AN EXCLUSIVE LICENSE IS NOT AN ASSIGNMENT: DISENTANGLING DIVISIBILITY AND TRANSFERABILITY OF OWNERSHIP IN COPYRIGHT

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I. INTRODUCTION

Is an exclusive license the same thing as an assignment? For most of the history of Anglo-American jurisprudence, to pose such a question seriously would have been simply to confess one's ignorance of the meanings of the terms. An assignment is a conveyance of one's entire ownership interest in some property to someone else.[1] The assignee becomes the new owner while the assignor becomes an ex-owner. A license, on the other hand, is merely a permission.[2] It creates a limited use privilege in the licensee, and therefore necessarily curtails to that extent the owner's right to exclude. It leaves all other residual powers of ownership, however, firmly in the licensor's sole possession.

In the realm of copyright, this clear distinction has been muddied—many claim obliterated—by the Copyright Act of 1976, which included the term "exclusive license" within the statutorily defined term "transfer of copyright ownership."[3] In *Gardner v. Nike,* the U.S. Court of Appeals for the Ninth Circuit held that while this provision, in conjunction with others, confers on exclusive copyright licensees the "protection and remedies" accorded to "copyright owners" by the 1976 Act—including the right to sue for infringement—it does not entirely obliterate the distinction between licenses and assignments.[4] In particular, the Ninth Circuit held that the

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[1] See BLACK'S LAW DICTIONARY 136 (6th ed. 1990) ("A transfer or making over to another of the whole of any property, real or personal, in possession or in action, or of any estate or right therein.")

[2] *See*, e.g., *Clifford v. O'Neill*, 42 N.Y.S. 607, 609 (Sup. Ct. N.Y. 1896):

> It may be conceded that a license is merely a permission to do an act which, without such permission, would amount to a trespass; and that such permission, when related to real estate, is not equivalent to an easement; nor will the continuous enjoyment of the privilege conferred, for any period of time, cause it to ripen into a tangible interest in the land affected.

[3] 17 U.S.C. § 101 (2006).

[4] *Gardner v. Nike*, 279 F.3d 774 (9th Cir. 2002).

statute did not abrogate the preexisting presumption that copyright licenses are not transferable without the consent of the licensor.[5]

Scholarly commentary on *Gardner* (including that of the two leading copyright treatises) has been uniformly and vociferously critical,[6] and on one recent occasion a bill that would have overruled the Ninth Circuit's reading of the statute was introduced in Congress, though the relevant provision was not enacted.[7] *Gardner*'s critics assert—with no little vehemence—that the holding blatantly contradicts the statutory text and legislative history, and that it runs counter to the policy of copyright divisibility adopted in the 1976 Act.[8]

This article takes the position that *Gardner*'s critics are mistaken, and that there is a strong case the Ninth Circuit's decision was both correct as a matter of statutory interpretation and consistent with the legislative history. More fundamentally, I will argue that *Gardner*'s critics are making a number of mistaken assumptions in their thinking about ownership and divisibility, assumptions that underlie and explain their erroneous reading of the statute. Properly understood, the policy of divisible copyright is perfectly compatible with the view that exclusive licenses are nontransferable ownership interests. Moreover, there are reasons to think *Gardner* may be beneficial as a matter of copyright policy, because on the margins it should tend to reduce fragmentation of title and enhance authorial

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[5] *Id.*

[6] *See* NIMMER ON COPYRIGHT at 10.02[4][b] (criticizing *Gardner* and suggesting that it "should not be followed."); PATRY ON COPYRIGHT at § 5:103 (calling it "one of the most baffling copyright opinions ever….decision making run amok"); Alice Haemmerli, *Why Doctrine Matters: Patent and Copyright Licensing and the Meaning of Ownership in Federal Context*, 30 Colum. J.L. & Arts 1, 14-19 (2006) (severely criticizing the opinion's reasoning and result); Peter H. Kang & Jia Ann Yang, Case Note, *Doctrine of Indivisibility Revived?*, 18 Santa Clara Computer & High Tech. L.J. 365, 371-373 (2002) (criticizing the court's statutory interpretation of § 201(d)(4)); Aaron Xavier Fellmeth, *Control without Interest: State Law of Assignment, Federal Preemption, and the Intellectual Property License*, 6 Va. J.L. & Tech. 8, 20-27 (2001) (criticizing the district court decision).

[7] *See* S. 3689, 111th Cong., § 4(a) (2010), enacted as P.L. 111-295, 124 Stat. 3180 (2010). The bill would have added to the end of section 201(d)(2) the phrase "including the right to transfer or license the exclusive right to another person in the absence of a written agreement to the contrary[.]''

[8] *See, e.g.* PATRY at §5:103:

> *Gardner* is Exhibit A in why courts shouldn't be making policy: the principle of divisibility was thrashed out by the Congress, the Copyright Office, copyright experts, and the copyright industries over 16 years; yet, all that work was jeopardized by judges who do not possess the expertise, who did not participate in the policy choices, who did not draft the statutory language, and who refuse to apply the statute.

control.

II. A PRELIMINARY OVERVIEW OF THE PROBLEM

A. The statutory language.

The Copyright Act of 1976 provides in section 101 that:

> 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.[9]

On its face, this definition does not purport to alter the meanings of any of the terms subsumed under the one being defined. What it does is to group together a number of transactions and give them a collective label in order to predicate certain things of them as a group elsewhere in the statute. The term defined here—"transfer of copyright ownership"—appears a total of four other times in the Copyright Act:

- §204(a) (providing that such a transaction is not valid unless in a writing signed by the grantor).
- §205(a) (providing for recordation of such transactions).
- §205(e) (providing that rights granted by such transactions may be trumped by a prior nonexclusive license that was granted in a writing signed by the licensor).
- §708 (providing for payment of fees to the Register of Copyright when such transactions are recorded).

Nothing about these provisions suggests that use of the word "ownership" in the statutory label need be read as changing the substantive nature of an exclusive license. So far as they are concerned, one could read the phrase "transfer of copyright ownership" as simply a placeholder, one that might be replaced by some other phrase, such as "formal copyright transaction," without changing anything material. Indeed, one might expect that if the drafters had intended to obliterate so fundamental a distinction as that between a license and an assignment, they would have addressed this more directly than simply by lumping the two together in a statutory term of art.

Nevertheless, there is good reason to think that the inclusion of

[9] 17 U.S.C. § 101 (2006).

exclusive licenses within the category "transfer of copyright ownership" *was* intended to result in some alteration of their substantive nature. There is no dispute, for example, that the drafters of the statute intended to confer on exclusive licensees the independent entitlement to bring suit for infringement,[10] and the only provisions that can be read as granting this entitlement do so only on the assumption that an exclusive licensee is now an "owner" of the exclusive rights licensed to him. Thus, Section 201(d)(2) provides:

> The owner of any particular exclusive right is entitled, to the extent of that right, to all of the protection and remedies accorded to the copyright owner by this title.[11]

Section 501(b), in turn, provides:

> The legal or beneficial owner of an exclusive right under a copyright is entitled . . . to institute an action for any infringement of that particular right committed while he or she is the owner of it.[12]

Additionally, the "owner" of an exclusive right is empowered "to do and to authorize" any of the activities encompassed by that right,[13] and to obtain registration of any work of authorship created within its ambit.[14] In these respects at least, it seems clear that the statute was intended to confer a substantive status of "owner" on exclusive licensees.

The question remains, however, whether the "ownership" enjoyed by an exclusive licensee is in *all* respects identical to that enjoyed by an assignee. The term "ownership" is not itself defined in the statute,[15] and while it has a core meaning in broader usage, the precise set of legal entitlements associated with it can vary greatly depending on context. The most salient practical question is whether an exclusive copyright licensee now has power

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[10] See House Report No. 94-1476 (commenting on section 201(d)(2)):

> It is thus clear, for example, that a local broadcasting station holding an exclusive license to transmit a particular work within a particular geographic area and for a particular period of time, could sue, in its own name as copyright owner, someone who infringed that particular exclusive right."

[11] 17 U.S.C. § 201(d)(2).

[12] 17 U.S.C. § 501(b).

[13] 17 U.S.C. § 106.

[14] *See* 17 U.S.C. § 408(a) ("the owner of copyright or of any exclusive right in the work may obtain registration of the copyright claim").

[15] All we are told is that one may be an owner of "any one of the exclusive rights comprised in a copyright," 17 U.S.C. § 101, and that such ownership may be transferred by any means of conveyance or by operation of law. 17 U.S.C. § 201(a)(1).

to transfer the license or grant sublicenses under it, and the statute does not expressly address this.[16]

B. The holding of Gardner v. Nike.

In *Gardner v. Nike*, the Federal Court of Appeals for the Ninth Circuit held that the 1976 Act did *not* abrogate the preexisting presumption of nonassignability for exclusive copyright licenses.[17] The case involved the rights to a cartoon character named "MC Teach," of which Nike was the author. Nike had granted an exclusive license to Sony, in an agreement that was silent as to Sony's ability to assign its rights under the license.[18] Sony assigned all of its rights to Gardner, who then brought a declaratory action to establish the validity of the assignment in response to threats of legal action from Nike.[19]

In affirming the district court's holding in favor of Nike, the Ninth Circuit relied in part on its earlier decision in *Harris v. Emus Records Corp*.[20] *Harris* had held that copyright licenses issued under the 1909 Copyright Act were "not transferable as a matter of law."[21] The holding rested on two grounds. First was the traditional distinction, enshrined in both copyright and patent law (not to mention property doctrine more generally), between an assignment and a license.[22] In the context of patent and copyright, this distinction had come to be closely associated with the "doctrine of indivisibility," which permitted assignment of the copyright or patent estate only as an indivisible whole, such that any attempt to transfer ownership of less than the totality of all exclusive rights would result in a mere license.[23] This had two primary practical consequences.

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[16] Section 201 tells us that copyright ownership "may be transferred," but not who is empowered to transfer it. *See* discussion infra at Section V. B. As for the premise that such transferability is necessarily included in the term "ownership," we will show it to be mistaken below. *See infra* at Section III.E.

[17] *Gardner v. Nike*, 279 F.3d 774 (9th Cir. 2002).

[18] *Id.* at 776.

[19] *Id.*

[20] 734 F.2d 1329 (9th Cir. 1984)

[21] *Id.* at 1333.

[22] *See id* ("It has been held that a copyright licensee is a "bare licensee ... without any right to assign its privilege.") (quoting Ilyin v. Avon Publications, Inc., 144 F.Supp. 368, 372 (S.D.N.Y.1956); *id.* ("A patent license has been characterized as "a naked license to make and sell the patented improvement as a part of its business, which right, if it existed, was a mere personal one, and not transferable[.])" (quoting *Hapgood v. Hewitt*, 119 U.S. 226, 233, 7 S.Ct. 193, 197, 30 L.Ed. 369 (1886)).

[23] See Abraham L. Kaminstein, STAFF OF S. COMM. ON THE JUDICIARY, 86TH CONG., DIVISIBILITY OF COPYRIGHTS 1 (Comm. Print 1960) [hereinafter

First, as stated above, a license was traditionally understood as a mere permission, giving the licensee use privileges but not ownership.[24] Even if the license was "exclusive," this traditionally meant only that the licensor had assumed a contractual obligation not to interfere in the licensed use, whether directly or by giving conflicting permissions to others.[25] The exclusivity enjoyed by an exclusive licensee thus did not take the form of *in rem* rights directly and independently enforceable against third parties.[26] The duty of such parties to refrain from interference with the property was not owed to the exclusive licensee and could not be invoked by him.[27] Rather, it was owed to the copyright owner, who might or might not be contractually obliged to enforce it on behalf of the licensee.[28] Second, a license was generally regarded as a form of *in personam* relationship that the licensee was not able to transfer to others without the licensor's permission.[29]

Kaminstein] at 13 ('If the grant is an assignment, the assignee has full rights; if it is a license, then the doctrine of indivisibility may be used to bar the licensee from doing some of the things an assignee could do."). Note that Kaminstein's description exhibits the very confusion this article seeks to rectify. It is not the *doctrine of indivisibility* that bars licensees from doing some of the things that an assignee can do; those relative disabilities result from the differing natures of assignments and licenses, and exist even in contexts (such as land law) where there is no "doctrine of indivisibility." What the doctrine of indivisibility does is to prohibit the grant of partial rights by means of assignment, thus leaving licenses (with their attendant disabilities) as the only form available for certain types of transaction.

[24] *See supra* n. 2.

[25] *See* Ridsdale Ellis, *Validity of Doctrine That a Full Exclusive License Is in Fact an Assignment*, 36 J. PAT. OFF. SOC'Y 643, 644 (1954) ("An exclusive license is merely an undertaking by the owner of the patent that he will not grant licenses to any other party and usually also that he will not himself compete with the exclusive licensee by making, using and vending the invention.").

[26] *See* Thomas W. Merrill & Henry E. Smith, *The Property/Contract Interface*, 101 COLUM. L. REV. 773, 777 (2001) (*in rem* rights are those which bind "the rest of the world").

[27] *See, e.g.*, ARTHUR W. WEIL, LAW OF COPYRIGHT 546 (1917) ("[U]nless coupled with a grant, [an exclusive license] conferred, no more than did any other license, no interest or property in the subject matter of the contract, and, hence, it was held a licensee could not sue, in his own name, for infringement.")

As will be discussed later, exclusive licensees were usually able to bring suit despite this. See Section IV.A., infra.

[28] *Id.*

[29] See Weil at 549 ("A license is usually deemed personal, and hence not transferrable, while, since all the assignor's rights are divested on assignment, an assignee may, of course, reassign. A licensee may not grant sublicenses unless authorized to do so by the licensor.").

Harris had also, however, invoked "the policies underlying enactment of the Copyright Act," which require us to "delicately balance" between "strong reluctance to allow a monopolization of works or compositions" and "the necessity of preserving the rights of authors and composers in order to stimulate creativity."[30] The court in *Harris* thought that these policies favored maintaining the distinction between assignments and licenses:

> By licensing rather than assigning his interest in the copyright, the owner reserves certain rights, including that of collecting royalties. His ability to monitor use would be jeopardized by allowing sublicensing without notice.[31]

The court also found it appropriate to look for guidance to federal precedent in the patent arena, where a deeply-rooted line of cases has long held licenses to be personal and nontransferable as a matter of federal common law rooted in federal IP policy.[32] This is a striking stance for the federal courts to take where Congress has not spoken to the issue.[33] The rules governing property transfer and contract are generally regarded as matters of state law as to which federal courts have no inherent common law making ability, yet federal courts have held their rule of license nontransferability to trump conflicting state law in patent and copyright cases.[34]

In *Gardner*, the court reaffirmed its statements from *Harris*, and then proceeded to ask whether the provisions of the 1976 Act need be read to override the established rule of license nontransferability.[35] The court answered in the negative, reasoning that while the statute confers a form of "ownership" on exclusive licensees, and while Section 201(d)(2) extends to such owners all the "protection and remedies accorded to the copyright owner by this title," the power of transfer does not fall within the category of "protection and remedies" so accorded.[36] The Ninth Circuit thus read the statute as using the term "ownership" to refer to an interest that did not

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[30] 734 F.2d at 1334.

[31] *Id.*

[32] *Id.* at 1333-34 (citing *Hapgood v. Hewitt*, 119 U.S. 226, 233 (1886); *Unarco Industries, Inc. v. Kelley, Co*., 465 F.2d 1303 (7th Cir.1972), cert. denied, 410 U.S. 929, 93 S.Ct. 1365, 35 L.Ed.2d 590 (1973). *See also Cincom Systems, Inc. v. Novelis Corp*., 581 F.3d 431, 435-37 (6th Cir. 2009) (where state law would allow for the transfer of a copyright license absent express authorization, state law must yield to the federal common law rule prohibiting such unauthorized transfers).

[33] *See* Fellmeth, *supra* n. 6 (arguing that this doctrine oversteps the proper bounds of federal judicial authority).

[34] *See id.*

[35] *See* 279 F.3d at 777-80.

[36] *Id.* at 780.

include all the powers generally associated with title. The result—in the Ninth Circuit at least[37]—is that unless an exclusive copyright license contains terms giving the licensee the power to transfer or sublicense, the licensee is unable to do so without the licensor's permission.

C. The relevance of property theory.

What is striking about the criticism of *Gardner* is that it derives most of its rhetorical force from assertions that are grounded, if anywhere, in property doctrine and theory—and yet no one advancing these assertions makes any effort to show that such grounding actually exists. The assertions I have in mind are two in number: 1) that the term "ownership" necessarily implies unfettered powers of transfer, and 2) that the policy of divisible title requires eliminating the distinction between exclusive license and assignment.

1. The meaning of "ownership."

Given the vehemence with which *Gardner*'s critics press their claim that the Ninth Circuit butchered the statutory text, one would expect them to provide support for their premise that use of the term "ownership" necessarily implies rights of transfer.[38] Instead, they take it as given, too self-evident to need citation or even second thought.[39]

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[37] While the reasoning of *Gardner* has been rejected by one other federal court, *see Traicoff v. Digital Media, Inc*., 439 F.Supp.2d 872 (S.D.Ind. 2006), the issue does not appear to have been squarely presented in other published opinions.

[38] Indeed, one of these critics, Alice Haemmerli, subtitled her article on this issue "Why Doctrine Matters," yet omits discussion of any property doctrine that would justify her emphatic equation of "ownership," "title," and transferability. *See* Haemmerli, *supra* n. 6.

[39] *See, e.g.*, Haemmerli at 7-8:

> An exclusive license of copyright is defined by the Copyright Act as a "transfer of copyright ownership." Despite this robust and unambiguous phrasing (and forceful legislative history to back it up), however, the Ninth Circuit decided in [*Gardner*] that an exclusive copyright licensee is less than an owner, reducing its status to that of a beneficial owner rather than a transferee of legal ownership.

See also id. at 15 ("If ownership "changes hands," then the new owner should be endowed with plenary rights to the extent of its ownership, including the "right to transfer."); Patry at §5:103 ("Congress addressed the question of an exclusive licensee's right to transfer rights without the author's permission both in Section 201(d)(1) and in Section 101. Section 101 defines a "copyright owner as the owner of any particular exclusive right."); Nimmer 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

There are at least two reasons why more caution in this regard is called for. First, as concepts go, the term "ownership" is a fairly broad and fuzzy-edged one. While its core common usage does carry a strong connotation of total control, the precise implications of being an "owner" can vary depending on the situation and the nature of the object of ownership.[40] Before drawing strong conclusions as to what "ownership" *must* imply in a given context, it behooves us to make sure we have considered whether there are analogous contexts in which the term has a more precise or limited meaning. Second, we are dealing with a statute that undisputedly means to alter some, but not all, of the preexisting rules governing "ownership" in the realm of copyright. Given that the statute spells out certain alterations with great specificity, we should be wary of leaping too readily to the conclusion that other significant ones have been left to implication.

In fact, there is a fairly obvious and highly relevant example in the real property context of "ownership" that does not necessarily entail unfettered transferability: the easement. There is no question that an easement is a form of "ownership" interest in land,[41] but owning an easement is obviously not the same thing as owning title to the land, nor are easements necessarily transferable at will. I will explain in Section III that the function and doctrinal attributes of an easement over land are closely analogous to those of an exclusive copyright license. I will also suggest that the reason we refer to easements, despite their limitations, as a form of "ownership" interest is that an easement gives its holder authority to engage in certain uses of the land that no one else has discretionary power to countermand or revoke. I will argue that this account of the meaning of "ownership" makes perfect sense applied to exclusive copyright licenses under the 1976 Act, as well as to the other types of interest referred to in the statutory definition of "transfer of ownership." The reader need not accept my account of

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"title" but not "ownership" in quotation marks, even though it is the latter and not the former term that appears in the statute.

[40] These layers of meaning are well-reflected in the entry "owner" in Black's Law Dictionary. The entry first describes an "owner" as one who has "dominion of a thing . . . which he has a right to enjoy and do with as he pleases, even to spoil or destroy it, as far as the law permits[.]" The entry then immediately qualifies this, however, stating:

> The term is, however, a nomen generalissimum, and its meaning is to be gathered from the connection in which it is used, and from the subject-matter to which it is applied. The primary meaning of the word as applied to land is one who owns the fee and who has the right to dispose of the property, but the term also includes one having a possessory right to land or the person occupying or cultivating it.

[41] *See infra n.* 90.

"ownership" as providing the best or only definition of the concept in order to accept my argument, however. It is sufficient to agree that my account is plausible and reconcilable with both traditional usage and the terms of the statute. If so, then it successfully rebuts the (unsubstantiated) assertion of *Gardner*'s critics that the opinion is wrong because it blatantly contradicts the import of the term "ownership."

2. The meaning and function of divisibility.

Everyone agrees that the 1976 Act abandoned the so-called "doctrine of indivisibility."[42] This doctrine, murky in origin,[43] required that title to copyright remain unitary, and refused (in theory at least) to recognize any possibility of different ownership interests in the same work of authorship being vested in different persons.[44] This doctrine is abrogated by Section

[42] *See* Nimmer at §10.02.

[43] Arthur Weil notes in his 1917 treatise on copyright law that "[v]arious dicta, in the books, deem a copyright an entirety, indivisible and hence not capable of partial assignment," but regards it as "quite obvious" that this does *not* prevent separate assignments of the various rights granted by the statute. WEIL at 548 (raising, but not pursuing, the question whether the nature of such transactions is more like a license than an assignment). The Second Circuit held in 1915 that the exclusive motion picture right newly added in the Townsend Amendment of 1912 was separately assignable, *Photo-Drama Motion Picture Co. v. Social Uplift Film Corp.*, 22 F. 448 (1915), but in 1922 it reached back to dicta from its 1908 decision in the famous *Bobbs-Merrill* case to support the position that "Nowhere in the statute is there to be found any right conferred upon a licensee or upon an assignee less than the owner of the copyright." *Goldwyn Pictures Corp. v. Howells Sales Co.*, 282 F.9, 11 (1922) (citing *Bobbs-Merrill Co. v. Straus*, 147 Fed. 15, 24 (1908) for proposition that "The copyright statute provides only for the assignment of the right as a whole[.]"). This view apparently rested on the various references in the 1909 Act to "the copyright proprietor," which were regarded as necessarily implying unitary ownership. *See* Harry G. Henn, *Magazine Rights—A Division of Indivisible Copyright*, 40 CORNELL L.Q. 411, 416 (1955). *See also* Kaminstein, supra n. 23 at 2 (tracing the origin of the doctrine back to the Supreme Court's patent decision *Waterman v. Mackenzie* and an early English copyright case, *Jefferys v. Boosey*).

[44] *See* Henn at 417-18:

> 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.

To be clear, the doctrine of indivisibility did not rule out the possibility of co-ownership. It required that all control rights remain united in a single title, but permitted ownership of this unitary title to be shared concurrently by multiple co-owners, each of whom had an "undivided interest in the entire work" and could exploit the work without permission from the others, in a manner akin to tenants in common. *See, e.g., Picture Music, Inc. v. Bourne, Inc.*, 314 F. Supp. 640, 645-47 (S.D.N.Y. 1970) (discussing doctrine). While this arrangement involved multiple owners, it did not diminish the indivisibility of the

201(d)(2) of the Act, which provides:

> 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.[45]

Thus for example, it is now possible for an author to take the film rights to a novel and make them the subject of an assignment to some other party. This will result in creation of an entirely separate copyright estate in the film rights, effectively sundering all control of those rights from control of all the other exclusive rights in the novel.

Gardner's critics insist that the opinion flouts this principle of divisibility,[46] even though nothing in *Gardner* casts doubt on the possibility of making an assignment like the one just described. Rather, *Gardner* holds only that such plenary assignment is not the *only* possible ownership interest a copyright owner is empowered to create in the now-divisible rights comprised within the copyright. *Gardner* recognizes copyright owners as having the ability to choose between two different ways of conferring (some or all) use rights on others.[47] They can do so by *assignment*, thus relinquishing all ownership of the rights assigned, or they can do so by *exclusive license*, thus retaining the status of residual titleholder with respect to those rights, along with power to control whether they shall be placed in hands other than those of the selected licensee. While exclusive licensees therefore lack the plenary power acquired by assignees, their position is nevertheless significantly stronger than it had been prior to the 1976 Act. One of the goals of that Act (separate from that of abolishing indivisibility) was to make the status of exclusive licensee more attractive, by removing what had always been its primary disadvantage—the inability of a licensee to enforce his exclusive rights without involvement of the copyright owner.[48]

The statute thus altered the prior landscape in two related, but distinct

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copyright "estate" itself.

[45] 17 U.S.C. §201(d)(2).

[46] *See* Haemmerli at 14 (asserting that copyright indivisibility "re-emerged fully hatched in *Gardner*"); Patry at 5:103.

[47] By "use right," I mean a legal interest consisting of two Hohfeldian jural relations: a privilege to engage in some designated use, coupled with a claim right of non-interference in that use enforceable against others. *See* Wesley Hohfeld, *Some Fundamental Legal Conceptions As Applied In Judicial Reasoning*, 23 YALE L.J. 16, 33-44 (1919). A nonexclusive license confers only a use privilege unaccompanied by any right.

[48] *See infra* Section IV.A.

ways: 1) it permitted the creation of separate ownership interests in different subsets of the exclusive rights to a single work, and 2) it created a new form of ownership interest, namely an exclusive license that confers independent standing to sue. Each of these changes altered prior background understandings concerning both the meaning of ownership and the interface between property and contract. Much of the confusion and controversy surrounding the issue decided in *Gardner* stems, I believe, from the lack of a clear conceptual model of this new landscape. A main purpose of this article is to articulate such a model, in the belief that doing so both explains why *Gardner makes sense* (i.e., fits into a coherent conceptual framework continuous with the rest of property doctrine), and suggests why its practical consequences may be beneficial.

D. The question of statutory interpretation.

While the issue decided in *Gardner* is one of statutory interpretation, the controversy around it is not primarily rooted in conflicting views as to the proper interpretive methodology. *Gardner*'s critics do not contend that the Ninth Circuit applied an erroneous theory of interpretation, so much as they claim that it did a shoddy job of interpreting.[49] Likewise, I do not contend that *Gardner*'s critics are misidentifying the relevant sources from which to discern statutory meaning; I simply contend that their understanding of those sources is flawed. Both sides in this debate are making use of various arguments that can be categorized as textualist, purposivist, and intentionalist, and both sides believe their conclusions to be buttressed by all three. Accordingly, this article has little stake in taking a position as to the relative merits of different possible interpretive stances, and will not offer an argument that one is superior to another. In order to make clear exactly how the questions of property theory with which I am primarily engaged bear on the ultimate question of statutory meaning, however, I will now provide a brief overview explaining the nature of the disagreement as looked at from each interpretive perspective.

1. The dispute over text.

The issue disputed in *Gardner* turns most directly on the meanings of three terms used in the 1976 Act: ownership, exclusive license, and assignment. The latter two terms are not defined at all in the statute; we are told only that each of them falls within the defined category "transfer of copyright ownership."[50] The Ninth Circuit read this category to identify a

[49] *See supra* n. 8.
[50] 17 U.S.C. § 101.

group of transactions, all of which are made the subject of certain enumerated consequences specifically prescribed elsewhere in the statute, but whose preexisting legal attributes remain otherwise unaltered.[51] *Gardner*'s critics, on the other hand, contend that all transactions falling within the category "transfers of copyright ownership" must now be understood as plenary transfers of title, with the result that "exclusive licenses" and "assignments," though listed as though they were still two distinct things, have actually been rendered legally indistinguishable from each other.[52]

As I will explain in more detail in Part V, this latter position is mistaken on a textualist basis even if one were to concede that *Gardner*'s critics are correct in their understanding of the background meaning of "ownership." On its face, the text of the statute does not purport to use the term "transfer of copyright ownership" as a vehicle to import such background meaning, but rather expressly designates it as a term of art whose meaning is limited to the specific things predicated of it elsewhere in the statute.[53] Those things alter the nature of an exclusive license, but nowhere do they prescribe that exclusive licenses shall be freely transferable by licensees. The assertion that the statute does so prescribe is not (though it is claimed to be) based on its actual text, but on an unwarranted inference from use of the term "ownership," rooted in a mistaken belief that this reading is necessary to effectuate the statute's intended purpose.

From a purely textualist perspective then, I believe the analysis provided in Part V stands on its own even without the discussion of property theory in Parts III and IV. That discussion nevertheless buttresses the textual argument, by helping to explain why it would make sense for the drafters of the statute to make the choices they did.

2. The dispute over purpose.

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[51] *See* 279 F.3d at 780.

[52] *See, e.g.*, Haemmerli at 17 (contending that *Gardner* "subverts" the goal of the statute by "deciding that the entitlements of an exclusive licensee of copyright consist of … less than the full panoply of ownership rights, including the ability to transfer at will").

[53] *See* 17 U.S.C. §101 ("Except as otherwise provided in this title, *as used in this title*, the following terms and their variant forms mean the following[.]") (emphasis added). The terms "exclusive license" and "assignment," by contrast, are not defined in the statute, and are left to be interpreted in accordance with the background principles of property conveyance which the statute expressly incorporates. *See* 17 U.S.C. §201(d)(1) ("The ownership of a copyright may be transferred in whole or in part by any means of conveyance or by operation of law[.]").

At one level, there is no dispute as to the purpose of the relevant provisions of the 1976 Act. Everyone agrees that the statute serves to abrogate the doctrine of indivisibility.[54] The disagreement concerns exactly what this requires, and what follows from it. In asserting that *Gardner* crucially undermines the policy of divisible copyright, its critics must (I believe) have one of two things in mind. The first is a matter of simple semantic confusion, while the latter goes to questions concerning the desired structure of property rights.

The semantic question concerns the meaning of the term "license." Some criticism of *Gardner* appears to be based on the premise that any transfer concerning some, but not all, of the exclusive rights under the copyright is by definition a "license."[55] Assuming this premise, the holding that exclusive licenses are nontransferable would indeed undermine the policy of divisibility. The premise is mistaken, however, itself an artifact—ironically enough—of the very doctrine of indivisibility that *Gardner*'s critics excoriate the Ninth Circuit for purportedly resurrecting. Under indivisibility, it was true that any partial transfer[56] would inevitably be construed as a license—but only because indivisibility prohibited the making of such transfers by assignment.[57] The result of scrapping this doctrine is to permit the *additional* option of a partial transfer by assignment, not to remove the power to license and prescribe that henceforth transfers of partial rights shall be permitted *only* by assignment. To adopt the latter view is merely to replace one rigidity with another, thus denying authors a potentially valuable form of transaction through which to benefit from their work. The discussion in Part III will attempt to clarify this matter by explaining the distinction between a license and a partial transfer, and offering reasons why a policy of divisibility ought to embrace the possibility of an exclusive license falling short of assignment.

To the extent that (and it is difficult to tell) *Gardner*'s critics are not simply assuming "license" to mean "partial transfer," then their position

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[54] *See Gardner*, 279 F.3d at 778 ("The 1976 Act eradicated much of the doctrine of indivisibility as it applied to exclusive licenses.").

[55] *See* Haemmerli at 19: ("As for the absolute distinction between licenses and assignments borrowed by copyright from patent law, this was precisely what had made copyright law so rigid and dysfunctional under the 1909 Act, and was one of the problems the 1976 Act revisions were intended to solve."). I contend, rather, that it wasn't the distinction between licenses and assignments that made copyright law rigid; it was the refusal to permit assignment of certain exclusive rights in isolation from others.

[56] By "partial transfer," I mean one conferring some but not all of the use rights protected by the copyright.

[57] *See supra* n. 44.

must be based on the view that it is somehow undesirable—and contrary to the goals served by divisibility—to distinguish between exclusive licenses and assignments. As a practical matter, this translates to the position that *all* grants of exclusive rights should be presumptively transferable.[58] Section III will argue that such a view is at odds with traditional property doctrine, which has been reluctant to accord presumptive or unfettered transferability to property interests that divide certain use rights from others. Section IV will apply these ideas more specifically to the context of copyright, making a case that it is desirable to have a category of exclusive license separate from that of assignment, and for it to be nontransferable.

The importance of the concept of license is that it denotes retention by the licensor of an ongoing residuum of control over the transferred rights, as opposed to an assignment, which relinquishes all authority.[59] In the case of partial transfers, assignment results in the effective sundering of one resource that used to be managed as a whole into two distinct ones. While division of copyright in this way can be very useful and should therefore be permitted, it also imposes the costs arising from fragmentation and therefore should not be compelled or made the default. As a default, copyright policy should favor enabling authors to grant exclusive licenses while retaining ultimate ownership of the transferred rights. In addition to tending to reduce fragmentation, this rule has the advantage of enhancing authors' effective control over—and ability to benefit from—the exploitation of their work. Again, even if one is not entirely persuaded that this policy is the more desirable one, it is sufficient to recognize it as a coherent and plausible policy, fully compatible with copyright divisibility and implemented by the text of the actual statute.

3. The dispute over legislative intent.

Critics of *Gardner* also invoke various expressions of intent found in the legislative materials leading up to enactment of the 1976 Act, asserting that these demonstrate the Ninth Circuit's failure to implement the intended effect of the statute.[60] Again, this article will not engage in any methodological debate as to the propriety of taking such materials into account, and any reader who regards them as categorically irrelevant may

[58] It appears that *Gardner's* critics would permit exclusive licenses to be made nontransferable by their express terms, even though this position is in tension with their claim that such licenses are tantamount to plenary transfers of ownership. *See* Section IV.C., infra.

[59] *See supra* n. 1, 2.

[60] *See* Section VI.2., infra.

simply skip the rest of this subsection and Section VI in its entirety. For those who regard such materials as potentially relevant, Section VI will provide a close reading that (I contend) shows them to be fully consistent with the textual meaning and purposivist account given above. I do not contend that the drafters of the materials in question (or whatever legislators may have read them) consciously embraced the precise purposive account I give in Sections III and IV. In fact, I do not believe the materials to demonstrate that anyone thought specifically about the precise issue decided in *Gardner* one way or another.

What the legislative materials do show is that from early on, the ability to divide and transfer plenary ownership of particular use rights was thought of as a separate issue from that of conferring standing to sue on exclusive licenses. They also show that the nontransferability of exclusive licenses was not a salient issue, and had nothing to do with the problems that indivisibility was intended to address. Finally, these materials corroborate the view that the directive to treat exclusive licenses in the same manner as assignments was not an open-ended command but one with specific enumerated consequences in mind, most of which were expressly incorporated in the statute. Free transferability was never among them.

III. DIVISIBILITY AND TRANSFERABILITY OF OWNERSHIP

Critics of *Gardner* accuse it of resurrecting the doctrine of copyright indivisibility that the 1976 Act was meant to eliminate, thereby contravening policies clearly stated in the legislative history.[61] In so doing, they conflate two different issues. One is: *may* a partial transfer of rights confer plenary powers of title with regard to the rights transferred? The other is: *must any* transfer of exclusive rights be presumptively construed to do so? Divisibility answers "yes" to the first question, but there is no reason why it need answer "yes" to the second as well. Ironically enough, belief that the answer to the second question must be "yes" is itself an artifact of indivisibility doctrine, which held that the only way to transfer *any* exclusive rights was to transfer *all* of them, which in turn could only be done via plenary transfer of title. Doing away with indivisibility ought to provide us with a spectrum of potentially valuable forms of ownership, not all of which need include plenary powers of title—indeed, *divisibility of the powers of title* is one of the most valuable forms of divisibility. *Gardner*'s critics, I believe, suffer from a blind spot that causes them to reject one of these forms needlessly, thus applying an obstructive indivisibility rule of

[61] *See* Haemmerli at 14 (asserting that copyright indivisibility "re-emerged fully hatched in *Gardner*"); PATRY, *supra* n. 8.

their own making to the ownership of particular use rights made possible by the 1976 Act.

In an attempt to dispel the blind spot, I will offer a conceptual model of the meanings and interrelations of the various terms at issue—ownership, license, transfer, assignment, title—that tries to explain what divisibility seeks to achieve and why it is compatible with license nontransferability. *Gardner*'s critics rely heavily on an unarticulated model of this nature, one that is not well grounded in existing property doctrine and leads them to the conclusion that we are required in the realm of copyright to jettison what I regard as a useful distinction. What follows is my attempt to articulate a better set of understandings, one that has better grounding in the law and makes sense of the statute while preserving valuable transacting options and the concepts that let us make use of them.

A. Ownership and Title

To have "ownership" of something is to have some measure of decisionmaking authority over it that is not subject to revocation or countermand at the will of another. While we describe such authority as "exclusive," it is not focused primarily on exclusion of others from the resource per se, but on enforcing the owner's ability to decide how the resource is to be used.[62] When there is disagreement about whether a given resource may be used by person A in manner B, the person with ultimate discretionary power to say yes or no is to that extent the resource's owner. Conversely, if someone is legally authorized to say to you "I can do this whether you will or nil," you are to that extent *not* the resource's owner.

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[62] *See, e.g.*, Eric R. Claeys, Property *101: Is Property a Thing or a Bundle?*, 32 Seattle U. L. Rev. 617, 631 (2009) (defining property as a "right to determine exclusively how a thing may be used"); Larissa Katz, *Exclusion and Exclusivity in Property Law*, 58 U. Toronto L.J. 275 (2008) (arguing that the "central concern" of the structure of property ownership "is not the exclusion of all non-owners from the owned thing but, rather, the preservation of the owner's position as the exclusive agenda setter for the owned thing."); Adam Mossoff, *What Is Property? Putting the Pieces Back Together*, 45 Ariz. L. Rev. 371, 393(2003) ("It is not exclusion that is fundamental in understanding property; the fountainhead of property is found in possession, i.e., the use of something, and it is this fact that serves as the primary element in the concept property."); J.E. Penner, *The "Bundle of Rights" Picture of Property*, 43 UCLA L. Rev. 711, 742 (1996) (defining the right to property as "the right to determine the use or disposition of an alienable thing in so far as that can be achieved or aided by others excluding themselves from it"); Armen A. Alchian, *Some Economics of Property Rights*, 30 Il Politico 816, 818 (1965), reprinted in Armen A. Alchian, Economic Forces at Work 127, 130 (1977) ("By a system of property rights I mean a method of assigning to particular individuals the 'authority' to select, for specific goods, any use from a nonprohibited class of uses.")

Most resources are susceptible of lots of uses, and there is no reason in principle why a single owner need necessarily control all of them. The possibility of circumscribed concurrent spheres of ownership in the same object of property has become familiar to us in the context of land law, where we understand that one person can "own" a tract of land (and therefore have the presumptive right to control its use), and yet her "ownership" may be subject to another person's "ownership" of an easement, which gives him certain use privileges and rights of noninterference that she is obliged to honor.[63] In theory, we could make do without any concept of ownership predicated of *things*, instead dividing up all the *uses* of which each resource is susceptible, and making each the subject of its own independent entitlement.[64]

Depending on the nature of the resource however, one can easily see the potential for conflict in such a situation, and the difficulty of defining the scope of each owner's authority so that they do not contradict each other and create the very sort of problems the institution of property seeks to solve. This is why in practice, we tend to default to a baseline model of ownership predicated of things, rather than ownership of individual uses.[65] In most—though not all—of the scenarios in which property rights are important, thing-ownership provides the best way to delineate and allocate potentially-conflicting use rights given cognitive limits and information costs.[66]

Within the model of thing-ownership, the concept of "title" has two primary meanings. One is that it represents "the legal link between a person who owns property and the property itself."[67] It also, however, denotes what follows from this relationship, namely "the union of all elements (as

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[63] *See generally* THOMAS W. MERRILL & HENRY E. SMITH, PROPERTY: PRINCIPLES AND POLICIES 975-77 (2007)

[64] For a notable example of the suggestion that we focus on use rights in lieu of owned "things," *see* R.H. Coase, The Federal Communications Commission, 2 J.L. & Econ. 1, 34 (1959) ("[W]hether we have the right to shoot over another man's land has been thought of as depending on who owns the airspace over the land. It would be simpler to discuss what we should be allowed to do with a gun.").

[65] *See* Henry E. Smith, *Property As The Law of Things*, 125 Harv. L.Rev. 1691 (2012). For extended discussion of what we mean in this context by "thing," *see* Christopher M. Newman, *Transformation in Property and Copyright,* 56 VILLANOVA LAW REVIEW 251 (2010).

[66] *See* Henry E. Smith, *Property and Property Rules*, 79 N.Y.U. L. Rev. 1719 (2004); Henry E. Smith, *On The Economy of Concepts in Property*, 160 U. Penn. L. Rev. 2097 (2012).

[67] *See* BLACK'S, supra n. 1 at 1485.

ownership, possession, and custody) constituting the legal right to control and dispose of [the owned thing.]"[68] These elements of control are potentially innumerable, in that they can be conceptually divided into privileges[69] to engage in each conceivable use of the property (a set that changes as new possibilities of use become known), claim-rights of noninterference protecting each of those uses,[70] powers to grant title (or interests falling short of title) to others, and immunities against most nonconsensual deprivations of any of the above.[71] The concept of "title" relieves us of the task of unending enumeration, permitting us to leave all these potentially divisible interests latent and unidentified, presumed to inhere in the titleholder unless specified and transferred.[72]

B. Indivisibility and License

The doctrine of indivisibility goes a step further, seeking to reinforce the advantages of unitary title by requiring that all control interests in a single object of ownership *remain* vested in a unitary title.[73] Under this rule, a titleholder has power to grant use privileges to others, but only in the form

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[68] *Id.*

[69] I use the term in its Hohfeldian sense, as an absence of any duty to refrain from use. *See* Wesley Hohfeld, *Some Fundamental Legal Conceptions As Applied In Judicial Reasoning*, 23 YALE L.J. 16, 33-44 (1919).

[70] As I have argued elsewhere, the so-called "right to exclude" others physically from the property altogether is best understood as identifying a special subset of actions to which we apply a prophylactic bright-line rule rather than a case-by-case application of the broader right of non-interference. The bright-line rule against possessory uses of tangible resources (i.e., trespasses) is justified because such uses threaten categorically to interfere with an owner's ability to assign use to the property at will, and the information costs of distinguishing between acts that do and do not have this effect outweigh the costs stemming from the overinclusiveness of the rule. The same underlying right of non-interference is applied in a more nuanced fashion to non-possessory uses that nevertheless injure an owner's use and enjoyment; i.e., nuisances. *See* Newman, *supra* n. 65 at 262-67.

[71] Note that to say these elements may be conceptually divided from each other for purposes of analysis is not to suggest that they should be regarded as primary elements whose bundling together is a matter of arbitrary preference. See Henry E. Smith, *Property as the Law of Things*, 125 HARV. L. REV. 1691, 1697 (2012) (distinguishing between using Hohfeld's jural relations as an analytical device and treating their conceptual separability as a "theory of how our world works")

[72] See Henry Smith, *Property and Property Rules*, 79 N.Y.U. L. Rev. 1719 (2004).

[73] It is, in effect, an extreme application of the *numerus clausus* principle, which seeks to constrain our freedom to create novel configurations of property-based entitlements, in light of the informational burdens such novelties place on our ability to ascertain and comply with our duties as respecters of property. *See generally*, Thomas W. Merrill & Henry E. Smith, *Optimal Standardization in the Law of Property: The Numerus Clausus Principle*, 110 YALE L.J. 1 (2000); Thomas W. Merrill & Henry E. Smith, *The Property/Contract Interface*, 101 COLUM. L. REV. 773 (2001).

of a license. A "license" is an interest, granted by a titleholder, that relieves the licensee of the duty to refrain from some action or actions that would otherwise violate the titleholder's rights of noninterference.[74] A bare license, however, is nothing more than a privilege. While it is a form of property interest,[75] it is not an ownership interest, because it does not create any obstacle to the licensor's ability to revoke and reassign use at will. Indivisibility requires that there be only one owner, and so a license cannot create any relationship that would contradict the exclusive authority of the titleholder.

Note that nothing in this concept of license depends on the scope of the use privileges granted to the licensee. A license may be, and often is, limited to specific enumerated uses, but someone might well choose to license her property in its entirety, granting the licensee permission to engage in all uses of which the property is susceptible.[76] What separates license from assignment is not that the licensee has some use privileges and not others, but that the licensee's privileges remain subject to the licensor's ongoing powers of ownership. Under the rule of indivisibility, any attempted grant of specific use rights was necessarily a license, but this was because indivisibility prohibited the splitting of ownership, not because the concept of license intrinsically implies such specificity.

While the rule of indivisibility does not permit the splitting of ownership over an owned thing, it also does not prevent a titleholder from binding herself contractually to refrain from using her authority in certain ways. So nothing prevents the titleholder from promising to treat the licensee's privileges as irrevocable and exclusive.[77] The duties so created, however, bind only the titleholder, only *in personam*, and only to the extent of the remedies used to enforce contracts.[78] They do not disable her power as

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[74] *See* Christopher M Newman, *A License Is Not a "Contract Not To Sue": Disentangling Property and Contract in the Law of Copyright Licenses*, 98 IOWA LAW REVIEW 1101 (2013).

[75] By "property interest," I mean any set of jural relations concerning a resource that renders it more valuable to the interest holder. On the propriety of departing from older usage to term a bare use privilege a form of "property interest," *see* id. at 1115-18.

[76] *See, e.g., General Talking Pictures Corporation v. Western Electric Co.*, 304 U.S. 175, 181, 58 S.Ct. 849, 852 (U.S. 1938) ("Patent owners may grant licenses extending to all uses or limited to use in a defined field.")

[77] *See* Ridsdale Ellis, Validity of Doctrine That a Full Exclusive License Is in Fact an Assignment, 36 J. PAT. OFF. SOC'Y 643, 644 (1954) ("An exclusive license is merely an undertaking by the owner of the patent that he will not grant licenses to any other party and usually also that he will not himself compete with the exclusive licensee by making, using and vending the invention.").

[78] *See id.* at 1127-37

titleholder to revoke the license, use the property, or give licenses to others; they merely place her in breach of contract if she does so. Nor do they give the licensee any rights against third parties.

This rigidly indivisible model of title has great virtues:[79] It enables the titleholder to act as a single, readily identifiable clearinghouse for any and all transactions concerning use of the property.[80] Third parties who wish to engage in such use need not bother to identify the current actual users or the natures of their various uses; they need only offer to pay the titleholder for the needed rights. The titleholder is in a position to discover the cost of compensating the current licensed users (with each of whom she necessarily has a direct *in personam* relationship) for their losses if displaced, and to include this cost (which she may have to pay them as damages for breach of contract) in the price quoted to the would-be displacing user. Similarly, someone who wishes to engage in some activity not directed at the owned resource, but which might disturb the use and enjoyment of it, need only identify and transact with a single titleholder, whether to purchase use rights in advance or to resolve unforeseen conflicts once they arise.[81]

C. The Purpose of Divisibility

Despite the advantages of indivisibility, there are countervailing forces that tend to push property doctrine back in the direction of permitting titleholders to divide their title by granting ownership interests in individual uses. Titleholders are not always in a position to engage in all the highest valued uses of their property without enlisting the assistance of others, who may be required to invest their own resources in order to bring the enterprise to fruition. These investments may result in the creation of specific assets

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[79] *See* WEIL at 547 (opining that the rule of copyright indivisibility, "if properly limited, possesses great advantages of public and private convenience.").

[80] *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.

[81] *See* Kaminstein at 1 (1960) ("From the viewpoint of ease of tracing title and purposes of suit, it is much simpler to require that only the author or his assignee can control the copyright."); *Waterman v. Mackenzie*, 138 U.S. 252, 261 (1891) (emphasizing need for doctrine of indivisibility in patent law to avoid multiplicity of suits); Nimmer at § 10.01[A] ("The purpose of such indivisibility was to protect alleged infringers from the harassment of successive law suit. This result was achieved because only the copyright proprietor (which would include an assignee but not a licensee) had standing to bring an infringement action.").

whose value is dependent on continued use of the titleholder's property.[82]

Assuming that I recognize this problem before investing, I can try to address it by means of a contract imposing a duty on you not to withdraw my permission to use the property without compensation. While this may provide me with sufficient assurance to make my investment worthwhile, contracting is "subject to a variety of well-known hazards and limitations"—including the difficulties of expressly covering all possible contingencies and of obtaining reliable enforcement even of those matters covered—that prevent it from altogether eliminating the possibility of opportunism.[83] If possible, I would much rather obtain use rights that are irrevocable because you lack any legal power to revoke them, as opposed to ones that are only irrevocable to the extent that I can enforce your contractual duty not to. In short, I would much rather have an ownership interest.

Obviously, I can always obtain ownership by purchasing title to the resource from you outright. But this will not always be feasible. Often, the value of the use rights I need will form a relatively small part of the value of the overall resource, such that I will be unwilling or unable to purchase the entire resource just to obtain them. This may mean that I am unable to obtain sufficient protection from the risk of opportunism to make the contemplated investments worth my while. Under a regime of strict indivisibility of title then, there will likely be a category of potentially welfare-increasing investments that is foregone because of a mismatch between the scope of the use rights needed and the scale of the bundle in which they are required to be sold.

The purpose of dividing ownership is thus to increase the amount of value people can get from joint or interdependent use of resources. We want titleholders to be able to grant ownership interests to others where property-based protection is needed to induce them to invest in the creation of specific assets. At the same time, we have to be careful to guard against

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[82] The concept of specific assets has been developed in the economic literature on industrial organization, where it is defined as "assets that have a significantly higher value within a particular transacting relationship than outside the relationship." *See* Benjamin Klein, *Asset Specificity and Holdups*. The classic example is Fisher Body's investment in the machinery required to build auto bodies for General Motors cars. *Id.* Because such machinery cannot easily be put to use outside the context of a supply relationship with General Motors, investing in it gave rise to quasi-rents, and to the threat of opportunistic attempts by GM to appropriate them. *See id.*

[83] SCOTT E. MASTEN, CASE STUDIES IN CONTRACTING AND ORGANIZATION 6-10 (1996).

excessive fragmentation of ownership, which has both systemic and particular costs.[84] As we depart from the rule of indivisibility, each additional ownership interest we choose to recognize complicates our property system and increases the costs of compliance and transaction across the board.[85] Moreover, each additional ownership interest that is granted in a particular resource will directly raise the cost of switching that resource to different uses in the future.[86]

D. Divisibility and Title

Divisibility of title permits you to sell me a specific use right in the form of an ownership interest. At minimum, this means that the interest is irrevocable, and irrevocable as a matter of property law rather than just contract. You must be legally *disabled* from revoking, not merely subject to a contractual duty to refrain from doing so—otherwise, I am not an owner.[87] Thus, an easement is an ownership interest that includes a specified set of use privileges (e.g., the privilege of traversing the property within delineated bounds and for specified purposes), an *in rem* right of noninterference with the specified uses (enforceable against actions of either the grantor or third parties that obstruct passage), and an immunity from revocation.[88]

What does this development do to our previously tidy concept of "title" to Blackacre? Clearly, by granting the easement you diminish the extent of the control your ownership gives you over the land. The formerly limitless sea of use privileges your title once encompassed is now bounded by a duty not to interfere with my passage. I have use privileges that supersede your general right of noninterference, and immunities that disable your power to revoke. In other words, I now *own* an interest in Blackacre, and therefore possess certain prerogatives with regard to land use that you are obliged to respect. There are certain potential disagreements over land use with respect to which I, and not you, have the final say.

Does this mean that by recognizing the easement we have obliterated all

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[84] *See generally*, Molly Shaffer Van Houweling, *Author Autonomy and Atomism in Copyright Law*, 96 Virginia L.Rev. 549, 553-54 (2010) (discussing the problems raised by "copyright atomism").

[85] *See* Merrill & Smith, *supra* n. 73.

[86] *See* Michael Heller, *The Tragedy of the Anticommons: Property in the Transition from Marx to Markets*, 111 HARV. L. REV. 621 (1998).

[87] *See* Newman, supra n. 74 at 1131-36.

[88] As we will discuss below, some types of easement (not all) also include a power of transfer.

the cognitive benefits afforded by the concept of "title"? Not quite. Even though we both own interests in Blackacre, we are still not on the same footing. My ownership of an easement still does not give me the status of a "titleholder" with respect to Blackacre.[89] There is still only one title to the resource as such, and you still have it. Even though one specifically enumerated use right has now been placed in my control, you remain the presumptive holder of all the other residual undifferentiated ones, and to that extent you retain your identity as the person exclusively entitled to assign uses to the resource. Should any new potential use of Blackacre come to light that is not encompassed within any specific grant of use rights given to someone else, it will be yours to dispose of.

Even though I do not hold title *to Blackacre* however, we do say that I hold title *to my easement*.[90] As before, the concept of title stands for the legal link between me and the object of ownership[91]—which in this case is a set of use rights. Those use rights are of course a mere abstraction, valuable only because they give me some measure of decisional authority over an underlying resource—the land. One of the consequences of dividing title is that legal relationships that used to be just part of the description of what it means to own something now become reified objects of ownership in their own right.[92] Again as before, my "title" to the easement is also a placeholder for whatever set of jural relations constitute the control I have over the set of use rights that constitute the easement itself. At minimum, it consists of a privilege to exercise those use rights (i.e., to exercise the specified privileges to use the land and corresponding rights to be free from

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[89] *See* 28A C.J.S. Easements § 4 ("While it is not an estate in land, or confer title to the land, or constitute a lien thereon, an easement is property. While an easement is neither an estate in land nor the land itself, it is, however, property or an interest in land, and thus, an easement is real property.").

[90] *See, e.g., Elrod v. Elrod*, 526 S.E.2d 339, 341 (GA 2000) ("Thus, at the time Ms. Elrod executed the deed … she herself had no title to the easement which she attempted to convey to him."); *Shingleton v. State*, 133 S.E.2d 183, 185 (NC 1963) ("An easement appurtenant …exists only if the same person has title to the easement and the dominant estate[.]"); *Carnemella v. Sadowy*, 538 N.Y.S.2d 96, 98 (1989) ("[W]e find that Sadowy had a valid title to an easement along the eastern boundary of plaintiffs' land[.]");Te*Selle v. Storey*, 319 P.2d 218, 221 (Mont. 1957) ("The evidence was ample to sustain the finding of the trial court that defendant had acquired title to the easement by prescription.");*Thoreau v. Pallies*, 83 Mass. 425 (1861) ("The defendant … contended that she had good title to an easement in Murray Place by having a right of way over all parts of it.").

[91] *See supra* n. 67 and accompanying text.

[92] When it comes to copyright of course, even the original object of ownership—the "work of authorship"—is itself a reified abstraction, and all the exclusive rights to its use function in practice as negative easements in gross over tangible resources. *See* Christopher M. Newman, *Patent Infringement as Nuisance*, 59 CATHOLIC UNIVERSITY LAW REVIEW 61, 106-07 (2009).

interference in doing so), coupled with an immunity from revocation. The next question is whether it need necessarily include a power of transfer as well.

E. Ownership and Transferability

Critics of *Gardner* assume that the term "ownership" necessarily denotes an interest that is susceptible of unfettered transfer by the person who "owns" it, such that use of the phrase "transfer of copyright ownership" to include an exclusive license is contradictory if such licenses are held to be nontransferable.[93] I have suggested above that this is not so, that while the power of transfer is certainly one of the elements of plenary title, the essence of what we mean by "ownership" is meaningfully present in some degree so long as the "owner" possesses some degree of exclusive authority to decide how a resource is to be used. In fact, the law has taken different attitudes toward the transferability of different types of ownership interests, depending on whether we are talking about title to a resource itself or ownership of a limited use right. In the former case, restrictions on alienability are highly disfavored. In the latter, they are permitted and sometimes inferred.

Property doctrine has evolved through a long history of attempts by titleholders to hinder or prevent their successors in title from transferring it to others.[94] The history and resulting doctrine are too complex to describe fully here, but it is fair to say that property-based restraints on alienation of title to tangible resources have come to be generally regarded as highly disfavored, and in many contexts, presumptively invalid.[95] From a perspective of allocative efficiency, this norm makes sense. We want resources to find their way into the hands of the persons best able to put them to their most highly valued uses. We centralize control over a resource in the hands of the titleholder in part to give her the incentive and ability to discover what those uses are.[96] The power to transfer enables a titleholder to act on the judgment that some other party is capable of putting the resource to more valued uses than she is, as evidenced by their willingness to pay a purchase price that exceeds the value of any uses she is capable of

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[93] *See supra* n. 39.

[94] *See generally*, Michael D. Kirby, *Restraints on Alienation: Putting a 13th Century Doctrine in 21st Century Perspective*, 40 Baylor L. Rev. 413 (1988); Richard E. Manning, *The Development of Restraints on Alienation Since Gray*, 48 Harv. L. Rev. 373 (1935).

[95] *See* THOMAS W. MERRILL & HENRY E. SMITH, PROPERTY: PRINCIPLES AND POLICIES 532-36, 607-12 (2007) .

[96] *See* Smith, Property and Property Rules, supra n. 72 at 1763-64.

engaging in. To restrain the titleholder's power to transfer is to render ineffective the judgment of the person presumably in the best present position to determine whether she is the best person to control the resource, in order to give effect to the judgment of someone who held the resource at some time in the past.

With regard to transferability of easements, on the other hand, both the law and the allocative implications are somewhat different. Even though land law did embrace divisibility of title, it did so warily and with an eye to the dangers of fragmentation. One line of doctrine held that easements were permissible only if made appurtenant to an adjacent tenement.[97] In other words, detachment of use rights from the title of one resource was permissible only where it served to ensure that the right to exclude protecting that resource would not prevent another resource from realizing its potential utility. The appurtenant easement, once created, becomes part of the title to the dominant tenement and can only be transferred together with it.[98] This ensures that the detached use rights remain in the hands of people in a position either to benefit from using them, or to determine that changed use of the dominant tenement makes them no longer necessary. The requirement of appurtenance also potentially reduces search costs. While the owner of an easement in gross could be anyone, anywhere, the owner of an appurtenant easement must be also be the owner of a nearby parcel. In short, a requirement that easements be appurtenant minimizes the potential costs of title fragmentation.

Easements in gross lack these anchoring aspects of appurtenance, and have been treated by property law with greater wariness. Taking their cue from *Ackroyd v. Smith*,[99] courts frequently held that easements in gross were personal to the holder and could not be transferred to another party. An attempt to transfer would simply extinguish the easement.[100] The doctrine of nonassignability was far from uniform, however,[101] and ultimately came

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[97] *See, e.g. Loch Sheldrake Assocs. v. Evans*, 306 N.Y. 297, 304, 118 N.E.2d 444, 447 (1954) ("If we are to speak with strictest accuracy, there is no such thing as an 'easement in gross' . . . since an easement presupposes two distinct tenements, one dominant, the other servient.").

[98] *See* 28A C.J.S. Easements § 17.

[99] 138 Eng. Rep. 68 (1850).

[100] *See* Alan David Hegi, *The Easement in Gross Revisited: Transferability and Divisibility Since 1945*, 39 Vand. L. Rev. 109, 113 (1986).

[101] *See Miller v. Lutheran Conference & Camp Ass'n*, 331 Pa. 241, 249-50 (1938) (providing examples of the existence of "much controversy in the courts and by textbook writers and law students as to whether [easements in gross] have the attribute of assignability).

to be bifurcated such that easements in gross for commercial purposes (usually held to include profits à prendre) are generally held to be assignable if the granting party so intended, whereas easements in gross for personal use are not.[102]

One rationale for this distinction can be gleaned from the cases holding that personal easements in gross are not assignable.[103] The concern is that when it comes to noncommercial rights, their exercise by persons other than the original grantee will come to burden the servient owner's land beyond the contemplation of the original parties.[104] This can been seen as an example of a broader phenomenon: the difficulty of specifying in advance limitations on the quality and intensity of use that are clear enough to be enforceable by third parties, while flexible enough to permit the variations in use that would be reasonably expected to occur.

Treating an easement as a nonassignable personal grant enables the titleholder to use the identity of a user as part of the definition of the use rights to be granted. The titleholder who grants a personal easement in gross intends to retain primary control over the character of the uses made of the property, and wishes to ensure that the subset of uses ceded to another will remain cabined within narrow limits. The grantor may have knowledge as to the prospective grantee's likely quantity, intensity, and manner of use that could not easily be specified in the form of objectively enforceable grant terms. The grantor may also be able to rely on the expectation that future disputes about changes in these dimensions of use will be resolved within the context of an existing relationship. In any event, as the easement will entitle its owner to invade the property's boundaries without further permission, the titleholder will want to confer this entitlement only on parties whose presence on the property she regards as unlikely to be disruptive. If property doctrine were to hold that because such an easement is an ownership interest, it is subject to the norm invalidating restraints on alienation, titleholders' ability to control use in this way would be significantly reduced. Presumably they would be less willing to grant such easements as a result.[105]

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[102] *See* Hegi at 117-21.

[103] For the general principle, see Restatement (3d) Property (Servitudes) § 4.6.

[104] *See* Hegi at 120.

[105] This is the same concern that animated the enforcement of equitable servitudes against title successors. *See Tulk v. Moxhay*, 2 Phillips 774 (Eng. Ct. Ch. 1848) (reasoning that absent such enforcement, "it would be impossible for an owner of land to sell part of it without incurring the risk of rendering what he retains worthless."). It is also worth noting that easements in gross obtained by prescription have similarly been held to be nonassignable, in that their inherent limits are "closely bound up in the actions and interests

By contrast, a titleholder who chooses to grant a land easement for commercial use presumably expects the rights granted to be exploited in such a way as to maximize their commercial value. The ability to use the identity of a grantee as a proxy for limitations on intensity and manner of use is therefore likely to be less important to such a titleholder. At the same time, it is likely that a commercial grantee will place a high value on the ability to transfer the easement. Without such assignability, the grantee would be unable to transfer control of the enterprise without becoming subject to the very holdup the purchase of the easement is intended to avoid.

The Restatement (Third) of Property seemingly embraces a default rule of transferability for easements in gross,[106] but with two important caveats. First, an easement is not transferable where this would contravene the intention of the parties or purpose for which the easement was created, as ascertained from the language used in the instrument, or the circumstances surrounding its creation.[107] Second, it is not transferable if the benefit is personal, which it is if "the relationship of the parties, consideration paid, nature of the servitude, or other circumstances" indicate that the parties should not reasonably have expected it to be transferable.[108]

What the foregoing shows is that divisibility is a two-way street. It is valuable because it lets owners grant ownership interests in specific uses to people who need that security. By the same token however, owners may wish to protect themselves by retaining certain powers of ownership—such as the power to transfer—over the use rights granted. One of the consequences of dividing ownership, then, is that ownership interests need not all contain identical divisions of the elements of title. The assumption that ownership necessarily includes the power to transfer is bound up with the doctrine of indivisibility, and perishes with it.

F. The Spectrum of Ownership Interests

As we have seen, there is more than one dimension along which we can carve ownership. When we speak of divisibility of title, the first thing we mean is the permissibility of creating separate ownership interests pertaining to different uses of the same resource. But in creating these new ownership interests, it is also possible to divide the elements of title that

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of the holder." Hegi at 120.

[106] Restatement (3d) Property (Servitudes) § 4.6.

[107] *Id.* § 4.1.

[108] *Id.* § 4.6.

accompany them, and to withhold some. We can thus identify a spectrum of possible combinations, each of which may be useful in different transacting circumstances, depending on what sorts of assurance the transferee needs to invest in specific assets, and what sorts of control the transferor wishes to retain.

1. Irrevocable Nonexclusive License

Sometimes, all you need to encourage resource use is a use privilege coupled with an immunity from revocation. We call this an *irrevocable nonexclusive license*.[109] So long as the irrevocability is property-based—i.e., grounded on actual immunity and not merely on a contractual duty of the titleholder not to revoke—it would make sense (under the conceptual model presented here) to call this form of license an ownership interest.[110] It gives the licensee use privileges that cannot be taken away, and that therefore limit the titleholder's rights of noninterference and power to revoke. It is still a license however, because the titleholder retains ongoing control over the licensed uses through the sole right to exclude others from them and the exclusive power to grant the same use privileges to others.

2. Exclusive License

Another possibility is to grant, not merely an irrevocable use *privilege*, but an irrevocable use *right*—i.e., a privilege that is protected by a right of noninterference. As we have noted above, an easement over land is such an interest. In copyright the analogous interest is called an *exclusive license*.[111] In either scenario, the grantee is given specified use privileges plus a right of noninterference in those activities by others. The difference between the two lies in the manner in which the right of noninterference is defined.[112]

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[109] By "irrevocable," we mean "not revocable at will." Irrevocable interests may still be defeasible, subject to conditions subsequent that are specified at the time of creation.

[110] As I have discussed elsewhere, the irrevocability of nonexclusive copyright licenses has often been conceived to be grounded not in property but in contract, and accordingly the 1976 Act excludes such licenses from the category "transfer of copyright ownership." *See* Newman, *supra* n. 74. I contend that it would be beneficial to recognize copyright owners as having the power to grant irrevocable nonexclusive licenses by unilateral deed as a form of property conveyance, and that section 205(e) of the statute provides support for such a rule. *See id.* at 1146-50.

[111] It is not logically necessary for an exclusive license to be irrevocable, but it is difficult to imagine a situation in which a licensee who valued exclusivity would not insist upon irrevocability as well. I therefore assume all exclusive licenses to be granted irrevocably.

[112] In an easement, the right of noninterference is usually defined narrowly, to prohibit only actions that actually result in direct interference with the specific activities privileged

Either way, the addition of a right of noninterference curtails the owner's use privileges, while enabling the licensee to unilaterally exclude others (including the licensor) from some or all activities within the licensed area. It is still a form of license, however, because the licensor still retains a residuum of control over the use rights, consisting of the sole power to permit their transfer from one party to another. As I have suggested above, one reason why this control is valuable is that it enables the licensor to use the licensee's identity as a proxy for qualities of use that may otherwise be difficult to specify as express license terms.

3. Assignment

Finally, we can make the exclusive license freely transferable as well. Once we do this, we are vesting the transferee with all powers of title over the uses in question, leaving the transferor no control whatsoever over their present or future disposition. If this method is used to effect a partial transfer, we are effectively splitting the copyright into two entirely distinct estates, each with its own plenary powers of title. Either way, we call this an *assignment*.

IV. DIVISIBILITY AND COPYRIGHT

In the previous section I provided a generalized conceptual model of ownership and divisibility explaining how it makes sense to hold that an exclusive license is nontransferable even though it is a form of "ownership," and why so holding is consistent with a policy permitting divisibility of title. That discussion, I think, rebuts the claim that *Gardner* is simply incoherent because it fails to give effect to the word "ownership." However, even if I am correct on this score, one might still question

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by the easement. Thus an easement owner will not have a "right to exclude" others (such as the underlying landowner) from the area covered by the easement altogether, but a more narrowly tailored right to prevent actions that (e.g.) block his right of way. In the land context, the interfering actions (e.g., putting boulders on the path) are usually not the same as the easement owner's privileged actions (e.g., traversing the path).

In copyright, the scope of an owner's right of noninterference is defined in the first instance by an enumerated list of actions that are deemed categorically likely to interfere with the owner's ability to use the work as a basis for exchange of value. *See* 17 U.S.C. § 106. These bright-line "exclusive rights" are not absolute, however, as actions that facially violate them are then scrutinized through "fair use" doctrine, which seeks to reduce overbreadth by exempting actions that can be shown to be actually noninterfering. *See* 17 U.S.C. § 107. Copyright licensees are given privileges to engage in some specified set of actions that would otherwise lie within the enumerated exclusive rights, and their rights of noninterference consist of categorical exclusion of others from those same actions, still subject to the fair use exception.

whether as a practical matter we should wish to recognize a copyright interest having the characteristics I ascribe to exclusive licenses. This section will suggest some reasons why we might.

A. The Problem With Exclusive Licenses.

One of the greater sources of discontent with copyright indivisibility was the inability of exclusive licensees to bring unilateral suit against third party infringers.[113] Even prior to the 1976 Act, this problem had been partially ameliorated by two judicial doctrines that rendered the disability less stark than a strict reading of indivisibility would lead one to expect. One consisted of judicial willingness, despite the doctrine of indivisibility, to construe as "assignments" (at least for the purpose of conferring standing to sue) certain transactions that fell short of unfettered transfer of the copyright in its entirety.[114] In addition, even exclusive licensees not deemed to be assignees came to be regarded as having standing to institute an action for infringement, so long as the actual copyright owner was joined as an indispensable party to the proceeding.[115] While inconvenient, this need to join an absent copyright owner was not necessarily fatal to an exclusive licensee's practical ability to sue, as the courts eventually recognized the possibility of involuntary joinder in such cases.[116] Nevertheless, the potential difficulty of finding a desirable forum that has jurisdiction over both the infringer and the copyright owner fueled the

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[113]Kaminstein, supra n. 23 at 1 ("The purchaser of the television rights, for example, may wish to enjoin a third party; if the author has gone off to India, the licensee is not in a happy position.").

[114] See Kaminstein at 15:

> There is extreme confusion in the cases and today many courts permit the licensee to sue, provided that he meets procedural requirements. The decisions are strewn with distinctions between assignments, partial assignments, assignments with conditions, grants, conveyances, "exclusive" and "mere" licenses. The distinctions are not applied uniformly, and the tests become circuitous: if the grant is interpreted to permit suit, it is therefore an assignment; if the transferee is not permitted to sue, the grant is a license. To a great extent, the distinction has become a verbal one.

In this respect, copyright law under the doctrine of indivisibility was not far afield from patent law today. In patent law, whether an exclusive licensee has independent standing to sue continues to depend on a confusing line of cases that seek to discern whether the transaction has resulted in transfer of "all substantial rights." See, e.g., *Vaupel Textilmaschinen KG v. Meccanica Euro Italia SPA*, 944 F.2d 870, 875 (Fed. Cir. 1991).

[115] *See, e.g., Field v. True Comics, Inc*., 89 F. Supp. 611 (1950).

[116] *Id.* at 613 ("[I]f the owner refuses to join, after being requested so to do, and is without the jurisdiction, he may be joined as an involuntary party plaintiff, where that is necessary in order to protect the rights of the exclusive licensee.").

desire of exclusive licensees to possess rights of noninterference that could be enforced directly.[117]

One way to permit the creation of partial but independently enforceable exclusive rights would have been simply to abrogate the doctrine of indivisibility, while leaving untouched extant doctrine concerning the nature of a license. The result would be that partial exclusive rights could be granted in one of two ways: either by dividing the copyright estate and assigning full title to the use rights in question, or else by granting a license with contractual exclusivity, which would remain subject to the traditional limitations on enforcement and transfer of licenses. The parties would thus be able to bargain over which of the two transactions to use. Owners who preferred to retain undivided title could grant licenses accompanied only by contractual rights, while transferees who required stronger protection (and full transferability) could bargain for division and assignment.

Another option would have been simply to alter the nature of an exclusive license to give licensees independent standing to sue, but without instituting a thoroughgoing divisibility principle.[118] This move would constitute a narrowly-tailored form of divisibility, resulting in a single new type of ownership interest. It would address the biggest practical concern of exclusive licensees while preserving much of the benefit of indivisibility, in that all use rights would still be traceable to a single titleholder with the sole authority to confer or transfer them. The downside would be that it remained impossible to obtain plenary title to partial use rights, thus rendering certain forms of investments (particularly those contemplating transfer of the exclusive rights) vulnerable to hold up by copyright owners.

As I will argue below, the legislative history shows that these were understood to be two distinct options—licensee standing was not, as *Gardner*'s critics assume, simply part of what it meant to abrogate indivisibility, but rather a step that would have been superfluous if the intended end result were a world in which *all* partial transfers were

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[117] *See* Report on Vestal Bill to Amend the Copyright Act of 1909, H.R. REP. NO. 2225, 69th Cong., 2d Sess. 2 at (1927) ("The would-be users of his work, also, the publishers, the record makers, or the motion-picture producers do not desire to secure merely a license or exclusive right to use. Such licensee can not bring suit to protect the rights he has bargained for under existing law."); Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law at VII.D.2.a (1961) ("[T]he necessity of joining the owner of the residual rights in an infringement suit--is particularly troublesome. Except where the validity of the copyright is challenged, he usually has no interest in the suit, and his joinder becomes a serious obstacle when he is out of the jurisdiction.").

[118] *See infra* n. 168.

tantamount to assignments. In the end, the drafters of the 1976 Act chose to do *both*: they abrogated indivisibility, thus permitting partial assignments. *And* they gave exclusive licensees ownership of the right to exclude without giving them the right of transfer, thus recognizing a new form of ownership interest in copyright. The question remains: Why might this be thought desirable?

B. License Nontransferability As A Means of Authorial Control

As we saw in the last section, land law has tended to distinguish between "personal easements" and "commercial easements," the former presumptively nontransferable, the latter transferable. Treatise author Arthur Weil described the distinction between copyright licenses and assignments under the 1909 Act in similar terms:

> A license is usually deemed personal and hence, not transferrable, while, since all the assignor's rights are divested on assignment, an assignee may, of course, reassign. A licensee may not grant sublicenses unless authorized to do so by the licensor. One of the tests, in doubtful cases, as to whether or not there has been assignment or license, is whether, on examination, the transaction appears to show reliance on the person, or character, of the party with whom the copyright proprietor has dealt, to such an extent that the right may be deemed a personal one. The fact that the licensee be a corporation will not of itself, overturn the presumption that the license was not intended to be assigned.[119]

As this passage suggests, in the realm of copyright the inference that because a grant is "commercial" it is therefore not "personal" may be weaker than it is in the realm of land use. As Jane Ginsburg puts it, "[c]opyright is not just about getting paid; it is also about maintaining control, both economic and artistic, over the fate of the work."[120] Authors—in whom ownership of copyright is vested as an initial matter[121]—tend to be intensely interested in the form and manner in which their works are presented to the public, and in many legal regimes they are held to have wide-ranging "moral rights" giving them control over these matters even apart from any interest they have in monetary remuneration for

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[119] WEIL, *supra* n. 27, at 549-50. *See* also Kaminstein at 13 (citing Weil):

> Licenses are usually personal, contractual, rights and are strictly construed. An exclusive license is ordinarily held to be personal and where there is an indication of reliance upon the person or character of the licensee, it is not transferrable. But where there is no such reliance, it may be transferred, and the courts are also more apt to call it a partial assignment.

[120] Jane Ginsburg, *The Author's Place in the Future of Copyright*, 45 Willamette L. Rev. 381, 390 (2009).

[121] *See* 17 U.S.C. §201(a).

use of the work.[122] U.S. copyright law has recognized moral rights only grudgingly,[123] yet it is clear that authors can (and can legitimately) use their control of the exclusive rights granted them to enforce artistic criteria as well as economic terms.[124] While some authors may care only that the movie version of their book earn the maximum amount of royalties, others will place a high value on fidelity to their artistic vision.[125] Even if one accepts a strictly utilitarian incentive-based view of copyright then, there is no basis for assuming that authors are incentivized by money alone.

For authors who do care about control of the manner in which their work is presented, the use of licensee identity as a means of quality control may be important due to the impossibility of fully specifying matters of artistic preference in objectively enforceable terms. For example, anyone can readily understand that it will make a huge difference whether the film version of one's novel is produced by Steven Spielberg, Jerry Bruckheimer, or Quentin Tarantino—yet one would be hard pressed to write license terms that enforceably captured those differences.[126] By licensing rather than assigning the film rights, an author can ensure that they remain in the hands of someone in whose artistic instincts she has confidence.

Nontransferability has other, purely economic advantages to authors as well. One, mentioned by the court in *Gardner*, is that it means authors will be in a better position to monitor downstream use so as to enforce any ongoing right to royalties.[127] Another is that it may enable authors to

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[122] *See* Kwall, *Copyright and the Moral Right: Is an American Marriage Possible?,* 38 VAND L. REV. 1 (1985).

[123] *See* 17 U.S.C. §106A (providing rights of attribution and integrity, but only to authors of certain "works of visual art").

[124] *See Gilliam v. American Broadcasting Co.*, 538 F.2d 14 (2d Cir.1976) (botched editing of Monty Python sketch for American television found to violate provisions of license).

[125] For example, it is well known that J.K. Rowling required as a term of the deal for the movie rights to the Harry Potter series that the characters be portrayed by British actors. *See* Meredith Vieria, *Harry Potter: The final chapter*, NBC Dateline (7/30/2007), available at http://www.nbcnews.com/id/20001720/ns/dateline_nbc-harry_potter/t/harry-potter-final-chapter/#.Ua9wD9j4Kj8. Rowling has also stated that she would have preferred not to license the films at all if doing so had required her to permit the use of the characters in sequels not written by her. *Id.*

[126] I would thus question Nimmer's confidence that protective license terms can reliably bind sublicensees so as to fully protect licensors' interests. Nimmer at§10.02[B][4][b]. Nimmer suggests that given such terms there can be no harm, because the sublicensees would be bound to engage in "the identical conduct." *Id.* I am suggesting that when it comes to artistic expression and its presentation, what constitutes "identical conduct" from the licensor's perspective may be impossible to define.

[127] 734 F.2d at 1334.

extract rents as a condition of permitting transfers should such transfer become valuable down the road. Recognizing the exclusive license as a nontransferable interest allows authors to retain all these advantages while still giving licensees the assurance of irrevocable and independently enforceable exclusive rights. We would expect the availability of this option to facilitate beneficial transactions in more instances than would a rule in which the only way to grant exclusive rights was by plenary assignment.[128]

C. License Nontransferability As A Default.

Some critics of *Gardner* might respond that this is all well and good, but beside the point. Their position is not that exclusive licenses *cannot be made* nontransferable, but merely that the statute makes them transferable *by default*. Licensors who care to obtain all the advantages described above by making their exclusive licenses nontransferable may do so, we are told, by including express language to that effect in the license.[129] *Gardner*'s response to this, in effect, is that using the term "license" to describe one's transaction *is* express language denoting nontransferability. Licenses had long been held to be presumptively personal and nontransferable. Transferees who wish to obtain plenary title to use rights should instead seek to have them granted by *assignment*. Or else—if the parties are laboring under the misconception that any partial transfer is by definition a license—the burden should be on the party seeking powers of transfer to

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[128] *See Cincom Systems, Inc. v. Novelis Corp* 581 F.3d 431, 436 (6th Cir. 2009):

> Allowing state law to permit the free assignability of patent or copyright licenses would "undermine the reward that encourages invention." This is because any entity desiring to acquire a license could approach either the original inventor or one of the inventor's licensees. Absent a federal rule of decision, state law would transform every licensee into a potential competitor with the patent or copyright holder. In such a world, the holder of a patent or copyright would be understandably unwilling to license the efforts of his work, thereby preventing potentially more efficient uses of the invention by others.

[129] *See* Haemmerli at 17 & n. 97 ("There are many ways of monitoring or controlling the use of a transferred copyright right through contractual provisions that stop well short of depriving the exclusive licensee of its ownership rights. . . A licensor may include a no-assignment clause in its license; it can contractually require consent before re-conveyance; or it can require notification of transfers, with breach of any such obligations constituting grounds for termination'); *id.* at 34 & n.200 ("For example, an exclusive copyright license, as a transfer of copyright ownership, is transferable under federal law. The license's contractual terms, however, could vary that default rule and provide that it is not transferable, and this prohibition on assignment would be enforceable under state law."); *See also* Aaron Xavier Fellmeth, *Control Without Interest: State Law of Assignment, Federal Preemption, and the Intellectual Property License*, 6 VA. J.L. & TECH. 8 (2001).

ensure that the license terms state this. No one denies a licensor's power to make the license transferable if she chooses.

At this point we appear to be merely arguing over the default setting of a rule that everyone agrees the parties should be able to alter by means of express action. The question is: In cases like *Gardner*, where the parties neither use the term "assignment," nor expressly address transferability, which should be the presumptive result? A full vetting of this question would want to examine the relative likelihood and cost to the parties of errors under either rule. Such an analysis is beyond the scope of this article. Instead, I will offer three reasons suggesting why a default rule of nontransferability might be thought preferable.

The first is that if we are to put a thumb on the scale, it should be one that impedes rather than accelerates the fragmentation of ownership interests. Unfettered subdivision and transfer of exclusive rights in a single work pose serious risks of fragmentation, in which the costs of tracing ownership and assembling needed use rights can easily render potentially valuable projects infeasible.[130] Of course, such division and transfer of rights may also facilitate valuable projects, which is why we permit such divisibility in the first place. A default rule of nontransferability, however, does not prevent owners from choosing to confer the power of transfer on their grantees when they regard the benefits as outweighing the costs. All it does is seek to ensure that fragmentation will not proceed without this question having been expressly considered at each juncture. Since we rely on the local information and incentives of owners to make decisions that will tend toward efficiency, it is better to prevent them from conferring powers of transfer downstream absent a deliberate decision to do so.

Second, given that authors are often individuals negotiating with relatively more sophisticated institutional actors such as publishers or studios, setting the default on the side of license nontransferability may also serve a salutary information-forcing function.[131] If the transferee values the right to transfer, it will be required to raise the issue and bargain over it, thus alerting the author to its existence and importance.[132] Protecting authorial control in this way is worthwhile, because copyright seeks to foster a market-based division of labor in which individual authors can earn the wherewithal to specialize in creative production. Placing the thumb on this

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[130] *See* NEIL WEINSTOCK NETANEL, COPYRIGHT'S PARADOX 141-43 (2008).

[131] *See* Ian Ayres & Robert Gertner, *Filling Gaps in Incomplete Contracts: An Economic Theory of Default Rules*, 99 Yale L.J. 87 (1989).

side of the scale gives authors marginally more leverage, and ensuring that the copyright system actually benefits authors is crucial to its perceived legitimacy.[133]

Nimmer actually illustrates this point in a hypothetical intended to show the undesirability of the *Gardner* rule:

> If [*Gardner* is] followed literally, Jerome Siegel and Joseph Shuster, creators of Superman, could retain literary rights while licensing film and television rights therein exclusively to Warner Bros.--but the studio would not be able to convey performance rights in the film produced thereby to Edwards Theater Chain, broadcast rights therein to NBC, and all other rights necessary to exploit the material for which it bargained. To the extent that motion picture exhibition and television rights fall within the scope of the exclusive license, there is no reason to require Warner Bros. itself to engage in all exploitations.[134]

As between Siegel and Shuster on the one hand, and Warner Brothers on the other, presumably the studio is in a better position to bear the burden of ensuring that any rights crucial to the exercise of their film and television license are included in the grant. Nimmer is surely correct that there is no reason to require Warner Bros. itself to engage in all exploitations, but the *Gardner* rule does not threaten any such result. At most, it would require Warner Bros. to obtain (and perhaps pay something extra for) the authors' consent to any sublicensing arrangements that it had failed to include in the original negotiation.

Very likely, however, it would not require even that. One reason why Nimmer's hypothetical does not seem to be a problem in practice is that Warner Bros. would have a strong argument that authorization to make the particular types of sublicenses at issue in this hypothetical was implicitly contained within the scope of the grant. The rule that licenses are nontransferable without the licensor's consent does not mean that such consent must always be granted expressly. There is a body of doctrine concerning the circumstances under which an author's consent to certain

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[133] *See* Ginsburg, supra n. 120 at 382 (describing the manner in which copyright comes to be delegitimized when it can be portrayed as inuring primarily to the benefit of entities other than authors):

> If authors have any role in this scenario, it is at most a walk-on, a cameo appearance as victims of monopolist "content owners." The disappearance of the author moreover justifies disrespect for copyright--after all, those downloading teenagers aren't ripping off the authors and performers, the major record companies have already done that.

[134] Nimmer at§10.02[B][4][b].

uses of a work will be implied from the context of a transaction.[135] Where the purpose for which a work was created and licensed manifestly requires the involvement of third parties, authorization for the transfers necessary to that purpose can be implied, with the burden on the licensee to show that such implication is appropriate.[136] There is a difference between enlisting the aid of third parties to take actions in furtherance of the role one has been authorized to carry out, and completely transferring that role to some other party without the author's consent.

My final reason is, to borrow a phrase, that "doctrine matters."[137] Historically, the concepts "license" and "assignment" have always meant very different things, and they still mean very different things in other areas of property law. These terms reflect a particular understanding of the structure of property institutions that informs the way people conceive of their relations to each other and to resources. According to this understanding, each resource has an ultimate titleholder who is empowered either to grant limited use privileges or to transfer her ownership outright, and to do so with regard to either part or all of the resource in question. When parties use the term 'license' to characterize a transaction, it likely means that they understand the owner to be retaining some form of ongoing control over the rights transferred, and this is an understanding that we should encourage.[138] When they use the term "assignment," they likely

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[135] *See, e.g.*, *Effects Associates v. Cohen*, 908 F.2d 555 (9th Cir. 1990). Much like Nimmer's hypothetical, this case involved a film producer who made a film involving copyrighted material and turned it over to a distributor. Even in the absence of a valid "transfer of copyright ownership," the producer was found to have an implied license that permitted him to distribute the film. The case did not address squarely whether this meant the distributor would have a valid defense as sublicensee to a claim of infringement against it, but this seems to be the clear implication. For a full discussion of this case and of implied licenses in general, *see* Christopher M. Newman, *What Exactly Are You Implying?: The Elusive Nature of the Implied Copyright License* (in progress).

[136] *See, e.g., Gracen v. Bradford* Exchange, 698 F.2d 300, 303 (7th Cir. 1982) (company licensed to make collector's plates based on film had implied authority to solicit artwork for that purpose from third parties); *Key Maps v. Pruitt*, 470 F.Supp 33, 39 (D.C. Tex. 1978) (implied license to reproduce map included permission to order reproduction from third parties).

[137] *See* Haemmerli, supra n. 6 (title of article).

[138] *Cf. Vernor v. Autodesk, Inc.*, 621 F.3d 1102, 1111 (9th Cir. 2010) (holding that where a copyright owner specifies that a transferee of a copy of a software program is granted a license, this weighs in favor of finding the user to be a licensee rather than owner of the copy transferred). The issue of first sale doctrine raised in *Vernor* shows the ambiguity inherent in the tern "owner." For purposes of first sale, the question is whether a particular user is the "owner" of a "copy," and for purposes of that doctrine, it is clear that "owner" and "licensee" are mutually exclusive categories. *See id.* (describing holding as pertaining to circumstances where software user is a "licensee rather than an owner"); 17

view the assignor as relinquishing ownership. The drafters of the 1976 Copyright Act chose to continue using these terms knowing their implications, even as they acted to change some of them. To unnecessarily obliterate the distinction impoverishes our conceptual vocabulary, diminishing our ability to speak and think clearly.[139]

There is, moreover, an arguable contradiction in contending that exclusive licenses *must* be transferable because they are legally indistinguishable from plenary assignments of title to the licensed rights, but then asserting that these assignments can nevertheless be made nontransferable simply by placing restrictions on transfer in the terms of the license. If you are going to take the position that an exclusive license necessarily constitutes a plenary assignment of title to a now distinct object of ownership, it arguably follows that any attempts by the owner to fetter downstream transfers are void as impermissible restraints on alienation.[140] While I do not claim that this conclusion is unavoidable, permitting exclusive licensors to grant a power of transfer (thus creating an assignment) is uncontroversial and threatens no damage to the coherency of property doctrine.

V. THE NINTH CIRCUIT READ THE STATUTE CORRECTLY

The previous two sections have provided an account as to why it would not be absurd for Congress to draft a statute that treated exclusive licenses as ownership interests, while still leaving them distinct from assignments and not rendering them presumptively transferable. I will now show why

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U.S.C. §109(a),(d) (distinguishing between the rights of an "owner of a particular copy" and one who acquires possession by "rental, lease, loan, or otherwise, without acquiring ownership of it"). As we have seen, however, the 1976 Act makes it impossible to treat "copyright owner" and "exclusive licensee" as two mutually exclusive categories.

[139] *See generally* Henry Smith, *On The Economy of Concepts in Property*, 160 U. Penn. L. Rev. 2097 (2012) (arguing that such doctrinal concepts can be useful tools allowing us to make decisions about a complex world in the face of information costs, by organizing factual complexity into modules that omit enough context to be cognitively manageable).

[140] *See supra* n. 95. Haemmerli avoids this result by treating the term prohibiting transfer as a contractual term enforceable under state law. *See* Haemmerli at 34 & n.200 ("For example, an exclusive copyright license, as a transfer of copyright ownership, is transferable under federal law. The license's contractual terms, however, could vary that default rule and provide that it is not transferable, and this prohibition on assignment would be enforceable under state law.") If it is merely a contractual obligation not to transfer, however, it is not clear why the licensee cannot transfer good title to a sublicensee and then simply pay damages for his breach. *See, e.g.*, *Foad Consulting Group, Inc. v. Musil Govan Azzalino*, 270 F.3d 821, 831 (9th Cir. 2001) (anti-assignment clause was ineffective to prevent transfer of license, giving rise at most to breach of contract claim by licensor).

this is in fact the best reading of the actual statute.

A. The statute does not prescribe that exclusive licenses shall constitute unqualified ownership interests for all purposes.

The key provision upon which critics of *Gardner* base their claim is Section 101, in which Congress provides definitions for various terms used in the statute, including the following:

> 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.[141]

The claim is that this language affirmatively obliterates any legal distinction between exclusive licenses and assignments, including ones rooted in background principles of property law that are not expressly addressed in the statute.[142] As Alice Haemmerli puts it, "[T]he federal Copyright Act specifies that an exclusive license constitutes an unqualified transfer of copyright ownership."[143] This is an overreading of the text. The provision indisputably tells us that an "exclusive license" falls within the term "transfer of copyright ownership" as defined for purposes of the statute. It does not, however "specify" one way or another whether such "ownership" may be qualified or "unqualified." To omit any express mention of qualifications is not to "specify" that a thing is "unqualified."

The claim that Section 101 renders exclusive licenses identical in all respects to assignments must be based on one of two logical readings of the text. The first would be the argument that since "exclusive licenses" are "transfers of copyright ownership," and "assignments" are also "transfers of copyright ownership", it must follow that "exclusive licenses" are "assignments." In other words, L=T and A=T, therefore L=A. This is an obvious error; the correct way to describe the provision logically would be L→T and A→T, from which one cannot conclude L→A.

Haemmerli does not appear to be making this facile error;[144] instead her

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[141] 17 U.S.C. § 101 (2006).

[142] *See* Haemmerli at 14 (describing the statute as having "equated an exclusive license with an assignment, as a form of copyright 'transfer.'").

[143] Haemmerli at 2 & n.6 (citing Section 101 as the sole support for this statement). *See also id.* at 7 (referring to the "robust and unambiguous phrasing" of Section 101).

[144] At least not in the passage already quoted. She may be making it elsewhere. *See*

unstated reasoning appears to be this:

1 The statute specifies that an exclusive license is a form of "copyright ownership," and does not qualify that statement.

2 As a matter of background law, the term "ownership" necessarily denotes a relationship conferring full powers of control over the owned interest, including unfettered powers of transfer.

3 Therefore, the statute affirmatively prescribes that an exclusive copyright licensee shall have unfettered powers of transfer.

Each of the premises of this argument is mistaken.

The first premise is mistaken because a statutory definition of a term is always "qualified" by the understanding that Congress is defining the term only for purposes of its express use in that statute. Section 101 begins with the phrase: "Except as otherwise provided in this title, *as used in this title*, the following terms and their variant forms mean the following[.]"[145] The definition of "transfer of copyright ownership" provided in Section 101 has no effect but to tell us what referents the term has *as used elsewhere in Title 17*. Inclusion of exclusive licenses within this definition does not constitute a self-executing command that all legal attributes of "ownership," from whatever source derived, shall henceforth be applied to exclusive copyright licenses. Rather, it constitutes a command only that any attributes of "copyright ownership" *expressly designated as such by Title 17* shall be applied to exclusive licenses. The definition itself has no prescriptive force until the defined term is actually "used in this title" to prescribe something.

The second premise is mistaken because, as explained in Section III.E. above, the term "ownership" does not necessarily imply that the owner has unfettered powers of transfer with regard to the owned interest.

A final, seemingly obvious problem with the claim that Section 101 obliterates all distinction between exclusive licenses and assignments is that

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Haemmerli at 15:

> In other words, the drafters explicitly saw the exclusive license as a transfer; and a transfer was "an assignment . . . or any other conveyance or alienation by which ownership of a copyright or of any of the exclusive rights comprised in a copyright changes hands . . . ."

[145] 17 U.S.C. § 101 (emphasis added).

the provision also includes "mortgages" within the definition of "transfers of copyright ownership." Does this mean that a mortgage too constitutes an "unqualified transfer of copyright ownership"? Did the 1976 Act affirmatively obliterate all previously understood distinctions between the legal consequences of mortgaging a copyright and assigning one? This claim would have implications that are far reaching, and (as far as I know) uncontemplated by anyone. Yet it rests on precisely the same textual foundation as the claim that an exclusive copyright license is now no different from an assignment.[146]

B. The statute does not prescribe that all "copyright owners" shall have powers of transfer.

So what *does* Title 17 affirmatively prescribe with regard to the attributes of copyright ownership? One important thing it does is to tell us that the copyright estate is divisible:

> 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. The owner of any particular exclusive right is entitled, to the extent of that right, to all of the protection and remedies accorded to the copyright owner by this title.[147]
>
> "Copyright owner", with respect to any one of the exclusive rights comprised in a copyright, refers to the owner of that particular right.[148]

These provisions serve to do away with the doctrine of copyright indivisibility, which had previously required ownership of all the rights conferred by copyright in a single work to remain unitary.

It is important to notice, however, that the divisibility of the copyright into multiple separately-owned interests does not in itself tell us anything about what specific powers the status of "ownership" confers with regard to one of those interests. Section 201 tells us that subdivisions of the particular rights granted by copyright "may be transferred . . . and owned separately," and that whatever "protection and remedies" are accorded to

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[146] In fact, the inclusion of mortgages within the term "ownership" is problematic (though less so) even for my narrower reading of the statute, for it implies the result that a copyright mortgagee has power—even absent any foreclosure—to "do or to authorize" the acts covered by the exclusive rights listed in Section 106, as well as the right to sue for infringement granted by Section 501. There is no indication that anyone intended this result, and I am unaware of any attempt by a mortgagee to assert such rights.

[147] 17 U.S.C. §201(d)(2).

[148] 17 U.S.C. §101.

"copyright owners" by Title 17 are equally accorded to such owners of particular rights. Section 101 tells us more broadly that anything predicated generally of "copyright owners" in the statute applies just as well to owners of particular rights. Nothing in these quoted provisions, however, tells us anything about the actual content of the "protection and remedies" that are accorded to copyright owners, or about any other powers that the statute affirmatively confers on that status.

Many other provisions in Title 17, however, *do* give specific content to the status of "copyright owner." The most salient of these include the following:

- "[T]he owner of copyright under this title has the exclusive rights to do and to authorize" any of the activities enumerated in Section 106, such as reproduction or distribution of the protected work."[149]
- A copyright notice giving "the name of the owner of copyright in the work" (as well as other required elements) will be effective to gain the evidentiary and other consequences accorded to such notice under the statute.[150]
- "[T]he owner of copyright or of any exclusive right in the work may obtain registration of the copyright claim[.]"[151]
- "The legal or beneficial owner of an exclusive right under a copyright is entitled . . . to institute an action for any infringement of that particular right committed while he or she is the owner of it."[152]

All of these things fit comfortably within the category of "protection and remedies," and provide content to the statement in section 201 that owners of particular rights get the benefit of the "protection and remedies accorded to the copyright owner under this title."[153]

Nowhere, however, does Title 17 prescribe that anyone who qualifies as a

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[149] 17 U.S.C. §106.
[150] 17 U.S.C. §§ 401-406.
[151] 17 U.S.C. § 408.
[152] 17 U.S.C. § 501(b).
[153] Haemmerli reads *Gardner* to hold that exclusive licensees are given *only* standing to sue and no other aspects of ownership. *See* Haemmerli at 17-18 (asserting that *Gardner* makes exclusive licensees into beneficial owners whose entitlements are "purely remedial," and that this creates various redundancies and inconsistencies in the statute). The opinion does not say this, however. To the contrary, it expressly states that the "protection and remedies" language of § 201(d)(2) "includes, *among other things*, the right for an exclusive licensee to sue in his own name under Chapter 5 of the 1976 Act." *Gardner* at 780 & n.4 (emphasis added).

"copyright owner" under the statute shall necessarily have the power to transfer the copyright (or the particular right that he owns) to someone else. Instead, Section 201(d)(1) tells us that:

> 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.[154]

As we have already seen, Section 201(d)(2) adds:

> 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.[155]

Thus the statute tells us in passive voice that copyright interests "may be transferred," but remains conspicuously silent with regard to *who* has the power to transfer them. Contrast this with the active manner in which the statute confers standing to sue:

> The legal or beneficial owner of an exclusive right under a copyright is entitled . . . to institute an action for any infringement of that particular right committed while he or she is the owner of it.[156]

The import of Section 201(d)(1) is that Congress chose not to write its own general rules of property conveyance to govern copyright, but decided rather to leave existing background principles in place.[157] Accordingly, the 1976 Act does not provide general definitions of terms like "ownership", "license", "mortgage", or "assignment," and thus leaves us to give them content by reference to existing doctrine, including the existing doctrine on whether licensees have powers of transfer. An exclusive licensee is designated a "copyright owner" *as that term is used in the statute*, and therefore has all the powers *expressly given by the statute* to holders of this

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[154] 17 U.S.C. §201(d)(1) (emphasis added).

[155] 17 U.S.C. §201(d)(2) (emphasis added).

[156] 17 U.S.C. § 501(b). I think this difference in language shows that William Patry is incorrect to assert that "Congress addressed the question of an exclusive licensee's right to transfer rights without the author's permission both in Section 201(d)(1) and in Section 101." 2 Patry on Copyright at §5:103. The only thing Congress addressed in Section 201(d)(1) is the legal means by which an exclusive license may be transferred; not the circumstances under which an exclusive licensee has power to do so.

[157] *Cf. T.B. Harms Co. v. Eliscu*, 339 F.2d 823 (2d Cir. 1964) (holding that despite provision in federal copyright act authorizing assignment by written instrument, dispute as to validity and scope of such an assignment did not arise under federal law) (applying 1909 Act).

status, but the 1976 Act does not expressly give powers of transfer to anyone. Instead, it leaves the question of a licensee's power to transfer unaddressed, and cannot therefore be read to overturn the existing precedent holding that copyright licenses are presumptively personal and nontransferable.[158]

C. Why does the statute include exclusive licenses within the definition of "transfer of copyright ownership?"

The term "transfer of copyright ownership" serves as a vehicle for accomplishing two things in the 1976 Act. The first, most straightforward one, is to define a *category of transactions*, which then serves as the predicate for various provisions prescribing the roles that formal writing and recordation are to play in those transactions, and the consequences that are to follow from complying with or omitting them.[159] These provisions constitute enumerated exceptions to the statute's general reliance (expressed in Section 201(d)(1)) on unstated background principles of property law to govern copyright transactions.

As we have seen, the term also implicitly serves to help define a *category of statusholders* (i.e., "copyright owners"), which then serves as the predicate for various provisions conferring rights and powers on those statusholders. That the term serves this second function is expressed only obliquely, through the (reasonable) inference that anyone who receives something that the statute defines as a "transfer of copyright ownership"

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[158] For the contrary view, *see* Haemmerli at 16 (footnotes omitted):

> One could as easily (and more accurately) conclude, however, that with the knowledge of the 1909 Act, the judicial doctrine of indivisibility, and the non-transferability of nonexclusive licenses in hand, Congress carefully stated and restated that copyright rights could be transferred in part and owned separately; that the owner of a copyright right could transfer it; and that an exclusive licensee (in explicit contrast to a nonexclusive licensee) was a transferee and the owner of whatever right was exclusively licensed to it, implying that, as such, it could transfer its rights.

As this section indicates, I think Haemmerli goes wrong in characterizing Congress as having "stated and restated" that "the owner of a copyright right could transfer it[.]" Section III.D. explained why I think she is wrong that being an "owner" necessarily implies that one can transfer one's rights.

[159] *See* 17 U.S.C. §204(a) (providing that these transactions are not valid unless executed in a writing signed by the grantor); §205(a) (providing for recordation of such transactions); §205(e) (providing that rights granted by such transactions may be trumped by a prior nonexclusive license that was granted in a writing signed by the licensor); §708 (providing for payment of fees to the Register of Copyright when such transactions are recorded).

must therefore be a "copyright owner" for purposes of the statute. While Section 101 provides a separate definition for the term "copyright owner," this serves only to make clear that this term includes owners of particular rights as well as owners of the copyright as a whole.[160]

Why was the law drafted in this way? It is impossible to know for certain, but I propose the following explanation. It is clear that among the desired goals of the 1976 Act were those of providing for divisibility of copyright and of clarifying the roles of notice and recordation in such a regime.[161] An additional goal—as I will explain below, one not necessarily encompassed in divisibility—was to give exclusive licensees independent standing to enforce their exclusive rights against infringing parties. This latter goal could have been achieved by directly saying so, as one earlier proposed bill had in fact done.[162] Instead, the drafters achieved it by (indirectly) including exclusive licensees within the term "copyright owners," and then giving (in Section 501(b)) all such "owners" the right to institute actions for infringement. This inclusion also made sense with regard to the other function of the term "transfer of copyright ownership," because giving exclusive licensees independent standing to sue made it desirable that exclusive licenses now be subject to the same formalities and recordation provisions as other transfers that may result in one party asserting a claim of priority over another.

In certain respects, this was a fairly economical and elegant way of drafting the statute to achieve these desired goals. Unfortunately, in other respects this dual function of the defined term "transfer of copyright ownership" may imply results the drafters did not intend. One possible such problem, already noted above, is that of copyright mortgages. It is easy to see why one would want mortgages to be subject to the transactional provisions concerning written formalities and recordation. It seems highly unlikely, however, that anyone intended mortgagees to thereby obtain the current positive status of "copyright owners," thus statutorily entitling them to exploit the protected work and sue over its infringement.

The other unfortunate aspect of the drafters' strategy is the one I am primarily concerned with here—the confusion it has caused with respect to the distinction between an exclusive license and an assignment. In this section, I have tried to show that a careful reading of the statute eliminates

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[160] 17 U.S.C. §101 ("'Copyright owner', with respect to any one of the exclusive rights comprised in a copyright, refers to the owner of that particular right.")

[161] *See* Section VI.2, *infra*.

[162] *See id.*

the inference that it commands wholesale abrogation of this distinction. Next, I will try to show that the legislative history is consistent with this reading of the statute.

VI. *GARDNER*'S READING OF THE STATUTE IS CONSISTENT WITH THE LEGISLATIVE HISTORY

Critics of *Gardner* assert that it runs directly counter to the policy of divisibility expressed in the legislative history.[163] In this subsection, I will argue that this claim is based on misreadings similar to those that plague the critics' reading of the statute itself. The first point is that divisibility and licensee standing were long understood to be two separate issues that might stand or fall independently of each other. As explained above, the 1976 Act implements both, and uses the defined term "transfer of copyright ownership" as a vehicle for doing so. Once one pauses to ask the question why one would bother to both institute divisibility *and* give exclusive licensees standing to sue, it becomes apparent that this approach to the goals of the statute would make little sense if there were no desire to preserve a distinction between license and assignment.

Part 2 of this subsection will examine in detail the 1961 Report of the Register, which discusses the policy of divisibility and is cited by *Gardner's* critics as showing that the opinion was wrong. I find the Report to show that, while an exclusive licensee's inability to bring independent suit was clearly regarded as a problem to be addressed, the restrictions on his ability to transfer were never mentioned and were not relevant to any of the problems the Register discussed. Far from supporting the claim that the statute was intended to destroy all distinction between exclusive license and assignment, the Report—like the final statute—is very precise in enumerating the specific types of provisions that it recommends be applied to both categories of transaction.

1. Divisibility and licensee standing are, and were always understood to be, two separate issues.

Two distinct goals that were under consideration from the earliest efforts to revise the 1909 Copyright Act can be stated as follows:

1) To permit copyright owners to divide the copyright estate into distinct subsets of use rights, the full title to which could be assigned

[163] *See e.g.* Patry, supra n. 8.

separately.

2) To give exclusive licensees standing to sue.

These two goals are clearly stated—and distinguished from each other—in Representative Vestal's reports on the revision bill he sponsored in 1926:

> The bill enacts that "All rights comprised in a copyright are several, distinct, and severable," and provides that such assignment or sale of any one or more of the author's rights comprised in his copyright may legally be made, *and it further provides* that where only a license to use may have been conceded, the licensee may sue to protect his right under the license, if such right is infringed. [164]

> [At present, the copyright owner] cannot sell outright to any person such separate rights. *Furthermore*, the licensee cannot bring suit to protect the right he may have secured under a license from the owner of the general copyright. It is to remedy this difficulty that this legislation is proposed.[165]

Note that while the inability of exclusive licensees to sue is clearly stated as a concern of the bill, such licensees' well-established inability to transfer without permission is not. This is striking, because the actual language of the bill in question would, if anything, seem to give stronger textual support than does the 1976 Act to the claim that all legal distinction between exclusive license and assignment was being abolished. The Vestal bill would have provided:

> Where, under any assignment of less than the entire copyright or under an exclusive license, the assignee or licensee becomes entitled to any right comprised in copyright or to the exercise thereof, the assignee or licensee to the extent of the rights so assigned or conferred *shall be treated for all purposes, including the right to sue, as the owner* of the several and distinct rights and parts of the copyright so assigned or conferred[.][166]

Arthur Kaminstein, in his definitive 1957 study of divisibility on behalf of the Copyright Office,[167] also recognized the question of an exclusive

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[164] *See* Rep. 2225, 69th Cong., 2d Sess. (1927) (emphasis added):

[165] Rep 1103, 70th Cong., 1st Sess. (1928) (emphasis added):

[166] H.R. 10434 at §9 (1926) (emphasis added).

[167] Abraham L. Kaminstein, Senate Judiciary Committee, 86th Cong., Study No. 11 Divisibility of Copyrights, in Copyright Law Revision Studies Nos. 11-13 (1957). Kaminstein was at the time Chief of the Examining Division of the Copyright Office (he was later to serve as Register of Copyrights from 1960-71). This was one of a series of

licensee's right to sue as separate from the question whether copyright should be made divisible, and queried whether divisibility would be "necessary or advisable" were such a right provided.[168] This is significant, because it illustrates the point that one might favor granting licensees the ability to sue while being wary of the consequences of permitting plenary assignment of partial use rights. It is also telling that although Kaminstein describes the doctrinal limitations on transferability of licenses,[169] nowhere does he suggest that it would be desirable to eliminate them or that doing so is one of the goals of divisibility.

2. The 1961 Report of the Register is consistent with *Gardner.*

In 1961, the Register of Copyrights transmitted its Report on the General Revision of the U.S. Copyright Law to the House Committee on the Judiciary.[170] The Report discusses divisibility at three points: in its opening section entitled "The Report In Summary," in Chapter 8 of the Report (on "Ownership of Copyright"), and in the "Summary of Recommendations" attached to the Report as Appendix B. Critics of *Gardner* have invoked the Report as demonstrating that transferability of exclusive licenses was a key facet of the policy of divisibility.[171] This

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studies pertaining to revision of copyright law that had been commissioned by the Subcommittee on Patents, Trademarks and Copyright of the Senate Judiciary Committee. See S. Res. 240, 89th Congress, Second Session.

[168] *Id.* at 28-29. Indeed, one of the earlier proposed revision bills had taken this approach, providing for licensee standing but not embracing divisibility of title. *See* H.R. 10976, 72d Cong., 1st Sess. At §13 (1932):

> Any license granted by the owner of a copyright work shall be deemed to secure to the licensee, to the extent of his interest, any and all remedies given by this act to any owner of the copyright. The licensee shall be entitled to proceed in his own name and behalf against any infringer of his rights under the license, without joining in such proceeding the owner of the copyright or any person claiming under him.

[169] Kaminstein at 13.

[170] A&P COPYREV76 COMM. PRINT 1961 (9A); Committee Print, Vol. III, (87th Cong., 1st Sess. 196); Arnold & Porter Legislative History: P.L. 94-553. (Hereinafter, "1961 Report").

[171] *See* Haemmerli at 17:

> The Register's statement expresses unequivocally the objective of making exclusive licensees full-fledged owners of their rights. In deciding that the entitlements of an exclusive licensee of copyright consist of anything less than the full panoply of ownership rights, including the ability to transfer at will, Gardner subverts that goal. Its holding that "the state of the law remains unchanged" as to a licensee's entitlement to re-convey is mistaken, because the purpose of defining an exclusive license as a transfer of ownership was to change the state of the law as to such licenses.

subsection will engage in close reading of the Report to show that the claim is unfounded.

a. The opening summary

The brief discussion in the opening summary begins by stating that the Report "would leave unchanged in most respects the present law regarding the ownership of copyright."[172] Given this, it would seem that failure to expressly address some established aspect of existing law—such as license nontransferability—implies the authors were not recommending that it be changed. The opening summary gives no indication that such a change was contemplated. It states the view that copyright should be made divisible "so that ownership of the various rights comprised in a copyright could be assigned separately."[173] The only other statement thought important enough to include in the opening summary is the following: "Under the present law an assignment is not effective against third persons without notice unless it is recorded, and this provision would be extended to exclusive licenses and partial assignments."[174] This last sentence is telling, for it provides the key explanation of why exclusive licenses are lumped together with assignments in the statute: in order to provide that all transactions resulting in the transfer of exclusive rights directly enforceable against third parties will be subject to the same rules concerning recordation and constructive notice. Note too that the sentence treats exclusive licenses and partial assignments as two distinct categories, to each of which the recordation requirement must be extended.

b. The section on divisibility

The full discussion of divisibility in Chapter 8 of the Report states that "indivisibility has created a number of troublesome problems," which it enumerates as the following:[175]

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[172] *See* 1961 Report at 4:

> Ownership and divisibility.--The report would leave unchanged in most respects the present law regarding the ownership of copyright. Copyright would be made divisible, however, so that ownership of the various rights comprised in a copyright could be assigned separately. Under the present law an assignment is not effective against third persons without notice unless it is recorded, and this provision would be extended to exclusive licenses and partial assignments.

[173] *Id.*

[174] *Id.*

[175] *See id.* at 62.

1) Uncertainty as to whether the copyright in a periodical covered the individual contributions, where all rights to those works were not assigned to the publisher.
2) Uncertainty as to whether the provisions pertaining to recordation of assignments applied also to partial transfers of rights.
3) Ambiguity as to whether proceeds from a partial transfer should be taxed as capital gains or ordinary income.
4) The inability of a partial transferee to sue for infringement without joining the owner of the residual rights as a party to the suit.

None of these problems was in any way caused by the presumptive inability of an exclusive licensee to transfer the license. All but one of them correspond to express provisions in the ultimate statute that either govern "transfers of copyright ownership" (recordation)[176] or confer "protection and remedies" on "copyright owners" (power to affix effective notice in one's own name[177] and standing to sue). The tax issue did not turn on downstream transferability,[178] and does not appear to have played any significant role in the ultimate drafting of the 1976 Act.[179] The last of the four—licensee standing—is identified by the Report as "particularly troublesome."[180] There is nothing to indicate that the authors regarded transferability as necessarily linked to enforcement rights however, and as we have explained above, there is no logical reason to do so.

The Report then describes its "Proposals for divisible copyright." First, it states:

> We believe that the copyright owner should be in a position to assign any

[176] *See* 17 U.S.C. §205(a). Note that recordation of exclusive licenses would be desirable regardless of the rule concerning downstream license transferability, because it serves equally to resolve priority conflicts among multiple exclusive licensees who purport to have received their rights directly from the original owner.

[177] *See* 17 U.S.C. §401-406. This issue was rendered much less important by the new statute, because failure to print proper notice no longer thrusts a work into the public domain. *See* 17 U.S.C. §102(a) (copyright "subsists" upon fixation of work in a tangible medium).

[178] *See* Lorna G. Margolis, *Divisibility in Relation to Income Tax* (appended to Kaminstein Study as Supplement 1) at 55-56. The rule adopted was that all transfers by authors, whether total or partial, were treated as ordinary income. Transfers by persons having a cost basis different from the author, by contrast, would count as a capital gain if they were irrevocable for the entire copyright term and granted in exchange for an up-front lump sum payment rather than ongoing royalties or other consideration made contingent on subsequent use.

[179] H.R. REP. 94-1476 contains no appearance of the string "tax."

[180] 1961 Report at 62.

> one or more of his rights without assigning the entire copyright. And a person who acquires a particular right exclusively should be treated as the owner of that right, though he is not the owner of other rights. This would bring the statute in line with commercial practice.[181]

This statement that "a person who acquires a particular right exclusively should be treated as the owner of that right" is the sort of thing *Gardner*'s critics see as expressing intent to abrogate the rule of nontransferability.[182] The entire weight of this conclusion, however, is based on the mistaken premise that "ownership" necessarily denotes transferability. This cannot have been what was meant, however, given that at the time licenses were not transferable as a matter of "commercial practice." Moreover, the Report itself goes on to specify what in practical terms is meant in this context by treating someone "as the owner of that right":

> Specifically, we propose that the law provide:
>
> (1) That any of the rights comprised in a copyright may be assigned separately.
>
> (2) That the statutory provisions governing "assignments" extend to exclusive licenses and other exclusive transfers of any right.
>
> (3) That the assignee of any particular right may sue in his own name alone for infringement of that right; but the court, in its discretion, may require or permit the joinder or intervention of any person appearing to have an interest in the suit.[183]

The authors thus urge that the statute adopt divisibility, clarify that assignees of partial rights have standing to use, and extend all the "statutory provisions" governing assignments to exclusive licenses. From what has gone before, it is clear that the "statutory provisions" in question would be ones providing independent enforcement rights, permitting partial transferees to affix effective notice in their own name, and providing for recordation. No statutory provision specifying that the "owner" of an assignment has full power of transfer is contemplated, presumably because no one doubted this as a matter of background law. As there is no need for a statutory provision to this effect, there is also nothing to be "extended" to the "owner" of an exclusive license, so as to alter the different background law understood to apply to such licenses.

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[181] *Id.*

[182] *See* Haermmerli at 15 (citing this language).

[183] 1961 Report at 62. I have inserted spacing to enhance readability, but the text is unaltered.

c. The summary of recommendations

Appendix B to the Report contains a "Summary of Recommendations" which recapitulates without further elaboration the three proposals from the section on divisibility. The wording of the proposals is nearly identical to that used earlier, except for that of the second proposal. Whereas the body of the Report proposes "[t]hat the statutory provisions governing 'assignments' extend to exclusive licenses," the Summary abbreviates this to "[t]hat an exclusive license or other exclusive transfer of any particular right constitutes an assignment of that right." This phrase in the Summary, removed from the context and qualifications provided in the body of the Report, does sound like a proposal that exclusive licenses simply be deemed assignments for all purposes. Read in this way however, the proposal goes far beyond anything discussed or justified in the body of the Report itself, not to mention the statutory language ultimately adopted.

Far from providing "forceful" support for the claim that downstream transferability of exclusive licenses was expressly sought by the authors of the 1976 Act,[184] the 1961 Report offers no indication that this issue had anything to do with the specific problems the statute was attempting to resolve, or that anyone even expressly contemplated the implications of their proposals in this regard. Both the Report and the statute itself appear to assume that the term "exclusive licenses" is to be retained as denoting a distinct category of transaction. Instead of eliminating this category or expressly providing that any exclusive license shall be tantamount to an assignment for all legal purposes,[185] both the Report and the statute take the narrower step of subjecting exclusive licenses to the same provisions of the copyright statute that govern assignments, thus conferring standing to sue and imposing formalities. In my view, the most likely interpretation is that either they simply were not focused on the *Gardner* issue at all, or else they deliberately chose not to disturb the background law concerning restrictions on license transferability.

CONCLUSION

Divisibility and transferability of ownership rights present both

[184] Haemmerli at 7-8.

[185] As had the earlier Vestal bill, which provided (in the substantive provisions, not in a definitional section) that "the assignee or licensee to the extent of the rights so assigned or conferred *shall be treated for all purposes, including the right to sue, as the owner* of the several and distinct rights and parts of the copyright so assigned or conferred[.]" See *supra* n. 166.

opportunities and dangers. Our goal should be to facilitate a wide variety of transactions while guarding against the danger of excessive fragmentation. In a world where owners are already empowered to create subdivisions of the copyright and assign them outright, treating exclusive licenses as presumptively transferable fails to serve either goal. On the one hand, it reduces available transacting possibilities by denying licensors the ability to exercise property-based control over the identities of their licenseholders. On the other, it encourages the unfettered transfer of exclusive rights to parties far afield from those contemplated by the licensor, making it more likely that they will become difficult to track down and come into conflict with other plans for authorized use of the work. Congress's use of the term "ownership" does not require us to embrace these consequences, nor should we. The Ninth Circuit got this one right.