providing various citations to this effect).

<sup>110</sup> The Ninth Circuit has held, however, that even a "note or memorandum," to be effective under Section 204, "must, at the very least, be executed more or less contemporaneously with the agreement and must be a product of the parties' negotiations." *Konigsburg*, at 357 (9th Cir. 1994).

<sup>111</sup> See 17 U.S.C. § 205(a) (2006) ("Any transfer of copyright ownership or other document pertaining to a copyright *may* be recorded in the Copyright Office if the document filed for recordation bears the actual signature of the person who executed it, or if it is accompanied by a sworn or official certification that it is a true copy of the original, signed document." (emphasis added)).

*Co. v. U.S.:*

No formal granting of a license is necessary in order to give it effect. Any language used by the owner of the patent or any conduct on his part exhibited to another, from which that other may properly infer that the owner consents to his use of the patent in making or using it, or selling it, upon which the other acts, constitutes a license, and a defense to an action for a tort.<sup>112</sup>

This undisputed principle, which applies to copyright as well as to patent, clearly establishes that the basic building block of all license interests—the use privilege—is *not* a contractual duty, but a property interest conveyed in exactly the same manner used in the realm of tangible property. Contract law provides one means by which the license privilege may be rendered irrevocable, but plays no role in its creation.

Nevertheless, the contract theory of license persists in creating needless difficulties, as illustrated by this passage from the leading copyright treatise:

What if the oral contract between the parties itself provides unambiguously for the transfer to be exclusive? In that event, the statutory bar on exclusive grants being executed orally invalidates the subject contract from taking effect. But the further question arises: May a court accord partial significance to the attempted grant by construing it as an effective, albeit nonexclusive, license? To do so would raise serious questions under contract law, as the enterprise would plainly contravene the mutual intent of the parties.<sup>113</sup>

The “serious questions,” I submit, are chimerical. The question whether some party has been given a nonexclusive license has nothing to do with contract formation or interpretation, and does not depend upon any “mutual intent of the parties.” The grant of a license (like any transfer of a property interest) is a unilateral act of the property owner. The only person whose intent we care about is the licensor’s, and the only question is whether she has used any language or exhibited any conduct to the other party “from which that other may properly infer that the owner consents to his use[.]”<sup>114</sup>

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<sup>112</sup> 273 U.S. 236, 241 (1927).

<sup>113</sup> Nimmer *supra* note 2, at §10.03 [A][7].

<sup>114</sup> De Forest Radio Telephone & Telegraph co. v. U.S., 273 U.S. 236, 241 (1927).

If attempting to grant someone an *exclusive license* to do X does not effectively manifest one's consent that he at least be *permitted* to do X, it is difficult to imagine what does. Section 204 renders legally ineffective the attempt to transfer the rights to exclude granted by Section 106, but it is no obstacle to the creation of a simple privilege or even of a binding promise not to revoke it.<sup>115</sup> Most courts confronted with this situation reach the correct result, but they have felt obliged to parse state contract law on severability in order to do so.<sup>116</sup> They should save themselves the trouble.

The passage quoted above also reflects another pernicious implication of the contract theory of license: that “the statutory bar on exclusive grants being executed orally invalidates the subject contract from taking effect.” It is clear from the language of Section 204 that it is intended to govern only the effective transfer of certain types of *ownership interests*, not the effective creation of contractual obligations. Yet because one of the affected ownership interests is called an “exclusive license,” courts who conceive of a “license” as nothing but a sort of contract are likely to understand Section 204 as a statute of frauds intended to govern contract formation, thus needlessly invalidating agreements that should be enforced.

A leading example is *Valente-Kritzer Video v. Pinckney*, in which the plaintiff video production company entered into an oral agreement with a book author giving plaintiff “the exclusive right to shop for a home video deal and to negotiate with major home video cassette manufacturer/distributors for the production and distribution of a home video based upon the book.”<sup>117</sup> The plaintiff located and made arrangements with such a manufacturer, but the author broke the agreement and made her own manufacturing deal, cutting the plaintiff out of the transaction. Though the plaintiff did not assert any claim under copyright law, the Ninth Circuit held that because the right to prepare a videocassette based on a copyrighted book is one of the exclusive rights comprised in a copyright, the plaintiff's claim ran afoul of the

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<sup>115</sup> Similarly, it is well understood that a license may be created inadvertently when an owner attempts to grant the kind of interest that would normally be the subject of an easement, but the formal requirements for the creation of an easement are not met. *See Kamenar R.R. Salvage, Inc. v. Ohio Edison Co.*, 607 N.E.2d 1108, 1112 (1992).

<sup>116</sup> *See, e.g., Lulirama Ltd., Inc. v. Axxess Broadcast Services, Inc.*, 128 F.3d 872, 882-83 (5th Cir. 1997) (addressing, but ultimately finding inapplicable, state contract doctrine against severability); *Jacob Maxwell, Inc. v. Veeck*, 110 F.3d 749, 753-54 (11th Cir. 1997) (applying state contract law and finding no obstacle to severability).

<sup>117</sup> 881 F.2d 772, 773 (9th Cir. 1989).

“requirement that a contract transferring an exclusive license in a copyrighted work be in writing.” The court upheld dismissal of plaintiff’s contract claim on summary judgment, holding that “Section 204(a) not only bars copyright infringement actions but also breach of contract claims based on oral agreements.”<sup>118</sup>

The ruling makes little sense, beginning with the court’s construal of the contract as an attempt to transfer an exclusive license to prepare a derivative work. As described, the deal neither contemplated the plaintiff company’s own preparation of any such work, nor gave it power—let alone exclusive power—to authorize anyone else’s. Rather, the plaintiff was supposed to find a suitable partner and negotiate a deal with them—a deal that the book author would presumably then have to sign herself so as to transfer any relevant copyright licenses. The only exclusivity promised to plaintiff was in its role as an intermediary who would “shop” and “negotiate,” and if successful, receive the later transfer of certain interests in the subsequent production.

It is hard to see any constructive purpose served by invalidating such a contract. Enforcing the plaintiff’s claim to be compensated for the author’s breach would not be equivalent, either legally or in practical effect, to recognizing the plaintiff as an exclusive copyright licensee. Such a licensee would be able to enjoin the manufacture of the derivative work, and choose between collecting any profits realized by the manufacturer or an award of statutory damages. The contract claim, by contrast, would result in only a claim against the author for damages based on the benefits plaintiff had expected to realize through its role in the deal. Such a remedy would in no way implicate or undermine clear ownership of the exclusive rights granted by copyright law, and there is no reason to construe Section 204 as prohibiting it.<sup>119</sup>

### B. *Irrevocable copyright privileges*

#### 1. Creation of irrevocable copyright privileges by deed.

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<sup>118</sup> *Id.* at 774.

<sup>119</sup> Another example of this error can be found in *Scott v. Lane*, 2003 WL 21531890, at \*6 (Cal. Ct. App. July 8, 2003) (holding that author’s contract-based claim for share of revenues from exploitation of work was invalid because the agreement also included a grant of exclusive license that failed to satisfy Section 204).

As we have seen, traditional property law permits the granting of irrevocable use privileges—in the form of easements and profits à prendre—by means of a written deed. These interests are not merely “licenses,” but are recognized as ownership interests in their own right, though they are lesser ones than “title” to the property, because they include only a limited set of use privileges and do not convey any power to create other interests in the underlying property. The possibility of creating analogous interests in copyrights and patents was long foreclosed by the early adoption in Anglo-American IP law of the “doctrine of indivisibility.”<sup>120</sup>

Inspired in part by conceptual inertia,<sup>121</sup> in part by fear of unlimited fragmentation of rights<sup>122</sup> and multiplicity of suits,<sup>123</sup> the indivisibility doctrine held that:

With respect to a particular work embodied in concrete form, or separable part of such work, there is, at any one time, in any particular jurisdiction, only a single incorporeal legal title or property known as the copyright, which encompasses all the authorial rights recognized by the law of the particular jurisdiction with respect thereto.<sup>124</sup>

The application of this doctrine in practice meant that copyright owners lacked the power to assign any property interest pertaining to only some uses of the work and not others. Any attempt to do so would result in a mere “license,” by which was meant a bare use privilege to engage in the specified uses. In this environment the only possible means of achieving

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<sup>120</sup> See generally Kaminstein *supra* note 2.

<sup>121</sup> See *Id.*:

The present difficulty arises from the fact that a theory enunciated during the period of a limited number of rights and uses of copyright material has been applied to the great proliferation of rights and uses which have developed since the turn of the century.

<sup>122</sup> See *Jefferys v. Boosey*, 10 H.L. (Clark) 681, 750-51 (1854) (Brougham, L.):  
Nothing could be more absurd or inconvenient than that this abstract right should be divided, as if it were real property, into lots . . . . It is impossible to tell what the inconvenience would be. You might have a separate transfer of the right of publication in every county in the Kingdom.

<sup>123</sup> See *Waterman v. Mackenzie*, 138 U.S. 252, 261 (1891) (emphasizing need for doctrine of indivisibility in patent law to avoid multiplicity of suits).

<sup>124</sup> Harry G. Henn, *Magazine Rights—A Division of Indivisible Copyright*, 40 CORNELL L.Q. 411, 417-18 (1955).

either irrevocability or exclusivity—i.e., of creating the sorts of license having commercial value—was contract law. This, no doubt, is what gave impetus to the notion that a license is nothing but a form of contract.

While indivisibility successfully prevented fragmentation of rights, it greatly impeded the ability of copyright owners to engage in transactions conducive to the exploitation of a work in multiple markets. To a large extent, this problem resulted from the interaction of indivisibility with the notice formalities necessary to acquire copyright prior to the 1976 Act. The author of a short story who wished to publish it in a magazine, for example, was forced to assign the entire copyright rather than merely grant a publication license, because otherwise the single copyright notice placed by the magazine publisher (in its own name) on the relevant issue would not secure copyright in the story, thus thrusting it into the public domain upon publication.<sup>125</sup> Having assigned the whole copyright in order to obtain publication, the author who now wished to sell movie rights had to depend on contractual obligations or good faith on the publisher's part to reacquire title. This in turn imposed costs on movie producers, who tended to resort to purchasing rights from both parties to protect themselves from uncertainty. Even in sectors where notice did not create such problems, the inability of an exclusive licensee to bring infringement actions without joining the copyright owner was regarded as highly inconvenient.<sup>126</sup> It would have been possible to solve both these problems simply by modifying the notice rules and giving exclusive licensees standing to sue.<sup>127</sup> Instead, as we have seen, the 1976 Act embraces a thoroughgoing principle of divisibility.

The adoption of copyright divisibility, coupled with the statement in Section 201 that “ownership of a copyright may be transferred in whole or in part by any means of conveyance,” ought to have dispelled the contract theory of license and placed us into a world similar to that of the land law, where copyright privileges could be rendered irrevocable by *either* property transfer or contract, using the appropriate formalities in either case. Thus, the use of a written deed should be sufficient to grant irrevocable use privileges. Instead, the influence of the contract theory has persisted, creating confusion and inconsistency.

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<sup>125</sup> Nothing prevented the publisher from printing a separate notice for the story in the name of the author, but they were generally loath to do so, and only authors with significant clout could expect to obtain this concession.

<sup>126</sup> Kaminstein *supra* note 2, at 2.

<sup>127</sup> See Kaminstein *supra* note 2, at 29 (posing question whether divisibility of rights would be necessary or advisable if exclusive licensees were granted the right to sue).

There is no dispute that a writing in compliance with Section 204 is sufficient, even absent consideration, to render an exclusive license irrevocable.<sup>128</sup> The result is correct; such a writing is properly construed as a deed conveying an ownership interest. The rationale given, however—that this result is prescribed by Section 204—is wrong. Section 204 does not purport to make a compliant writing *sufficient* to render an exclusive license valid. Rather, it says only that an exclusive license “is not valid unless” there is a compliant writing. If one took the contract theory of license seriously then, one would read Section 204 merely as a statute of frauds that did not obviate the underlying requirement of consideration.

Similarly, the exclusion of nonexclusive licenses from the requirements of Section 204 does not imply that nonexclusive privileges *cannot* be made irrevocable by deed. There is no reason why a formality regarded as sufficient to transfer exclusive rights binding on third parties should not also be sufficient to render binding a licensor’s grant of immunity to revocation. One would think that, *a fortiori*, a signed writing complying with Section 204 would be sufficient to render binding the lesser grant of an irrevocable *nonexclusive* license. Yet the Nimmer treatise asserts that this is not the case, that only consideration can make a nonexclusive license irrevocable.<sup>129</sup> Nimmer does not provide any explanation as to the rationale behind this asserted rule, but traces its origin back to the 1909 Act as follows:

An assignment of statutory copyright had to be in writing signed by the proprietor in order to be valid, while a license could be valid through oral agreement. In contrast, however, a license as a form of contract was revocable in the absence of a valid consideration, while an assignment might be effective and irrevocable although it lacked any consideration.<sup>130</sup>

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<sup>128</sup> See Nimmer, *supra* note 12, at §10.02[B][5] (“Under the current Act, exclusive licenses are treated like assignments in that they constitute a conveyance of a property right that can be accomplished by gift no less than by sale.”), §10.03[8] (“[N]o consideration is necessary under federal law to effectuate a transfer of copyright ownership that does not purport to require consideration[.]”). This is clearly at odds with the position taken throughout the treatise that a license is “merely an agreement not to sue.” See *id.*, at §10.01[C][5] n. 73.1.

<sup>129</sup> See Nimmer, *supra* note 12, at §10.03 (“Note, however, that consideration is necessary to render a nonexclusive license irrevocable.”).

<sup>130</sup> Nimmer, *supra* note 12, at § 10.01[C][5] (footnotes omitted).

Section 204 now places exclusive licenses in the same category as assignments for purposes of the writing requirement, thus leading Nimmer to conclude that nonexclusive licenses remain “revocable in the absence of a valid consideration.” If we are speaking of nonexclusive licenses *based purely on an oral or implied grant*, the conclusion is correct. All of the cases cited in Nimmer for this point involved licenses that were granted either orally or by implication from conduct.<sup>131</sup> As discussed above, such licenses are indeed “bare” and presumptively revocable.

None of this, however, suggests that the *contract* formality of consideration should be necessary to give effect to a written *deed* expressly granting an irrevocable nonexclusive license. There is no policy against the gratuitous grant of irrevocable use privileges, just as there is no policy against the gift of one’s copyright interest *in toto*. We are merely concerned to ensure that an irrevocable grant does not occur inadvertently, and to lower the information costs of ascertaining its validity. The use of a deed meets these concerns, and it is only the misconception of “license as a form of contract” that leads one to question its sufficiency. Indeed, note the confusion inherent in the phrase, “[A] license as a form of contract was revocable in the absence of a valid consideration.” If a license were really a “form of contract,” then the absence of valid consideration would render it not merely “revocable,” but void *ab initio*.

The notion that consideration is required to render a nonexclusive license irrevocable is also at odds with Section 205(e), which provides that a writing meeting the same standards as Section 204 will enable a nonexclusive license to prevail over a conflicting transfer of copyright ownership.<sup>132</sup> Such a license must be understood to be irrevocable in order to bind the licensor’s assignee, else the act of transfer would itself count as

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<sup>131</sup> See *Avtec Sys., Inc. v. Peiffer*, 21 F.3d 568, 574 n.12 (4th Cir. 1994); *I.A.E., Inc. v. Shaver*, 74 F.3d 768, 772 (7th Cir. 1996); *Lulirama Ltd., Inc. v. Access Broadcast Services, Inc.*, 128 F.3d 872, 882 (5th Cir. 1997); *Keane Dealer Services, Inc. v. Harts*, 968 F. Supp. 944, 947 (S.D.N.Y. 1997) ; *Johnson v. Jones*, 885 F. Supp. 1008, 1012 n.6 (E.D. Mich. 1995); *McCarthy & Fischer v. White*, 259 F. 364 (S.D.N.Y. 1919).

<sup>132</sup> 17 U.S.C. § 205(e) (2006):

A nonexclusive license, whether recorded or not, prevails over a conflicting transfer of copyright ownership if the license is evidenced by a written instrument signed by the owner of the rights licensed or such owner’s duly authorized agent, and if—

- (1) the license was taken before execution of the transfer; or
- (2) the license was taken in good faith before recordation of the transfer and without notice of it.



revocation.<sup>133</sup> If Section 205(e) is treated the same way as Section 204 then, it follows that a compliant writing is sufficient for the creation of a nonexclusive license. Nowhere does the statute require that such a license have been granted for consideration.

In fact, Section 205(e) reflects precisely the difference between a privilege made irrevocable by deed and one made irrevocable by contract. A parol contract not to revoke will bind the licensor, but only *in personam*. It cannot bind anyone to whom the licensor transfers her interest.<sup>134</sup> Putting the contract in writing cannot change this result by making *in personam* contract duties any more binding on third parties. It changes the result only because the written contract now functions as a deed, granting immunities from revocation that apply *in rem* against the licensor and her assigns alike. A nonexclusive license granted under Section 205(e) is akin to an easement over land—it conveys irrevocable use privileges that pertain to the underlying property *in rem*, thus binding subsequent assignees. The difference is that, unlike an easement, a nonexclusive license includes no rights of non-interference.

Properly understood then, a written license agreement that complies with Section 204 is a document that serves as both an instrument of conveyance and a memorandum of binding covenants. The conveyance may serve as the consideration that renders the accompanying covenants binding, but the conveyance is binding on its own terms as a grant by deed. When the terms of the conveyance expressly evidence an intent by the grantor to relinquish the power to revoke the granted privileges at will, the fact that this intent was expressed in a signed writing is sufficient to effect an irrevocable conveyance of the specified privileges (and any

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<sup>133</sup> Radke v. Union Pac. R. Co., 334 P.2d 1077, 1087 (CO 1959) (“A license is revoked ipso facto by the licensor's conveyance of the land, or by doing any act which is inconsistent with or prevents the exercise of the license.”).

<sup>134</sup> See Thomas W. Merrill & Henry E. Smith, *The Property/contract Interface*, 101 COLUM. L. REV. 773, 827-28 (2001).

If leases were bilateral contracts and nothing more, then in the event of a sale of the fee arguably the new owner could evict the tenant (because the burden of the lease would not run with the land), and the tenant would be left with nothing but a cause of action against the original landlord for breach of contract.

See also *Perkins*, 25 Mass. at 236 (a covenant by the payee of a promissory note not to sue the maker within a limited time, cannot be pleaded in bar to an action brought within the time by a person to whom the note was indorsed after it became due).

accompanying rights to exclude) without regard to consideration.<sup>135</sup>

Note that there is no reason to regard an exclusive license as irrevocable simply because it satisfies Section 204. Again, Section 204 does not purport to make the existence of a compliant writing *sufficient* to effect a “transfer of ownership, it merely says that such a transfer “is not valid unless” there is a compliant writing. The default rule with regard to licenses is still revocability, and so the writing must indicate an intent on the licensor’s part to relinquish the power of revocation at will. This may be accomplished by use of the term “irrevocable” or by specifying express conditions (such as a set duration) clearly intended to limit that power. A deed purporting to grant an “assignment,” on the other hand, ought to be regarded as presumptively irrevocable.<sup>136</sup>

My proposed understanding of a written license agreement as a deed has an additional implication worth highlighting: only conditions that are expressly identified as such (in the nature of a reversion clause)<sup>137</sup> should be regarded as providing grounds for revocation of the licensee’s privileges. Such conditions render the license akin to a defeasible easement. Absent any express reversion clause, an irrevocable license granted by deed should be regarded as no more rescindable than a deeded easement over land that the owner was induced by consideration to grant. The common notion that such a written license can be rescinded because of a material breach of the accompanying agreement<sup>138</sup> stems again from the misconception that it is the consideration and not the deed that makes the license irrevocable. The better analysis is that a contractual agreement existing in parallel to an irrevocable license by deed does not render the deeded grant vulnerable to later breaches of contract, material or not. Absent an express reversion clause, the licensor is disabled from using the power of revocation she relinquished in the deed, and therefore

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<sup>135</sup> The Nimmer treatise agrees with this point. See Nimmer, *supra* note 12, at §10.02[B][5] (“Under the current Act, exclusive licenses are treated like assignments in that they constitute a conveyance of a property right that can be accomplished by gift no less than by sale.”), §10.03[8] (“[N]o consideration is necessary under federal law to effectuate a transfer of copyright ownership that does not purport to require consideration[.]”), though it is clearly at odds with the position taken throughout the treatise that a license is “merely an agreement not to sue.” See *id.* at §10.01[C][5] & n. 73.1.

<sup>136</sup> See *infra* Part II.A for further discussion of the license-assignment distinction.

<sup>137</sup> Nimmer, *supra* note 12, at §10.15[A][3].

<sup>138</sup> Nimmer, *supra* note 12, at §10.15[A][3] (identifying the most likely candidate for such a breach as ongoing failure to make royalty payments).

cannot revoke even if freed from any contractual duty not to do so.

Lest the preceding paragraph smack of arid formalism, we should remember that the whole purpose of section 204's insistence on an expressly written grant is to lower the information costs of determining who controls the rights to exclude granted by section 106. It therefore makes perfect sense to hold that any conditional limitations on the possession of those rights must be expressly identified on the face of the writing. To the extent that identifying the effective possessor of those rights requires third parties to engage in contract interpretation to distinguish between material and non-material terms, the informational advantages of the deed requirement are greatly undermined. Why insist on an expressly written grant if it can be invalidated by occurrences not expressly identified in the grant as conditions subsequent?

## 2. Creation of irrevocable copyright privileges by contract.

We have already noted that prior to the 1976 Act, contractual irrevocability was the only game in town for copyright licenses. Our earlier exploration of the logic of such contracts gives rise to a question, however: Are copyright owners, like landowners, permitted to turn their licensees into infringers by breaching the promise not to revoke?

We saw that breaching licensor landholders, while able to exercise the privilege of self help against their erstwhile licensees, would be unable as a practical matter to enforce their putatively recovered rights to exclude in any other way. Such self help is likely to be of little practical use in the realm of copyright. Infringement usually will not take place on land owned by the copyright owner, and the attempt to prevent it would not consist of simple repossession of a discrete chattel, but of interference with the infringer's use of his own tangible property to engage in prohibited acts. Physical intrusions for this purpose would be likely to result in breaches of the peace and would not be countenanced under traditional self-help doctrine.<sup>139</sup> If we assume the copyright owner's monetary remedies (including statutory damages) to be neutralized by the licensee's offsetting contract claims, the inability to obtain an injunction against the licensee

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<sup>139</sup> See generally, Julie E. Cohen, *Copyright and the Jurisprudence of Self Help*, 13 BERKELEY TECH. L.J. 1089 (1998); Douglas Ivor Brandon et al., *Self-Help: Extrajudicial Rights, Privileges and Remedies in Contemporary American Society*, 37 VAND. L. REV. 845 (1984).

would render her putative right to exclude nigh useless.<sup>140</sup>

Even leaving aside these technicalities of remedies law, the rationale given above to justify the result in *Wood* and *Marrone* doesn't apply to copyright licenses. While intellectual property does serve to enable a form of private ordering analogous to that served by tangible property rights, the exclusive rights given to copyright owners do not serve to prevent an immediate order of actions problem. As argued above, we may want to enforce a landowner's absolute power to revoke where the absence of clear authority over a tangible resource might lead to physical conflict between rival would-be users. Copyright infringement raises no such threat. Failure to comply with a revoking copyright owner's right to exclude harms only her economic interests, and that harm is counterbalanced by the harm to the licensee in having his legitimate contractual expectations disrupted.

Given the lack of effective means to enforce a breaching copyright licensor's exclusive rights against her licensee, and given the lack of a good reason to wish to do so, there seems little reason for courts not to give specific enforcement to the promise not to revoke by simply regarding any revocation in breach of contract as ineffective to terminate the licensee's privileges. Unlike the Statute of Frauds for land, Section 204 does not forbid this, as it guards the threshold not of immunity but of exclusive rights and therefore does not prohibit the transformation of a licensor's duty into the equitable equivalent of an immunity. Though the licensor's power to revoke is equitably disabled, however, her power to transfer the underlying interest is not. To obtain irrevocable rights enforceable against the licensor's assignees, one still needs a deed that satisfies Section 205(e).

## V. CONCLUSION

### A. *Summary Restatement*

To sum up, a copyright license is not a "contract not to sue." Instead, I would restate the law in this area as follows:

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<sup>140</sup> In a digital world there may be electronic measures that some copyright owners are in a position to take against at least some (ex)licensees that, if privileged, would permit breaching copyright licensors to effectively reassert some of their rights to exclude without the help of an injunction. See Cohen *supra* note 139, at 1124-25. The copyright owner would still be liable for contract damages in doing so, however, and it is hard to imagine the scenario in which it would be in a copyright owner's interest to take this course.

1. A license is a property interest giving a non-titleholder use privileges to a licensed work. These privileges free the licensee from what would otherwise be his preexisting duty to avoid certain actions that infringe the copyright owner's exclusive rights. Licenses are created simply by virtue of the licensor's unilaterally manifested intent to permit use. This intent may be manifested expressly, either in writing or orally, or it may be manifested by conduct. Licenses are presumptively revocable by the licensor at will, and are not transferable without the licensor's consent.
2. A writing signed by the author in accordance with Section 204 (and Section 205(e)) constitutes the equivalent of a deed for the purpose of conveying copyright interests. The same written instrument that serves as a deed may (but need not) also serve as the written memorandum of a contract between the licensor and licensee.
3. When such a deed expresses the intent to grant a licensee immunity from revocation of his license privileges, the instrument itself is sufficient to achieve that effect. This means that the licensor loses the power to revoke the privileges except in accordance with any express conditions on the granted immunity that were included in the deed. Having lost this power, the licensor is also unable to transfer it to any assignee of her remaining interests in the copyright.
4. Use of a deed is *required* in order to effect a transfer of exclusive rights binding on third parties. (Section 204).
5. While an owner's power of revocation can generally only be relinquished by written deed, a licensor may bind herself contractually to refrain from exercising that power. Such a contract will usually be given specific enforcement by way of treating as legally void any attempted revocation in violation of the contract terms. It will not, however, prevent the owner from assigning her interest in the copyright (including the power to revoke licenses) to a third party who is not contractually bound to refrain from exercising it.

#### B. *Further Implications*

As I stated at the outset, there is not room in a single article to fully work out the implications of my account for all the areas of copyright law in which the nature of a license lies near the heart of some serious controversy. I hope to address some of these implications in future projects, but will provide here a few brief preliminary thoughts concerning the more proximate ones.

### 1. Irrevocability of implied copyright licenses

With regard to implied copyright licenses, the first obvious implication is that courts should stop applying the contract theory of license, and therefore should stop construing the inquiry into whether an implied license exists as based on the search for an implied contract. Which means they can also stop pondering whether such a contract would be “implied in law” or “implied in fact,” and whether they are bound by state contract law in answering these questions.<sup>141</sup> To decide whether a license was granted, all that matters is whether the copyright owner engaged in “conduct on his part exhibited to another, from which that other may properly infer that the owner consents to his use[.]”<sup>142</sup>

The problem does not end there, however, because in most implied license cases the more interesting question is whether the license is irrevocable, and if so whether the irrevocability is defeasible, conditioned (most likely) on full payment to the author.<sup>143</sup> Because an implied license is by definition not granted by deed, it would seem at first blush that any such irrevocability, as well as any condition on it, can only be contractual, thus making the search for an implied contract relevant after all. On the other hand, the most prominent line of implied license cases addresses situations in which authors convey copies of commissioned works with the knowledge that those copies have value only as bases for further production.<sup>144</sup> This bears analogy to the common law property doctrine that a license incident to a grant cannot be revoked in such a way as to

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<sup>141</sup> *Cf.* Foad Consulting Group, Inc. v. Musil Govan Azzalino, 270 F.3d 821 (9th Cir. 2001).

<sup>142</sup> *De Forest Radio Telephone & Telegraph*, 273 U.S. at 241.

<sup>143</sup> *See, e.g.*, *Effects Assocs. v. Cohen*, 908 F.2d 555, 559 n. 7 (9th Cir.1990) (rejecting argument that payment of agreed license fee was a “condition subsequent” to an implied license).

<sup>144</sup> *See, e.g.*, *Oddo v. Ries*, 743 F.2d 630 (9th Cir.1984); *Effects Assocs.*, 908 F.2d at 557-58.

defeat the grant.<sup>145</sup> Conceiving of these implied licenses as something akin to easements by necessity, with the contemplated enterprise serving as the dominant tenement, may do a better job than contract theory of explaining their attributes.

## 2. Transferability of exclusive copyright licenses

A longstanding line of cases held as a matter of federal IP policy that patent and copyright licenses “are personal to the licensee and not assignable unless expressly made so in the agreement.”<sup>146</sup> Many contend that because it includes exclusive licenses among “transfers of copyright ownership,” the 1976 Act has to be read as overturning this rule. The Ninth Circuit, on the other hand, held in the much-criticized decision *Gardner v. Nike* that the 1976 Act did *not* abrogate the preexisting presumption of nonassignability for exclusive copyright licenses, but only meant to confer standing to sue on exclusive licensees by affording them “all of the protection and remedies accorded to the copyright owner.”<sup>147</sup>

While the question requires more than cursory treatment, the argument presented in this article at least suggests that we should not be too hasty<sup>148</sup> in assuming that all interests involving “ownership” must necessarily amount to “title” and therefore confer plenary powers of transfer over the owned interest.<sup>149</sup> There is no dispute that the 1976 Act was intended *both* to institute the principle of divisibility *and* to grant exclusive licensees standing to sue. Once we have divisibility though, it ought to occur to us to question *why* exactly there would still be any need to give “exclusive

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<sup>145</sup> See *Wood v. Leadbitter*, 153 E.R. 351, 355 (Exch. 1845) (“A mere license is revocable: but that which is called a license is often something more than a license; it often comprises or is connected with a grant, and then the party who has given it cannot in general revoke it, so as to defeat his grant, to which it was incident.”).

<sup>146</sup> *Unarco Industries v. Kelley Co.*, 465 F.2d 1303, 1307 (7th Cir. 1972).

<sup>147</sup> *Gardner v. Nike*, 279 F.3d 774 (9th Cir. 2002) (holding that rule applies to copyright licenses despite changes in 1976 Copyright Act).

<sup>148</sup> See, e.g., *Nimmer*, supra note 2, at § 10.02[4][A] (“The [exclusive licensee] having acquired “title” or ownership of the rights conveyed, may reconvey them absent contractual restrictions.”). Note that *Nimmer* places “title” but not “ownership” in quotation marks, even though it is the latter and not the former term that appears in the relevant statutory provision.

<sup>149</sup> See *supra* at \_\_\_. Note, for example, that Section 101 includes a “mortgage” as well as an “exclusive license” among “transfers of ownership.” Mortgages are clearly ownership interests, but they are not equivalent to “title,” nor does anyone claim that the statute was intended to obliterate all distinctions between “mortgages” and “assignments.”

licensees” such standing. By using divisibility and assignment, copyright owners could already grant independently enforceable exclusive rights to particular uses of the work without losing ownership of the others. If an exclusive licensee is not satisfied with contractual protections, and wishes to pay for the right to sue independently, he can just ask to become the titleholder of the licensed use by having it assigned to him outright.<sup>150</sup>

It therefore seems questionable to insist that the 1976 Act must be intended to render exclusive licenses identical to assignments in all respects. Had the intent really been to permit transfer of standing to sue only in conjunction with transfer of *all* aspects of title concerning the exclusive right in question, this would have been fully achieved by section 201(d)(2) alone. There was no need to take the additional unorthodox step of including an “exclusive license” within the statutory definition of “transfer of copyright ownership.” Absent that inclusion, the default assumption would have been that copyright owners had a choice between *assigning* particular uses outright (thus conferring standing to sue along with all other aspects of title), or granting *licenses* whose irrevocability and exclusivity remained based in contract alone. If my premise is correct that the core meaning of license has always involved the distinction between a titleholding licensor and a non-titleholding licensee, then it is significant that the statute goes out of its way to confer standing to sue on holders of *both* “exclusive license[s]” *and* “assignment[s].” It plausibly suggests an intent to let copyright owners transfer the right to sue over particular uses of the work *without* completely relinquishing title to those uses. Exactly what residual powers of title the exclusive licensor should properly be regarded as retaining, however, is a difficult question for another day.

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<sup>150</sup> Nor does such an assignment necessarily mean that the copyright owner is left to protect her right to royalty payments by contract law alone, as it is well-established that such assignments may be defeasible, subject to conditions subsequent that will revert title in the assignor under certain circumstances. *See, e.g.,* *Waterman v. Mackenzie*, 138 U.S. 252, 256 (U.S. 1891) (“An assignment of the entire patent, or of an undivided part thereof, or of the exclusive right under the patent for a limited territory, may be either absolute or by way of mortgage, and liable to be defeated by non-performance of a condition subsequent[.]”). The distinction between exclusive licenses and assignments, then, is *not* that one may be subject to conditions while the other may not.