

“WHAT EXACTLY ARE YOU IMPLYING?”: THE ELUSIVE NATURE OF THE IMPLIED COPYRIGHT LICENSE[♦]

CHRISTOPHER M. NEWMAN*

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INTRODUCTION

Every copyright lawyer knows *Effects Associates v. Cohen*, the case of the exploding alien yogurt.¹ The Ninth Circuit's opinion in *Effects* is a casebook staple not just for its quirky subject matter and Kozinskian asides, but because it raises—and doesn't really answer—troubling doctrinal questions about the nature of an implied copyright license: Is such a license a kind of contract, and if so, what kind? What principles govern whether one exists and whether it can be terminated? Is it transferable by the licensee? Does it bind assignees of the copyright? And what sources of law should courts look to in deciding these matters?

If we try to put together the various answers courts have given to these questions, the picture we get falls rather shy of coherence—much like a piece of special effects footage in which you can make out where certain bits of goo have landed, but can't quite discern how they're supposed to have gotten there. Often we're told that an implied license is a form of contract governed by state law, and sometimes courts make a big show of consulting state contract law in the course of deciding whether one exists. But the state law never really seems to provide the principles that guide the opinion, and most of the time federal courts just ignore it, following instead a body of precedent entirely of their own making—despite suggestions that this is a judicial usurpation flying in the face of *Erie* doctrine.²

I have argued that licensing law generally could be clarified by understanding that a license is not a contractual obligation assumed by a licensor, but rather a form of limited property interest granted by one, as an exercise of one of the powers of title.³ The law of implied copyright

¹ *Effects Assocs. v. Cohen*, 908 F.2d 555 (9th Cir. 1990).

² See generally Boryana Zeitz, "How High Is Up": *Interstitial Dilemmas in Nonexclusive Copyright Licensing Cases in the Ninth Circuit*, 11 UCLA ENT. L. REV. 429 (2004).

³ See Christopher M. Newman, *A License is Not A "Contract Not To Sue": Disentangling*

licenses presents something of an explanatory challenge for this approach. If licenses are an exercise of the owner’s power, how can they arise in circumstances where the owner made no effort to exercise it? In addition, there are clearly circumstances in which we think implied licenses should be irrevocable, and yet property formalities generally require a written grant to achieve this result. Does this mean that implied licenses, which by definition are not reduced to writing, must be contracts after all? Or perhaps that some of them are, while others are something else? This Article provides answers to these riddles, showing how consistent application of a property framework does a better job of rationalizing this area of law than the courts’ various halfhearted invocations of contract law.

Then again, implied licenses are closely related to other adjacent doctrines such as equitable estoppel, compulsory license, and exhaustion—all of which govern circumstances in which a non-owner of property becomes entitled to engage in certain uses of that property, despite the lack of any intent on the owner’s part to grant such an entitlement. The lines between these doctrines are easily blurred, and some have advocated doing so deliberately, seeing a welcome opportunity to expand the list of circumstances in which potential claims of copyright owners will be categorically ruled out.⁴ In other words, because implied licenses can seem to represent a departure from the principle of owner control, they potentially efface the boundary between two conflicting visions of copyright: one that views it as creating a system of private ordering continuous with traditional private law doctrines of property, contract and tort;⁵ and another that views it as a form of industrial regulation imposing policymakers’ views as to the optimal allocation of entitlements.⁶

I have argued in prior work that this dichotomy is based on a false premise to the extent that it imagines traditional property doctrine to confer absolute rights of control unconstrained by the interests of non-owners in freedom to pursue their own productive activities.⁷ This

Property and Contract In the Law of Copyright Licenses, 98 IOWA L. REV. 1102 (2013).

⁴ See Orit Fischman Afori, *Implied License: An Emerging New Standard in Copyright Law*, 25 SANTA CLARA COMPUTER & HIGH TECH. L.J. 275 (2009) (advocating an expansion of the implied license doctrine to impose terms on copyright owners regardless of contrary intent).

⁵ See, e.g., ROBERT P. MERGES, *JUSTIFYING INTELLECTUAL PROPERTY* (2011); Eric R. Claeys, *On Cowbells in Rock Anthems (And Property in IP): A Review of Justifying Intellectual Property*, 49 SAN DIEGO L. REV. 1033 (2012); Henry E. Smith, *Intellectual Property as Property: Delineating Entitlements in Information*, 116 YALE L.J. 1742 (2007); Adam Mossoff, *The Use and Abuse of IP at the Birth of the Administrative State*, 157 U. PA. L. REV. 2001 (2009).

⁶ See, e.g., Arielle Singh, *Agency Regulations in Copyright Law: Rulemaking Under the DMCA and Its Broader Implications*, 26 BERKELEY TECH. L.J. 527 (2011); Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, 83 TEX. L. REV. 1031 (2005); Joseph P. Liu, *Regulatory Copyright*, 83 N.C. L. REV. 87 (2004); Tom W. Bell, *Authors’ Welfare: Copyright as a Statutory Mechanism for Redistributing Rights*, 69 BROOK. L. REV. 229 (2003).

⁷ See Christopher M. Newman, *Transformation in Property and Copyright*, 56 VILL. L. REV.

Article continues in a similar vein, highlighting obstacles to opportunistic behavior by owners that are internal to traditional property doctrine. Again, far from creating facially absolute rights that necessitate counterbalancing in the form of ad hoc regulatory intervention, in actual practice property law has always been organically concerned with achieving principled calibration of competing claims. In the context of implied licenses, this takes the form of developing appropriate default rules that allocate the burdens of seeking or disclaiming grants of permission so as to discourage opportunism and reduce transaction costs without harming copyright owners' legitimate interests in control.

Part I of this Article begins by using the famous *Effects Associates* case to illustrate and explore the various conundrums raised by the implied license problem. It follows with a discussion of the main case law developments following *Effects*, in particular the Ninth Circuit's confused opinion in *Foad Consulting Group, Inc. v. Musil Govan Azzalino*,⁸ to illustrate the lack of a coherent framework for explaining and justifying the various tests used and results reached in this area of the law.

Part II seeks to provide this framework. Part II.A identifies implied license doctrine as being rooted, not in contract doctrine, but in the implied consent that is recognized as providing a defense to property and other torts. It also distinguishes implied license from estoppel, exhaustion, and compulsory license. Part II.B identifies three different categories of inference that might lead to a finding of implied license: (1) inference based on conduct showing actual subjective consent to the use; (2) inference based on a majoritarian default rule; and (3) inference based on a penalty default rule. The penalty default rule identified is the one that was applied in *Oddo v. Ries* and *Effects Associates*,⁹ requiring authors who create works on commission to disclose to their clients prior to delivery whether they intend to place conditions on the client's intended uses of the work. I discuss the justification for this rule and also situate it in the context of the work-for-hire doctrine as a means of lowering transaction costs by creating a set of relatively intuitive expectations concerning the baseline allocations of rights when one person creates a work for the use of another. Finally, Part II concludes with a discussion of the extent to which contractual relations are relevant to the inquiry into whether an implied license has been granted.

Part II.C addresses the question of how an implied license

251, 259–67 (2011); Christopher M. Newman, *Patent Infringement As Nuisance*, 59 CATH. U. L. REV. 61 (2009).

⁸ 270 F.3d 821 (9th Cir. 2001).

⁹ See generally *Oddo v. Ries*, 743 F.2d 630 (1984); *Effects Assocs. v. Cohen*, 908 F.2d 555 (9th Cir. 1990).

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becomes irrevocable. I argue that while the usual theory of consideration will work in certain cases, the irrevocability of licenses arising under the *Oddo/Effects* doctrine is better explained as an application of the common law property doctrine holding that a “license coupled with an interest” is irrevocable even absent a signed writing.¹⁰ This doctrine justifies and treats the implied license as something akin to an easement by necessity, giving it the characteristics of both (limited) transferability and validity against assignees of the copyright that are assumed in the case law but difficult to justify on a contract theory.

Part II.D discusses the powers of assignment and sublicense, which have been held in a long-entrenched line of cases to be obtainable only through an express grant by the licensor. I show that despite this doctrine, courts have in fact permitted both sublicensing without express permission and—in the case of implied licenses of the *Oddo/Effects* variety—outright assignment to other parties along with the other rights in the project to which they were attached. I argue that this seeming contradiction can be reconciled by paying close attention to the purposes of the non-assignability doctrine, which serves to protect the creators of independent works in their ability to control the identity of their licensees, an interest that is not really threatened by either of the exceptions identified.¹¹

Part III turns to the choice of law issue, arguing that not only is the law of implied copyright licenses a de facto arena of federal common law, but also that this is entirely appropriate. State law has little to say about copyright licenses in general, because they are not contractual obligations but incidents of property rights created by federal law and enforced exclusively in federal courts. There is neither a practical benefit gained from consulting state law in these cases nor a jurisdictional reason to do so.

I. EXPLODING YOGURT, AND OTHER MESSES

A. *Effects Associates v. Cohen*

The basic facts of *Effects Associates v. Cohen* are as follows: Effects Associates was a special effects company that entered into a contract with movie producer Cohen to create special effects footage for a sci-fi thriller entitled “The Stuff.”¹² The plot of the film involves an alien life form cleverly disguised as sweet-tasting yogurt that oozes from the earth, but that turns out when mass marketed to devour

¹⁰ See *infra* note 212.

¹¹ See *infra* notes 237–239 and accompanying text.

¹² THE STUFF (New World Pictures 1985).

consumers' brains and turn them into zombies.¹³ Effects was to produce seven shots—including the climactic explosion of the industrial “stuff” plant—for which it was to be paid just over \$62,000.¹⁴ The contract was entered into orally, and did not address copyright issues. Effects created and handed over the footage as promised, but Cohen was displeased with the quality. Cohen withheld payment of part of the agreed price while nevertheless incorporating the footage into the film and turning it over for distribution.¹⁵ Effects sued for infringement, asserting that because Cohen had not made payment in full, he had no license.¹⁶

The case for infringement was straightforward. Effects had created the special effects footage, which constituted an audiovisual work of authorship protected under the Copyright Act.¹⁷ As the author of the footage, Effects acquired ownership of the copyright as soon as the work was fixed in a tangible medium.¹⁸ Effects handed the footage over to Cohen, apparently in the physical embodiment of film negatives.¹⁹ We are not told whether Effects handed over a unique “master” copy of the footage or whether it retained any copies for itself—though the court appears to assume at one point in the opinion that Effects would be in a position to make its own competing uses of the footage if it wished.²⁰ We are also not told, but may assume, that by delivering the film to Cohen, Effects transferred title to the delivered physical copy to Cohen, pursuant to traditional state property law governing ownership of chattels. In any event, such facts have no bearing on ownership of copyright in the protected work embodied in those copies, which therefore remained with Effects.²¹ Cohen incorporated the footage into his film, a process that presumably involved the making of copies that reproduced it. The making of such copies is an act that falls within the exclusive right accorded to copyright owners by 17 U.S.C. § 106(1). Cohen then gave copies of the film to New World Entertainment for distribution, thus treading within the exclusive distribution right of § 106(2). These facts were undisputed.²²

¹³ See *id.*

¹⁴ *Effects*, 270 F.3d at 556 n.1.

¹⁵ *Id.* at 556.

¹⁶ *Id.*

¹⁷ Copyright Act, 17 U.S.C. § 102(a)(6) (2012) (listing “motion pictures and other audiovisual works” as “works of authorship”).

¹⁸ *Id.* (stating “Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression[.]”); 17 U.S.C. § 201(a) (2012) (“Copyright in a work protected under this title vests initially in the author or authors of the work.”).

¹⁹ See *Effects*, 908 F.2d at 558 n.6.

²⁰ *Id.* at 559.

²¹ See 17 U.S.C. § 202 (2012) (stating “Transfer of ownership of any material object, including the copy or phonorecord in which the work is first fixed, does not of itself convey any rights in the copyrighted work embodied in the object[.]”).

²² *Effects*, 908 F.2d at 556.

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Given all the above, Cohen was clearly liable for infringement as a *prima facie* matter. There was no colorable fair use defense or other applicable exception to the author’s exclusive rights. Cohen needed to argue either that ownership of the copyright in the footage had somehow been transferred to him, or that Effects had granted him a license to engage in the activities now alleged to be infringing. In fact, he argued both.

The first part of the Ninth Circuit’s opinion—the less interesting one for purposes of this Article—held that there could be no effective transfer of ownership, for there was no signed written document making such a transfer.²³ Section 204 of the Copyright Act requires such a writing, and the court’s first task was to reject the contention that this requirement should be relaxed in deference to the assertedly customary practice in the film industry of effecting such transfers informally.²⁴

There remained, however, the possibility that Effects had granted Cohen a license. The writing requirement of Section 204 applies only to an enumerated list of transactions labeled “transfers of copyright ownership,” and this list expressly omits nonexclusive licenses.²⁵ Nothing in the Copyright Act, then, precluded Cohen from arguing that he had a license, so long as it was nonexclusive. Nor, for that matter, does anything in the Copyright Act prescribe what facts a court should look to in deciding whether a license has been granted. Apart from the formal requirement prescribed in Section 204 for exclusive licenses, the Copyright Act does not address license creation at all.

License creation wasn’t the only issue in the case. Finding that a license was granted does not resolve a claim of infringement unless we know the terms of the license. Thus, Cohen needed to argue not just that Effects had given him a license at some point, but that this license was still in effect, and that it applied to his acts of alleged infringement. This means that Cohen had to establish not only that those acts were within the scope of the license grant, but also that the license had been granted in such a way as to become and remain irrevocable, notwithstanding his

²³ *Id.*

²⁴ See 17 U.S.C. § 204(a) (2012) (stating “A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner’s duly authorized agent.”); *Effects*, 908 F.2d at 556 (rejecting the contention that “[m]oviemakers do lunch, not contracts”).

²⁵ See 17 U.S.C. § 101 (2012):

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.

For a detailed discussion of this provision and the implications of its inclusion of “exclusive license” as a form of “copyright ownership,” see Christopher M. Newman, *An Exclusive License is Not An Assignment: Disentangling Divisibility and Transferability of Ownership in Copyright*, 74 LA. L. REV 59 (2013).

failure to pay the agreed price for the footage. If Effects had any power to terminate the license, presumably it had done so by filing suit (if not before). In addition there was the question of whether any implied license extended to New World Entertainment, which apparently had no direct dealings with Effects. If so, why? Were New World's activities within the scope of the implied license to Cohen, or did that license also include an implied power to sublicense? For Cohen to prevail, he needed the court to rule in his favor on all these questions not only in the absence of a writing, but also in the absence of any express oral statement by the parties addressing the matters of copyright or license.

Given that the Copyright Act doesn't address these matters, what law is a federal court supposed to consult in deciding them? This question potentially involves choices between federal and state law, between the law of contract and the law of property, and between different transactional paradigms within either of those bodies of doctrine. When a court finds an implied license to exist and construes its terms, what exactly is it doing?

1. If the implied license is a contract, why can't it be terminated?

The opinion in *Effects Associates* doesn't tarry long on these foundational issues. It addresses them only passingly in a footnote, primarily to brush off Effects's contention that an implied license is an equitable remedy not available to someone like Cohen who didn't abide by the terms of the deal.²⁶ The court rejects this characterization, remarking that an implied license "seems to us to be a creature of law, much like any other implied-in-fact contract."²⁷ In so doing, the court seems to adopt what I have elsewhere described (and criticized) as the "contract theory of license."²⁸ According to this theory, a license is a species of contractual obligation, one binding the licensor not to sue the licensee for infringement—a "contract not to sue."²⁹

If you assume that a license is a contract, then it follows readily that an implied license must be an implied contract. An "implied-in-

²⁶ 908 F.2d at 559 n.7.

²⁷ This remark is followed by a citation to *Landsberg v. Scrabble Crossword Game Players, Inc.*, 802 F.2d 1193 (9th Cir. 1986), an earlier Ninth Circuit opinion that applied California contract law to find and construe an implied-in-fact contract permitting recovery by an author who had submitted his manuscript to a publisher, only to have the publisher turn around and publish a book of its own based on the same ideas. The citation isn't quite on point, except as a general example of an implied-in-fact contract. There was no question of license in *Landsberg*, as the defendant's book had previously been held by the Ninth Circuit to be noninfringing because not substantially similar to the plaintiff's. See *Landsberg v. Scrabble Crossword Game Players, Inc.*, 736 F.2d 485 (1984). Rather, the implied contract at issue in *Landsberg* was more along the lines of "I'll show you my manuscript with the understanding that you won't steal and use my ideas without paying me." See *Landsberg*, 802 F.2d at 1196.

²⁸ See generally Newman, *supra* note 3.

²⁹ See *id.* Note that as I suggest below, I don't think that the *Effects* opinion really adopts this theory.

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fact” contract, in turn, usually means one where the court finds the parties’ conduct to indicate an effective offer and acceptance despite the lack of any express statements to that effect.³⁰ What does this mean in the context of *Effects*, where there was no need to imply a contractual meeting of the minds from conduct, because there was already an express oral one? Is the license an unspoken term of the contract the parties already have, or a separate parallel agreement? Either way, one might expect this to be a matter governed by state contract law, as suggested by the court’s one cited example.³¹

Yet the court doesn’t consult any state contract law in determining that *Effects* had given Cohen a license. Instead, it relies on an earlier Ninth Circuit case, *Oddo v. Ries*, in which the court had also found an implied copyright license, albeit one whose scope the defendant had exceeded.³² *Oddo* hadn’t invoked state contract law, either. In fact, *Oddo* hadn’t said anything about a license being a type of contract; rather, the court had framed the issue simply as whether the plaintiff had “granted permission” to use his works, and proceeded, in the absence of any findings on this matter from the district court, and without citing any authority as to the nature of the inquiry, to conclude that he had.³³ *Oddo* had prepared and handed over to his business partner for publication a book manuscript that incorporated articles he had previously written and published.³⁴ Given that the sole purpose for which the partnership had been formed was to publish the book, and the provision of this manuscript was *Oddo*’s only contribution of value to the enterprise, the court concluded that he must have impliedly given the partnership a license to publish the articles as used in the manuscript.³⁵

In *Effects* the court follows suit, finding that the studio had granted Cohen a license.³⁶ The thrust of the reasoning seems straightforward: *Effects* had contracted to provide the footage knowing that the only reason that Cohen wanted and would be willing to pay the stated price for it was in order to use it in his movie. If the deal didn’t include a

³⁰ See E. ALLAN FARNSWORTH, CONTRACTS 155 & n.2 (2d ed. 1990).

³¹ See *Landsberg*, 802 F.2d at 1196 (relying on California contract law).

³² 743 F.2d 630 (9th Cir. 1984) (finding the author had granted an implied license to publish the book based on the manuscript he provided for that purpose).

³³ *Id.* at 634.

³⁴ *Id.* at 632.

³⁵ *Id.* at 634. This license, however, extended only to publication of the manuscript as *Oddo* had prepared it, and did not permit *Ries* to publish a version completed by someone else. *Id.* This is puzzling, because we are told that *Oddo* “had delivered to *Ries* a manuscript that contained much but not all of the material the partners planned to include in the book.” *Id.* at 632. An implied license permitting only the as-is publication of an incomplete manuscript isn’t much of a license, and one wonders why the court thought that implying one would give *Oddo*’s contribution more than “minimal value.” *Id.* at 634.

³⁶ See *Effects Assocs. v. Cohen*, 908 F.2d 555, 559 (9th Cir. 1990).

license for that purpose, the footage would be worthless to Cohen, so it stood to reason that part of what he was paying for was the right to use the footage for its intended purpose.³⁷

So far so good, but why is Cohen entitled to the license even though he *didn't* pay the agreed amount? The answer the court gives is the following: “Nor can we construe payment in full as a condition precedent to implying a license. Conditions precedent are disfavored and will not be read into a contract unless required by plain, unambiguous language.”³⁸ This seems rather troubling from a copyright owner’s perspective. By definition, an implied license is one that is found to exist despite the absence of any “plain, unambiguous language” discussing the matter. So the *Effects* court is saying that even though we will readily find an implied license where needed to make the transaction seem sensible from the licensee’s perspective, we will *never* infer from the transaction that this license was meant to be contingent on the licensee’s actually doing as promised—even though the promise, unlike the license, is actually embodied in “plain, unambiguous language.” Isn’t that a bit one-sided? Under this reasoning, it wouldn’t make any difference if Cohen had refused to pay a single cent of the promised amount—he would still have his license, even though one of the stated reasons for inferring its existence was to avoid the absurdity of his having paid for nothing. If this is an agreement, might there not be situations in which it would be absurd to infer that the copyright owner would agree to grant a license unconditionally?

Indeed, why should *Effects*’s claim hinge on whether payment is a *condition precedent* to the license, as opposed to just a good old-fashioned material term of the contract that justifies termination in the case of breach? After all, even the compulsory mechanical license forced on copyright owners by statute provides for termination in the case of nonpayment.³⁹ If we are working under the theory that the license is a contractual obligation binding *Effects* to allow use of the work, then it seems the analysis ought to go as follows.

When *Effects* and Cohen made their deal, they entered into an executory contract in which each party’s consideration consisted of a promise. *Effects* promised to create the footage, to provide it to Cohen, and (implicitly) to refrain from suing Cohen for infringement when he used it in his film. In exchange, Cohen promised to pay the agreed price. The contract became binding when the parties agreed to these terms. Once *Effects* delivered the footage, it remained bound by its contractual duty to acquiesce in Cohen’s use of it. Since this was a

³⁷ *Id.* at 558–59.

³⁸ *Id.* at 559 n.7 (citation omitted).

³⁹ See 17 U.S.C. § 115(c)(6) (2012).

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contractual duty however, it would last only so long as the contract remained in force. If the contract were rescinded or terminated, Effects would be relieved prospectively of its contractual duty and would be free once more to sue Cohen for infringement.

When Cohen definitively refused to pay the agreed price, he arguably placed himself in breach of contract. Effects could contend that it was a material breach of the contract that justified suspension or termination.⁴⁰ Of course, the question was not open and shut. Cohen would presumably contend that the contract included an express or implied term concerning the quality of the footage to be delivered, and that the actual footage had failed to meet this standard. He would also argue that since he had paid most of the agreed price, the breach was partial at best and did not justify termination of Effects’s remaining duty of performance (i.e., to refrain from a suit for infringement).

We don’t know how the contract dispute would have played out. But the point is that if the license were really a contract, the federal court would be obliged to actually reach and resolve these questions of contract breach and termination (assuming the parties raised them) in order to resolve the copyright claim. The existence of the license was Cohen’s sole defense to a claim of copyright infringement, so the question whether he was infringing would turn entirely on the question whether his failure to pay had resulted in termination. The opinion in *Effects* doesn’t seem to view it that way, despite its passing comment about implied contracts. The opinion notes that Effects is free to sue Cohen for breach of contract in state court, but treats this as a separate claim having no bearing on the question of infringement. It may well be that the court proceeded this way simply because Effects knew it had a weak case on material breach and termination, and therefore didn’t argue them, relying instead on its theories of condition precedent and unclean hands and thus conceding that any claim of breach could only be for damages and not termination. Because the opinion doesn’t address this, however, it leaves us unsure whether the court thinks any breach of contract could ever result in termination of the license.

2. If the implied license is a property transfer, where’s the conveyance?

Breach or not, we are told that Effects has relinquished its right to sue for infringement: “Copyright ownership is comprised of a bundle of

⁴⁰ See, e.g., *Jacob Maxwell, Inc. v. Veeck*, 110 F.3d 749, 753 (11th Cir. 1997) (licensee’s material breach of contract would permit licensor to revoke license, though it would not result in automatic revocation); *Irwin v. Am. Interactive Media, Inc.*, No. CV 93–1403 RG (SX), 1994 WL 394979 (C.D. Cal. Apr. 14, 1994) (triable issue of fact as to whether Defendants’ failure to pay \$2,000 invoice until plaintiff sent revocation letter constituted a material breach of the license entitling plaintiff to revocation and damages for copyright infringement for further use thereafter).

rights; in granting a nonexclusive license to Cohen, Effects has given up only one stick from that bundle—the right to sue Cohen for copyright infringement.”⁴¹ This isn’t contract talk anymore; it’s property talk. Now it sounds like the “license” is *not* merely a contractual duty. Rather, despite the earlier holding that no “transfer of copyright ownership” has taken place, Effects has somehow “given” Cohen a stick out of its bundle of rights.⁴² Moreover, it has apparently done so in such a way that no matter what Cohen does, Effects can’t take the stick back—otherwise, it would. That sounds like the irrevocable conveyance of a property interest, albeit one that falls short of full “copyright ownership.” If so, however, it raises other vexing questions.

Usually, irrevocable property transfers call for some kind of formal act by means of which the grantor deliberately transfers the rights. If I’m conveying a chattel, the formality may consist of no more than handing it over.⁴³ But when we’re talking about property interests that are more abstract than that—like for example an easement, which is also a form of irrevocable license—we usually require them to be granted in writing.⁴⁴ This is both in order to protect the grantor from inadvertent transfers that can’t be undone, and to create objective records that lower the costs of figuring out who owns what. This latter function is at its most urgent when the rights being transferred are exclusive rights that can be invoked against third parties, which is why the Copyright Act imposes a writing formality on all exclusive licenses.⁴⁵

Nonexclusive licenses aren’t generally subject to this requirement. But ordinarily such a license is a mere permission, presumed to be revocable by the copyright owner at will.⁴⁶ Usually, the only way in which they are said to become irrevocable is when they are granted in exchange for consideration.⁴⁷ That’s no help here, because it brings us back to wondering what happens when the promised consideration fails to materialize. Consideration is a contract formality, not a property formality: the only irrevocability it can create is a contractual obligation not to revoke, and as we’ve seen, the court declined to go down that road. We seem to be left with an irrevocable transfer of property that was effected without any deliberate act of conveyance by the property

⁴¹ *Effects*, 908 F.2d at 559.

⁴² *Id.* at 556, 559.

⁴³ RESTATEMENT (THIRD) OF PROPERTY: WILLS & OTHER DONATIVE TRANSFERS § 6.2 (2003) (“[T]he transfer of personal property, necessary to perfect a gift, may be made by delivering the property to the donee . . .”).

⁴⁴ Statute of Frauds, 29 Car. II, c. 3 (1677) (Eng.).

⁴⁵ See Newman, *supra* note 3, at 1139–41.

⁴⁶ 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 10.02[B][5] (Matthew Bender rev. ed. 2010).

⁴⁷ *Id.* § 10.03[A][8], at 10-56.2(2)(a).

owner.

Then again, riddle me this: What if Effects were to sell its copyright in the footage to someone else, as the court helpfully suggests it is free to do?⁴⁸ Suppose the new assignee (who, we will assume, purchased the rights without any knowledge of the prior dealings with Cohen) wishes to pursue Judge Kozinski’s suggestion that the footage has potential for music videos,⁴⁹ but believes that the artistic integrity of the oeuvre she has in mind would be marred by the same images appearing in a cheesy B-movie thriller.⁵⁰ She is now the owner of the copyright, and she has no contractual obligation to Cohen not to revoke his license. Is it binding on her anyway? The stick metaphor suggests that it is—you can’t transfer a stick you’ve already given away. And yet Section 205(e) of the Copyright Act specifically provides that a nonexclusive license trumps a subsequent transfer of copyright ownership *if the license was granted in writing*—another example of the importance of formal transfer when the transaction is intended to bind third parties. This implies that, since Cohen’s license wasn’t in writing, he would be out of luck. Moreover, it implies that even though Effects couldn’t sue Cohen for infringement itself, it could have used the threat of assignment to someone else who could sue as leverage to get the rest of the agreed payment; or perhaps even more. This doesn’t seem to be what the court had in mind.

B. After Effects

The gloss on *Oddo* provided in *Effects Associates* has since become a sort of standardized paradigm for approaching questions of implied license.⁵¹ In *I.A.E., Inc. v. Shaver*,⁵² the Seventh Circuit seized upon the circumstances that *Oddo* and *Effects* had in common, and enshrined them as enumerated parts of a now-generalized test:

[T]he Ninth Circuit, in *Effects*, held that an implied nonexclusive license has been granted when (1) a person (the licensee) requests the creation of a work, (2) the creator (the licensor) makes that particular work and delivers it to the licensee who requested it, and (3) the licensor intends that the licensee-requestor copy and distribute his work.⁵³

⁴⁸ *Effects Assocs. v. Cohen*, 908 F.2d 555, 559 (“Effects may license, sell or give away for nothing its remaining rights in the special effects footage.”).

⁴⁹ *Id.*

⁵⁰ Or perhaps a C-movie. See Simon Barber, *Rewind...The Stuff*, THE 80S MOVIES REWIND, <http://www.fast-rewind.com/thestuff.htm> (suggesting that this might be the more appropriate appellation (and meaning it in a good way)).

⁵¹ See Zeitz, *supra* note 2, at 442–43 (“[V]irtually every circuit court which subsequently addressed the creation of implied nonexclusive licenses relied on *Effects Associates* in one degree or another.”).

⁵² 74 F.3d 768, 776 (7th Cir. 1996).

⁵³ *Id.* at 776 (finding that the architect had granted an implied nonexclusive license to utilize his

At the same time, the *Shaver* court tried to provide somewhat more clarity as to the nature of a license, beginning with a footnote explaining that: “A ‘license’ was described by Judge Swan of the Second Circuit more than a half-century ago in these terms: ‘In its simplest form, a license means only leave to do a thing which the licensor would otherwise have a right to prevent.’”⁵⁴

Such leave could apparently be granted without any of the trappings of contract formation: “[C]onsent given in the form of mere permission or lack of objection” will suffice.⁵⁵ The court noted that “implied licenses are like implied contracts” in that both can be implied from conduct, but stopped short of calling them a species of contract, relying almost entirely on *Effects* and *Oddo* in determining whether one had been granted in the case before it.⁵⁶ Shortly thereafter, the Sixth Circuit took a similar approach in *Johnson v. Jones*,⁵⁷ relying on the rationale of *Effects* and *Shaver* to decide whether there was an implied copyright license, and doing so without any mention of contract law.

The contract theory reared its head again, however, in *Foad Consulting Group, Inc. v. Musil Govan Azzalino*.⁵⁸ Like both *Shaver* and *Johnson*, *Foad Consulting* involved a disgruntled designer who had provided plans in connection with the initial stages of a construction project, and who objected when those plans were modified and used under the supervision of a substitute designer.⁵⁹ Like *Shaver*, the case involved a transaction governed by a fairly elaborate written contract, albeit one that failed to address the issue of copyright licenses.⁶⁰ As an additional wrinkle, the defendant was not the party to whom the implied license (if any) had actually been granted, but a third party to whom the original client had assigned all of its interests in the project.⁶¹ The panel was unanimous in finding the defendant to have a license, but split as to the proper mode of analysis.⁶²

Though *Foad Consulting* had been litigated under the assumption that the implied license question was simply governed by the line of

drawings in completion of project despite his termination).

⁵⁴ *Id.* at 775 n.7 (citing *W. Elec. Co. v. Pacent Reproducer Corp.*, 42 F.2d 116, 118 (2d Cir.), *cert. denied*, 282 U.S. 873 (1930)).

⁵⁵ *Shaver*, 74 F.3d at 775.

⁵⁶ *Id.* at 776–78. The exception is the court’s brief invocation of Indiana contract law at 777.

⁵⁷ 149 F.3d 494, 500–02 (6th Cir. 1998) (finding that, unlike the architect in *Shaver*, plaintiff had withheld any implied permission to use his designs without his continued involvement in project).

⁵⁸ 270 F.3d 821 (9th Cir. 2001).

⁵⁹ See *Shaver*, 74 F.3d at 770–71; *Johnson*, 149 F.3d at 499; *Foad Consulting*, 270 F.3d at 824–25. Foad is technically described as an “engineering firm,” but it was providing site development plans for a shopping center. *Foad Consulting*, 270 F.3d at 824–25.

⁶⁰ See *Shaver*, 74 F.3d at 771; *Foad Consulting*, 270 F.3d at 824–25. In *Johnson*, there had been a lengthy negotiation process involving several drafts of a proposed contract, but it was never finalized. *Johnson*, 149 F.3d at 497–99.

⁶¹ *Foad Consulting*, 270 F.3d at 824.

⁶² See *id.* at 832 (Kozinski, J., concurring).

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federal precedent stemming from *Oddo* and *Effects*, the majority chose to raise and squarely confront the choice of law questions that those cases had glossed over.⁶³ Reasoning that Congress had not preempted the field,⁶⁴ and that state law is generally used to fill in the gaps in federal statutes,⁶⁵ the court made clear it was addressing and answering the following question: “Which law, state or federal, governs the creation of an implied, nonexclusive copyright license?”⁶⁶ The court then answered the question it had posed for itself, finding that the threshold question of whether an implied, nonexclusive copyright license can be granted is governed by federal law.⁶⁷ However, “whether a copyright holder has, in fact, granted such a license” is governed by state law, specifically state contract law.⁶⁸ Moreover, if the applicable state law conflicts with federal copyright law or policy, state law must give way.⁶⁹

With regard to whether a license had been granted, instead of asking whether the totality of the parties’ conduct was such as to evidence (under California law) tacit agreement on license terms, the court framed the question as one of interpreting *the written contract* between Foad and GenCom to “determine whether the February 1996 contract between Foad and GenCom granted GenCom an implied copyright license.”⁷⁰ This made it necessary (so the majority believed) to consult California’s version of the parol evidence rule, and additionally to ask whether that rule was in conflict with federal copyright law or policy.⁷¹ When it came to the question of whether the license was transferrable however, the court ignored this question of conflict entirely. The written contract expressly prohibited either party to assign rights without consent, but the court invoked California contract law holding that such a provision could not affect the validity of the transfer.⁷² In doing so, the court ignored a well-established doctrine of federal copyright law holding that licenses are non-assignable without the express consent of the licensor.⁷³

Concurring in the result, Judge Kozinski argued that the majority’s approach made little sense,⁷⁴ that the parties had not raised the choice of

⁶³ *Id.* at 823–24 (beginning opinion with need to decide whether state or federal law governs the creation of an implied nonexclusive copyright license).

⁶⁴ *Id.* at 827.

⁶⁵ *Id.*

⁶⁶ *Id.* at 824.

⁶⁷ *Id.*

⁶⁸ *Id.*

⁶⁹ *Id.* at 827–28.

⁷⁰ *Id.* at 828.

⁷¹ *Id.* at 827–28 (deciding that it was not).

⁷² *Id.* at 831.

⁷³ See *Gardner v. Nike*, 279 F.3d 774 (9th Cir. 2002).

⁷⁴ Indeed, that it made “about as much sense as calculating how high is up.” 270 F. 3d at 833

law issue, and that the case should simply be decided by applying *Effects* and its progeny.⁷⁵ He also suggested a theory that would justify the courts' usual frank reliance on federal precedent. Departing from his footnote in *Effects*, Judge Kozinski suggested that perhaps an implied copyright license is not really an implied-in-fact contract after all, but rather an implied-in-law one, which is to say, "not a contract at all," but rather "a legal obligation the law imposes between certain parties where there is no actual agreement between them."⁷⁶ Under this view, the implied license has "nothing at all to do with contract law," and is instead "an incident of the copyright and is therefore governed by federal law."⁷⁷

So, which is it? Here's what we can say as a matter of empirical observation: Under the body of doctrine stemming from *Oddo*, federal courts look at various factors to decide whether the relationship between author and client was such as to raise a proper inference that when the author handed the work over, she intended to hand over use privileges with it.⁷⁸ Sometimes these courts repeat the assertion that a license is a contract. This means that no implied license can come into being without a "meeting of the minds,"⁷⁹ and sometimes it leads courts to wrestle with questions of parol evidence or statute of frauds under state law.⁸⁰ Other times, courts describe the relevant inquiry not as looking

(Kozinski, J., concurring).

⁷⁵ *Id.*

⁷⁶ 270 F.3d at 832 (Kozinski, J., concurring).

⁷⁷ *Id.*

⁷⁸ See, e.g., *Nelson-Salabes, Inc. v. Morningside Dev., LLC*, 284 F.3d 505, 516 (4th Cir. 2002):

(1) whether the parties were engaged in a short-term discrete transaction as opposed to an ongoing relationship; (2) whether the creator utilized written contracts, such as the standard AIA contract, providing that copyrighted materials could only be used with the creator's future involvement or express permission; and (3) whether the creator's conduct during the creation or delivery of the copyrighted material indicated that use of the material without the creator's involvement or consent was permissible.

⁷⁹ *N.A.D.A. Services Corp. v. Bus. Data of Va., Inc.*, 651 F.Supp. 44, 49 (E.D.Va. 1986) ("The creation of an implied license, as in the creation of any implied contract, requires a meeting of the minds.").

⁸⁰ See *Carson v. Dynegey, Inc.*, 344 F.3d 446 (5th Cir. 2003) (applying state law on valid consideration); *Foad Consulting Grp., Inc. v. Azzalino*, 270 F.3d 821 (9th Cir. 2001) (applying state law on parol evidence); *Kennedy v. Nat'l Juvenile Det. Ass'n*, 187 F.3d 690 (7th Cir. 1999) (applying state law on contract construction); *Graham v. James*, 144 F.3d 229 (2d Cir. 1998) (applying state law on contract rescission and construction regarding royalty terms as covenants rather than conditions); *Lulirama Ltd., Inc. v. Axxess Broad. Serv., Inc.*, 128 F.3d 872 (5th Cir. 1998) (applying state law on court's authority to alter terms of invalid contract); *Jacob Maxwell, Inc. v. Veeck*, 110 F.3d 749 (11th Cir. 1997) (applying state law on court's authority to alter terms of invalid contract); *Intelligraphics, Inc. v. Marvell Semiconductor, Inc.*, 2008 WL 3200212 (N.D. Cal. 2008) (applying state law on parol evidence); *Tim Vining Real Estate Appraiser & Consultants, Inc. v. Clark Jennings & Assocs., Inc.*, 2005 WL 1500972 (E.D. Wash. 2005) (applying state law on use restriction terms and parol evidence); *Lowry's Reports, Inc. v. Legg Mason, Inc.*, 271 F.Supp. 2d 737 (D. Md. 2003) (applying state law on contracts implied in fact); *Viacom v. Fanzine*, 2000 WL 1854903 (S.D.N.Y. 2000) (applying state law on need for meeting of minds to create binding contract).

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for a meeting of the minds, but as identifying the grantor’s intent.⁸¹ Moreover, it is clear that much of this doctrine has been developed as a form of federal common law.⁸² As the leading licensing treatise states, “we know of no cases (other than *Foad*) where a court is asked to determine, or feels a need to determine, which state’s law governs the estoppel or implied license analysis. That is an issue that would be important if the cases were indeed relying on state law.”⁸³ Even the *Foad* plurality, despite a lengthy discussion of California’s parole evidence rule and its compatibility with federal law, winds up simply applying the federally developed doctrine on implied license, and predicting that the California Supreme Court would adopt it if given the chance.⁸⁴

II. CLEANING UP THE MESS

A. *What Is an Implied License?*

The key to cleaning up the mess is to recognize that the courts in *Oddo* and *Shaver* had it right: the proper way to conceive of a license is as a “permission,” a “leave to do a thing which the licensor would otherwise have a right to prevent[.]”⁸⁵ Property rights function by giving owners exclusive rights to assign use to owned things.⁸⁶ These rights

⁸¹ See, e.g., *Nelson-Salabes*, 284 F.3d at 515 (calling intent “determinative question”); *Johnson v. Jones*, 149 F.3d, 494, 502 (6th Cir. 1998) (“Without intent, there can be no implied license.”); see also *Data Gen.*, 36 F.3d at 1167 n.35 (license is found from copyright owner’s grant of “permission to use”); *John G. Danielson, Inc. v. Winchester-Conant Properties, Inc.*, 322 F.3d 26, 42 (1st Cir. 2003) (noting the importance of “whether the supposed infringer obtained the plans directly from the supposed licensor, which would suggest permission to use them,” and explaining that the correct inquiry is an objective one into facts that manifest the grantor’s intent, not the subjective perception of the supposed licensee); see also *Data Gen. Corp v. Grumman Sys. Support Corp.*, 36 F.3d, 1147, 1167, n. 35 (1st Cir. 1994) (license is found from copyright owner’s grant of “permission to use”).

⁸² See *infra* note 257.

⁸³ 1 RAYMOND T. NIMMER & JEFF C. DODD, MODERN LICENSING LAW § 10:4 (2010-2011 ed. 2010). See also *Zeitz*, *supra* note 2, at 442 (“While previous cases on nonexclusive implied licenses failed to boldly declare that they were “devising” federal common law, what else could they have applied if there was almost no mention of applicable state law?”).

⁸⁴ *Foad Consulting*, 270 F.3d at 827 & n.10.

⁸⁵ See *Zeitz*, *supra* note 2. See also Newman, *supra* note 3, at 1114: “A license is a legal interest created by the titleholder of some property that gives some non-titleholder a privilege to make designated uses of the property that would otherwise violate the titleholder’s property rights.”

⁸⁶ See 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.” (emphasis omitted)); 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”); Eric R. Claeys, *Property 101: Is Property a Thing or a Bundle?*, 32 SEATTLE U. L. REV. 617, 631 (2009) (reviewing Thomas W. Merrill & Henry E. Smith, *Property: Principles and Policies* (2007)) (defining property as a

place nonowners under duties of non-interference with those things. Part and parcel of the owner's power to assign use, however, is the power to authorize use by others. When an owner gives someone else permission to use her property in certain ways, she relieves him selectively of what would otherwise be his baseline duty to leave it alone. Once the permission is granted, the duty is replaced by a privilege. As long as the privilege lasts, actions taken by the licensee within its scope are not infringing.

The question then is how we know when a license has been granted, and what formalities, if any, are required to make it effective. So long as we are talking about a "bare license"—one that is nonexclusive and revocable at will—property law generally prescribes no specific formality. As the Supreme Court put it in a 1927 patent case:

No formal granting of a license is necessary in order to give it effect. Any language used by the owner . . . or any conduct on his part exhibited to another, from which that other may properly infer that the owner consents to his use . . . constitutes a license, and a defense to an action for a tort.⁸⁷

This is not a doctrine the Court invented for purposes of patent law, but merely an application of two principles long understood to apply to property torts of any sort, including those involving one's body: that consent to another's action renders it non-tortious,⁸⁸ and that consent may be inferred from conduct.⁸⁹ The infringer who pleads implied license is in the same position as the trespasser or alleged batterer who pleads implied consent.⁹⁰ If we are to consult state law on the question whether an implied license has been granted, it is to these doctrines that

"right to determine exclusively how a thing may be used").

⁸⁷ *De Forest Radio Tel. Co. v. United States*, 273 U.S. 236, 241 (1927).

⁸⁸ See RESTATEMENT (SECOND) OF TORTS § 892A (1979) ("One who effectively consents to conduct of another intended to invade his interests cannot recover in an action of tort for the conduct or for harm resulting from it."); 86 C.J.S. *Torts* § 38 (2013) ("A person who consents to another's conduct cannot bring a tort claim for the harm that follows from that conduct; no wrong is done to one who consents. The existence of consent means that the defendant did not commit a tort."); 74 AM. JUR. 2D *Torts* § 53 (2013) ("A plaintiff who consents to another's conduct may not assert a tort claim for harm resulting from that conduct . . .").

⁸⁹ RESTATEMENT (SECOND) OF TORTS § 892 ("If words or conduct are reasonably understood by another to be intended as consent, they constitute apparent consent and are as effective as consent in fact."); 74 AM. JUR. 2D *Torts* § 53 ("If words or conduct are reasonably understood by another to be intended as consent, they constitute apparent consent and are as effective as consent in fact.").

⁹⁰ See 75 AM. JUR. 2D *Trespass* § 71 (2013) ("A peaceable entry on land by consent is not actionable, because lack of consent is an element of the theory underlying the tort."); *id.* § 73 ("Consent sufficient to constitute a defense to trespass may be implied from custom, usage, or conduct. Consent or permission may also be implied when the owner's conduct would warrant a reasonable person to believe that the owner had given consent to enter the premises, even in the absence of an invitation to enter."); 6 AM. JUR. 2D *Assault and Battery* § 7 (2013) ("if a victim consents to the touching, the touching is not unlawful and is not battery"); *id.* § 117 ("Whether consent was given or may be implied from the circumstances in a particular case is a question of fact.").

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we should analogize, not those governing the implication of a contractual obligation. A license does not create new duties; it waives existing ones. It's not that the licensor is now bound not to sue; it's that licensed actions create no infringement to sue over.⁹¹

Accordingly, to grant a license requires neither agreement nor consideration; it is a unilateral act that the owner can do entirely gratuitously if she chooses.⁹² Of course, licenses are often granted as part of contractual transactions, and their scope will often be defined by terms in the same written agreement that memorializes the parties' contractual duties, if there is one. Properly speaking however, the grant of a license in this way should be regarded as analogous to the handing over of a limited property interest as a form of consideration,⁹³ not as the assumption of a duty of performance.⁹⁴

Copyright law was not always so forgiving with regard to the implication of licenses. The Statute of Anne provided that once a book was properly brought within the protection of the law, anyone who wished to print, reprint, or import it without penalty was required to obtain “the Consent of the Proprietor or Proprietors thereof . . . in Writing, Signed in the Presence of Two or more Credible Witnesses.”⁹⁵ This requirement of a signed writing and two witnesses was included in the first U.S. copyright law enacted in 1789 and remained intact through all the revisions up until the 1909 Act.⁹⁶ The 1909 Act spoke in various places of “consent” and “license,” but did not prescribe any formalities to govern them, whereas it did continue to require (as had previous iterations of the law) both writing and recordation for an assignment of copyright.⁹⁷ The 1976 Act is even more lax, requiring that an assignment (or exclusive license) be signed in writing, but making recordation optional.⁹⁸

⁹¹ See Newman, *supra* note 3, at 1110–16.

⁹² On the difficulties that arise from assuming a license to be a contract, see *id.* at 1124–31.

⁹³ On the propriety of referring to a license as a species of “property interest,” see Newman, *supra* note 3, at 1115–18.

⁹⁴ It follows, too, that construction of the scope of a license from written terms ought really to be governed, not by the canons of construction applicable to contracts, see *e.g.* RESTATEMENT (SECOND) OF CONTRACTS § 200–03 (1981), but by those applicable to property conveyances, see *e.g.*, RESTATEMENT (THIRD) OF PROPERTY §§ 10.1–10.2 (2003). The primary difference between the two is that while contract construction aims at ascertaining, to the extent possible, the shared understanding of the parties, deed construction focuses solely on the intention of the donor. See *id.* Where the license grant is incorporated into a contract, the difference as a practical matter between these two approaches may largely disappear, as one would ordinarily assume the licensor to intend a grant that constitutes acceptable consideration from the perspective of the licensee whose assent to terms she is seeking to obtain. As discussed below in Part III however, the distinction between contract and property law still matters for choice of law analysis.

⁹⁵ An Act for the Encouragement of Learning, 1710, 8 Ann. c. 19, § 2 (Gr. Brit.).

⁹⁶ Act of July 8, 1870, ch. 230, § 99, 16 Stat. 214; Act of Feb. 3, 1831, ch. 16, § 7, 4 Stat. 438; Act of May 31, 1790, ch. 15, § 2, 1 Stat. 124.

⁹⁷ Act of Mar. 4, 1909, § 42, 44.

⁹⁸ 17 U.S.C. §§ 204, 205 (2012).

What accounts for this evolution? In setting the level of formality required for any transfer of property rights,⁹⁹ we are balancing two sets of considerations. On one hand, we want to create clear signs that let licensees know the actual scope of their rights, and that third parties can look to when they need to determine whether someone who claims to be authorized to exploit a work really is.¹⁰⁰ On the other, we want to make it easy for the transacting parties to achieve their desired results without being stymied by failure to cross their t's.¹⁰¹ When the only activities that impinged on copyright were printing and importation of books, license transactions were fairly infrequent and could afford to be stringently formal, much like the purchase of real estate still is today. Now that copyright covers a broad variety of both creative works and ways of exploiting them, more flexibility is needed. Whereas some copyright transactions are still like purchasing real estate, others are more like inviting people to visit. Sometimes such invitations are extended in writing (though rarely if ever witnessed), but more often they are by informal spoken expression of intent. And more importantly for present purposes, many invitations are by conduct alone.

Within the realm of licenses granted by conduct, we can identify different reasons for holding that someone may "properly infer that the owner consents to his use[.]"¹⁰² Broadly speaking, there are two types of

⁹⁹ The term "transfer" has come to be used broadly to include the grant of a license, even though the usage is misleading. See PENNER, *supra* note 86, at 757 ("Lesser rights than the full interest a person has in a piece of property are not transferred, but conferred or granted. They are created, as a lease is created, by the holder of a fee simple; they do not exist prior to their being conferred."). While an exclusive license actually does transfer control of the right to exclude third parties from certain uses from the licensor to the licensee, a nonexclusive license creates privileges in the licensee without taking them from the licensor, and takes rights from the licensor without giving them to the licensee.

¹⁰⁰ See Henry Hansmann & Reinier Kraakman, *Property, Contract, and Verification: The Numerus Clausus Problem and the Divisibility of Rights*, 31 J. LEGAL STUD. 373 (2002).

¹⁰¹ This exchange from the hearings on the proposed 1909 Act illustrates the tension:

MR. LIVINGSTONE: It may be wholly unnecessary, but we are assuming that two witnesses are going to be required for licenses and assignments. We want that. We would prefer to dispense with it, but some recent cases have come up in which we find it objectionable not to have it.

MR. FULLER: You know that one witness can be gotten more readily than two.

MR. LIVINGSTONE: We very frequently send a letter stating that we will give a reproductive right, and the receiver, and innocently too - will sometimes assume that the license is embraced in the letter when it is not.

MR. AMES: On the other hand it seems to me inexpedient to invalidate any assignment which is made in good faith by correspondence without witnesses, to invalidate that altogether because mistakes are sometimes made by reason of a letter. I should eliminate that requirement . . .

MR. FULLER: Anybody who thinks that two witnesses are required is quite at liberty to insist upon having two, and have a notary public. But it should not be imposed upon everybody.

E. FULTON BRYLAWSKI & ABE GOLDMAN, 3 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT 350-51 (1976).

¹⁰² *De Forest Radio Tel. Co. v. United States*, 273 U.S. 236, 241 (1927).

rationale for such a holding. One is that the conduct, taken in context, supports a factual inference that the owner actually (subjectively) intended to grant consent. The other holds that whether or not the owner actually had this subjective intent, the conduct is objectively such as to justify others in drawing and relying on that inference. This latter approach is crucial because property rights function *in rem*, imposing duties with which everyone must comply on pain of strict liability. Such a system is workable only if people can ascertain the content of their duties at reasonable cost, and requiring accurate assessment of the idiosyncratic subjective intent of owners would place too heavy an informational burden on duty holders. We will therefore resort to presumptions that in certain contexts certain types of conduct indicate consent.

The use of such presumptions is not a departure from the principle of owner control, but rather an allocation of informational burdens between owners and would-be users. The general default rule is that non-owners must presume a lack of authorization absent an express permission. The doctrine of implied license identifies categories of conduct by owners that entitle non-owners to presume authorization absent an express disavowal by the owner. I will discuss below various rationales as to when such burden-shifting is warranted. First I wish to distinguish the doctrine of implied license from other adjacent doctrines—estoppel, exhaustion, and compulsory license—that also dispense with express consent by owners. What all these doctrines have in common is that they identify circumstances under which tacit conduct by owners may result in the acquisition of use privileges. They differ, however, in two crucial respects: whether the owner can engage in the conduct while avoiding the acquisition of privileges (as for example by making express disavowal of intent to license), and whether the owner has power to terminate those privileges once they have been acquired.

It is important to distinguish between these two issues, which are often elided in the case law. Questions of implied license generally arise when an owner sues for infringement based on present ongoing conduct. The first question is whether this course of conduct was ever licensed. If it was, it was noninfringing until such time as the license was revoked. The default rule is that licenses, including implied ones, are revocable at will, which means that any license was revoked by the act of bringing suit if not earlier.¹⁰³ While there may be damages for infringing conduct engaged in prior to the action however, often the more important issue

¹⁰³ See, e.g., *Video Pipeline, Inc. v. Buena Vista Home Entm't, Inc.*, 275 F. Supp. 2d 543, 558-59 (D.N.J. 2003) (once plaintiff informed defendant that use was unauthorized, there could be no implied license for its continuation); *Keane Dealer Servs., Inc. v. Harts*, 968 F. Supp. 944, 947 (S.D.N.Y. 1997) (unless license is irrevocable, institution of lawsuit constitutes revocation).

is whether the defendant will be allowed to continue the course of conduct going forward. For the defendant to have this entitlement, there must be some ground for holding the license to have been made irrevocably. The real issue in *Effects Associates* was not whether Effects had ever granted a license, but whether Effects had power to terminate it upon nonpayment. The opinion, however, frames the question merely as whether a license was granted, assuming (without raising the issue) that if so it was irrevocable.¹⁰⁴

1. Implied License v. Equitable Estoppel

The doctrine of equitable estoppel is closely related to that of implied license, and in fact courts have sometimes elided the two, describing implied license as a form of estoppel.¹⁰⁵ While there is surely overlap between the two doctrines, there is also a distinction between them that is worth keeping in mind. Properly speaking, implied license is not an equitable doctrine but a legal one. It seeks to identify cases in which the owner should be regarded as having exercised her legal power to license by means of conduct falling short of express grant. Estoppel doctrine, by contrast, does not seek to identify places where we should regard the owner as having granted a license. Rather, it seeks to identify places where equity should intervene to prevent owners from engaging in opportunism enabled by someone's failure to understand their lack of a license.¹⁰⁶

Usually this means that the owner has deliberately fostered the defendant's lack of understanding by conduct calculated to induce justified reliance.¹⁰⁷ In such cases, the user's established reliance

¹⁰⁴ See *supra* Part I.A. The opinion in *Effects* contains no instance of the terms "revoke," "terminate," or any of their variants.

¹⁰⁵ See, e.g., *Minn. Mining and Mfg. Co. v. Berwick Indus., Inc.*, 373 F. Supp. 851, 869 (M.D. Pa.1974), *aff'd*, 532 F.2d 330 (3d Cir.1976) (patent case):

An implied license in law, or a license by estoppel, is established only where the infringer can prove "(1) infringement; (2) knowledge by the patent owner of the infringement; (3) conduct of the patent owner which misleads the infringer into believing that the patent owner has abandoned his patent or acquiesced in the infringement; and (4) reliance by the infringer on such conduct."

See also *Edwin L. Wiegand Co. v. Harold E. Trent Co.*, 122 F.2d 920 (3d Cir. 1941) ("It is well settled that 'consent, whether express or implied from long acquiescence with knowledge of the infringement, will prevent relief in equity on the principle of estoppel.'"); *Afori*, *supra* note 4, at 281 ("Ultimately, the implied license defense is an equitable one.").

¹⁰⁶ See generally Kenneth Ayote, Ezra Friedman & Henry Smith, *A Safety Valve Model of Equity as Anti-Opportunism*, Nw. Law & Econ. Research Paper No. 13-15 (2013), <http://ssrn.com/abstract=2245098>.

¹⁰⁷ See Romualdo P. Eclavea & Eric C. Surette, *Estoppel and Waiver*, 28 AM. JUR. 2D § 2 (2013) ("The essence of an estoppel is that the party to be estopped has by false language or conduct led another to do that which he or she would not otherwise have done and as a result thereof he or she has suffered injury."); *Serv. & Training, Inc. v. Data Gen. Corp.*, 963 F.2d 680, 690 (1992):

To avail themselves of an estoppel defense, [defendant] must show that [plaintiff] (1) misrepresented or concealed material facts, (2) intended or expected that [defendant] would act upon those misrepresentations or concealments, and (3) had actual or

interest is said to disqualify the copyright owner from bringing an action for infringement, such that “the holder’s rights may be destroyed.”¹⁰⁸ In other words, estoppel results not merely in a finding of license (which would usually be prospectively revocable),¹⁰⁹ but in judicial abrogation of the owner’s exclusive rights to the extent that their assertion would harm the reliance interests the owner is responsible for fostering. This is a “drastic remedy” to be “utilized sparingly.”¹¹⁰ Once it is applied, the reliance party acquires a sort of equitable property interest akin to a prescriptive easement protecting its use. This does not merely disable the estopped party from prohibiting the use; it binds successors in title as well.¹¹¹

The difference between facts implying a license and facts calling for estoppel can be subtle, and there will be cases that might plausibly be characterized either way. If we are painstaking, we can draw a line in theory. On one side we will place the kind of conduct that conveys the message: “I know what you are doing, and you are doing it with my blessing for the time being.”¹¹² On the other we will place the kind of conduct calculated to avoid advertising the lack of blessing until it is too late to bargain for one. The distinction is particularly elusive if the conduct in question consists, not of affirmative representation or activity, but of mere knowing silence.¹¹³ In such cases, practical

constructive knowledge of the true facts.

See also Keane, 968 F.Supp. at 947:

[T]he party to be estopped [must have] had knowledge of defendant’s infringing conduct, and either intended that his own conduct be relied upon or acted so that the party asserting the estoppel has a right to believe it was so intended. Additionally, the defendant must be ignorant of the true facts and must rely on plaintiff’s conduct to his detriment.

See also Marvel Characters, Inc. v. Simon, 310 F.3d 280, 292 (2d Cir. 2002):

[A] party can be estopped from pursuing a claim where: (1) the party makes a misrepresentation of fact to another party with reason to believe that the other party will rely on it; (2) the other party relies on the misrepresentation to his detriment.

¹⁰⁸ *Keane*, 968 F. Supp. at 947.

¹⁰⁹ *Id.* (stating that implied licenses are revocable unless supported by consideration).

¹¹⁰ *Id.* at 948.

¹¹¹ *Id.* at 947–48 (stating that assignees of copyright are bound by estoppel of assignors).

¹¹² This is not unlike the position of the landowner who, to prevent the squatter from adversely possessing, must act in such a way that his possession cannot be construed as hostile to her interests. Unlike the landowner however, the copyright owner must be shown to have actual knowledge of the infringement.

¹¹³ *See, e.g., Hampton v. Paramount Pictures Corp.*, 279 F.2d 100, 104 (9th Cir. 1960) (“A holding out may be accomplished by silence and inaction.”); *HGI Assocs., Inc. v. Wetmore Printing Co.*, 427 F.3d 867, 875 (11th Cir. 2005) (holding that a copyright owner was estopped where it remained silent on the face of defendant’s description of its intended activities and openly asserted belief that they would not require a license); *Carson v. Dynegy, Inc.*, 344 F.3d 446, 453–55 (5th Cir. 2003) (holding the copyright owner estopped where he allowed co-employees to integrate worksheet into their business practices without informing them of his ownership). Note that the silence at issue in these cases consists of failure to place the user on notice of the infringement, not mere delay in bringing suit. The latter is the province of laches,

judgment may simply impose a limit on the extent of the reliance one can tacitly observe before being held to cross the line. On this score, I would argue that Effects Associates clearly belongs in the prior camp. One could certainly describe the studio as having remained silent on the issue of copyright while knowing Cohen to be building a reliance interest. But there was no basis for imputing this to deliberate deception on the part of the studio. The silence was because they thought they had a deal, not because they were quietly hoisting a sandbag.¹¹⁴

2. Implied License v. Exhaustion

Traditional property rules governing chattels set up a simple, transparent set of baseline expectations with regard to use privileges: If it's yours, I have to leave it alone; if it's mine I can do what I want with it. Copyright runs counter to these established expectations, as it sets up a parallel system of property rights that can result in two different forms of ownership governing use of the same object. Technically, of course, copyright does not confer ownership rights over any particular object, but only over an abstract "work of authorship."¹¹⁵ We never encounter works of authorship except as embodied in particular copies, however, and so as a practical matter we experience copyright law as governing our interactions with objects and prohibiting us from doing certain things with them. Indeed, several of the exclusive rights conferred on copyright owners are defined in terms of actions taken with regard to copies.¹¹⁶ In effect, ownership of copyright in a work confers certain control rights over any copies of the work that come into being, even though those copies are also chattels whose title may be vested in someone else.¹¹⁷ Exhaustion doctrine serves to mediate this conflict.

The Copyright Act is of two minds about the relationship between ownership of a copy and entitlement to make use of the work embodied

and there is currently dispute as to whether laches is a proper defense to a suit under the Copyright Act. *See* *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 695 F.3d 946 (9th Cir. 2012) (dismissing plaintiff's infringement suit under doctrine of laches); cert. granted 134 S.Ct. 50 (2013); *id.* at 958–59 (Fletcher, J. concurring, but arguing that applicable circuit precedent had failed to distinguish properly between equitable estoppel and laches) ("There is nothing in the copyright statute or its history to indicate that laches is a proper defense to a suit brought under the Act.").

¹¹⁴ I will argue below that the studio is nevertheless bound by a doctrine that, while it does not turn on a finding of deceptive intent, might be characterized as a form of prophylactic estoppel. *See infra* Part II.B.3.

¹¹⁵ *See supra* note 18.

¹¹⁶ *See* 17 U.S.C. § 106 (2012) (conferring the exclusive rights "to reproduce the copyrighted work in copies[,] . . . to distribute copies . . . to the public [, and] . . . to display the copyrighted work publicly"); 17 U.S.C. § 101 (2012) ("[t]o 'display' a work means to show a copy of it.").

¹¹⁷ *See also* Michael Grynberg, *Property Is A Two-Way Street: Personal Copyright Use and Implied Authorization*, 79 *FORDHAM L. REV.* 435 (2010) (focusing on this conflict and suggesting that property rights in chattels should be regarded as a common law backdrop against which copyright legislation is strictly construed).

in it. On one hand, Section 202 tells us that ownership of copyright is distinct from ownership of any material copy, and that a transfer of ownership pertaining to the one does not of itself convey any rights in the other.¹¹⁸ On the other hand, sections 109 and 117 give owners of lawful copies rights to make certain uses of those copies that would otherwise constitute infringing uses of the copyrighted work.¹¹⁹ Thus, the owner of a lawful copy can lend, rent, sell, or give it away as he wishes, as well as display it publicly.¹²⁰ If the work is a computer program, ownership of a copy entitles one to make those copies and adaptations needed to run it on a machine, or to perform maintenance on the machine once the program has been installed therein.¹²¹ These “first sale” or “exhaustion” rights go some way toward restoring the baseline assumptions people have about the use of objects they own, though they are riddled with technical exceptions.¹²²

In contrast to estoppel, which is an equitable exception to property rules turning on nuanced assessments as to the knowledge, intentions, and reasonableness of the parties’ actions in a given context, exhaustion functions as a formal limitation on the scope of the copyright owner’s rights. The lawful owner of the copy does not acquire a license to use it in ways that remain within the scope of the copyright; rather, exhaustion doctrine holds that certain use privileges to the work are appurtenant to, and necessarily transferred with, the title to a (lawfully made) copy that enables them.¹²³ The owner of the copy needs no license for the uses in question, for the authorization of transfer has “exhausted” the copyright

¹¹⁸ 17 U.S.C. § 202 (2012):

Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied. Transfer of ownership of any material object, including the copy or phonorecord in which the work is first fixed, does not of itself convey any rights in the copyrighted work embodied in the object; nor, in the absence of an agreement, does transfer of ownership of a copyright or of any exclusive rights under a copyright convey property rights in any material object.

¹¹⁹ See 17 U.S.C. § 109 (2012) (giving owners of lawfully made copies or phonorecords the right to “sell or otherwise dispose of” them despite the prohibition in § 106(3) of unauthorized distribution, as well as the right to display them publicly despite the contrary prohibition in § 106(5)); § 117 (giving owners of copies of computer programs the right to make copies or adaptations for certain purposes).

¹²⁰ 17 U.S.C. § 109(a), (c) (2012).

¹²¹ 17 U.S.C. § 117 (2012).

¹²² For example, unlike most owners of authorized copies, those who purchase copies of sound recordings or computer programs (excluding software for gaming consoles) are not allowed to lease them without permission from copyright owners. See 17 U.S.C. § 109 (b) (2012). Also, the right to publicly display an owned copy of a work is limited to display to persons who are located in the same place as the copy. See § 109 (c). Thus the purchaser of a painting may lend it to a museum, but not broadcast images of it.

¹²³ Sections 109 and 117 are thus exceptions to the general principle set forth in Section 202. This relationship was even clearer in the 1909 Act, which codified first sale doctrine in the same provision describing the distinction between ownership of copies and ownership of copyright. See 1909 Act § 41.

owner's power over them. If a copyright owner wishes to authorize possession of a copy without transferring these use privileges she may do so, but bears the burden of structuring the transaction in such a way that the recipient of the copy agrees to accept possession without acquiring title.¹²⁴ Exhaustion doctrine is thus not a departure from the principle of private ordering via owner control. Rather, it serves to place the copyright owner in the same position as a vendor of chattels: either is empowered to permit possessory use (as in a lease or rental) while retaining title and control rights, but neither is permitted to transfer its ownership interest in a chattel while retaining control rights.

3. Implied License v. Compulsory License

The Copyright Act also contains several provisions that permit certain users of copyrighted works to obtain licenses that do not require the copyright owner's consent, under terms set by statute.¹²⁵ Some of these are triggered by actions of the copyright owner, thus creating a superficial resemblance to implied licenses. For example, the oldest and most famous compulsory license is the one permitting the creation and distribution of phonorecords embodying a nondramatic musical composition, the so-called "mechanical license" or "cover version" license.¹²⁶ This provision applies to musical compositions of which recordings have already "been distributed to the public in the United States under the authority of the copyright owner," and permits "any other person" to obtain a compulsory license to do the same.¹²⁷ Thus, the owner of copyright in a musical work is able to negotiate freely only over authorization to be the first to make and distribute recordings of the work. Once one authorized person has done so, anyone else is entitled to do so as well upon compliance with the statutory license provisions, including payment of a license fee set by a Copyright Royalty Board.¹²⁸

Compulsory licenses differ from implied licenses, because they do not rest upon any premise of implied or constructive consent, but do away with the requirement of consent altogether. No express disavowal of consent by a copyright owner will prevent anyone from obtaining a compulsory license. The only way to prevent the issuance of mechanical licenses to everyone who wants one would be to refrain from authorizing any distribution of recordings at all, which would mean

¹²⁴ See, e.g., *Vernor v. Autodesk, Inc.*, 621 F.3d 1102 (9th Cir. 2010); *DSC Communications Corp. v. Pulse Commc'ns, Inc.*, 170 F.3d 1354 (Fed. Cir. 1999).

¹²⁵ See 17 U.S.C. § 111 (2012) (secondary transmissions of broadcast programming by cable); § 114(d) (digital audio transmissions); § 115 ("cover" recordings of nondramatic musical works); § 118 (public broadcasting); §§ 119, 122 (satellite television broadcasts).

¹²⁶ See 17 U.S.C. § 115 (2012).

¹²⁷ *Id.*

¹²⁸ *Id.*

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foregoing the greater portion of the work’s realizable value. Compulsory licenses are thus a deliberate departure from private ordering in favor of a regulatory model that recognizes owners as having claims but preempts market exchange in favor of an administrative approach to determining appropriate compensation. Historically, these licenses have resulted from legislative struggle and compromise between copyright owners and disseminators in the face of new technologies for the exploitation of works, and have been justified based on fears of monopoly power.¹²⁹

B. When Is a License Implied?

Judge Kozinski’s suggestion in *Foad Consulting* that an implied license is “a legal obligation the law imposes between certain parties where there is no actual agreement between them”¹³⁰ has been construed as an invitation for courts to engage in open-ended policy-making, imposing the equivalents of compulsory licenses wherever they think this desirable to promote such ends as “the free circulation of goods in the market, consumer protection, monopoly restraint, etc.”¹³¹ It is doubtful that Judge Kozinski meant anything so broad; rather, his point seems to have been simply that the doctrine of implied copyright license sounds in federal property law rather than state contract law.¹³² Once we realize that we are looking not for an agreement but for intent to grant a license, the question becomes one of when we are justified in imputing such intent to the owner based on her conduct. This problem is not

¹²⁹ See Timothy Wu, *Copyright’s Communications Policy*, 103 MICH. L. REV. 278 (2004) (describing the general dynamic). The compulsory mechanical license, for example, arose because player piano rolls (the earliest form of music “recorded” in such a way as to generate a performance by means of a mechanical device) had been held to fall outside the copyright owner’s exclusive right over reproduction of the work in copies. See *White-Smith Music Publ’g Co. v. Apollo Co.*, 209 U.S. 1 (1908) (holding that piano rolls were not “copies” because not visually readable by human beings). This required copyright owners to seek amendment of the statute if they were to have any share in the market for mechanical performance of their works, enabling the player piano industry to argue that compulsory licensing was necessary to prevent monopolization of the market by the Aeolian Company, which had amassed a large collection of exclusive piano roll licenses to popular musical works. See generally, Howard Abrams, *Copyright’s First Compulsory License*, 26 SANTA CLARA COMPUTER & HIGH TECH. L.J. 215 (2010) (describing the history and arguing that compulsory licenses are an outdated concept and should be repealed).

¹³⁰ *Foad Consulting Grp., Inc. v. Azzalino*, 270 F.3d 821, 832 (9th Cir. 2001).

¹³¹ Afori, *supra* note 4, at 291.

In other words, Judge Kozinski presented a novel insight concerning the conceptualization of the implied license doctrine as a completely non-contractual doctrine. According to this new understanding, the implied license doctrine has evolved into an open standard, to be used at the discretion of the court based on copyright policy considerations. It has nothing to do with contract, but only with resolving copyright conflicts.

Id. at 295.

¹³² See *Foad Consulting*, 270 F.3d at 832 (implied license is “an incident of the copyright and is therefore governed by federal law”).

unique to copyright, and I will argue that the doctrine of implied copyright licenses as it has actually been applied is perfectly intelligible in terms of principles that have long been part of the internal logic of property law.

1. Inference of actual intent

Some conduct, although non-verbal, has clear communicative intent and effect. Suppose I come up to you and ask, “Is it okay if I borrow your car to go to the grocery store?” If you nod and toss me the keys, you have said “yes” just as surely as if you had written it out on a form in triplicate. Such cases involve straightforward interpretation of communicative intent, and pose no significant doctrinal problems. When Clive Davis appealed to Bruce Springsteen to let an American Idol contestant sing “Dancing In The Dark,”¹³³ it would have made no legal difference had he done so in person, receiving only a thumbs up in reply. Conduct that amounts to language may as well be verbal; the only issues are evidentiary.

To raise an inference of intent however, conduct need not amount to a direct grant of consent expressed in sign language. Where an owner takes actions that directly facilitate the infringing use of her work, she will be held to have consented to that use.¹³⁴ An example is *Quinn v. City of Detroit*,¹³⁵ in which a staff attorney for the City of Detroit’s law department created (outside the scope of his employment) a computerized litigation management system. He installed the system on the workplace computer network without seeking permission beforehand, and began using it to perform work functions, with the result that the majority of the employees in his section came to use and rely on it.¹³⁶ In this respect, the standard for implied license mirrors that for contributory infringement. Where one knowingly furthers infringing conduct by material contribution, one is held to have the intent necessary for liability in tort even absent actual direct infringement.¹³⁷ By the same token, a copyright owner who knowingly makes material

¹³³ See Kate Aurthur, *Arts, Briefly; Clive Davis Spices ‘Idol’*, N.Y. TIMES (May 18, 2006), <http://query.nytimes.com/gst/fullpage.html?res=9A06E4DB123EF93BA25756C0A9609C8B63>.

¹³⁴ See, e.g., *Estate of Hevia v. Portrio Corp.*, 602 F.3d 34, 42–3 (1st Cir. 2010) (architect implied consent for use of blueprints when he allowed partnership to file plans with government agency); *Asset Mktg. Sys., Inc. v. Gagnon*, 542 F.3d 748, 756–57 (9th Cir. 2008) (author of program provided service and technical support for software, as well as additional programming services); *Teter v. Glass Onion, Inc.*, 723 F. Supp. 2d 1138, 1147–49 (W.D. Mo. 2010) (artist linked to gallery’s use of artwork on his own website and provided images on multiple occasions for inclusions on the gallery’s website).

¹³⁵ 23 F. Supp. 2d 741 (E.D. Mich. 1998).

¹³⁶ *Id.* at 743. See also *Keane Dealer Servs., Inc. v. Harts*, 968 F. Supp. 944, 946 (S.D.N.Y. 1997) (owner of software program acquiesced in use and readily answered questions in order to facilitate it).

¹³⁷ See *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264 (9th Cir. 1996).

contribution to the use of her work should be regarded as having the intent to license it even without making a statement to that effect.¹³⁸ This is merely an application of the general principle that one is presumed to intend the reasonably foreseeable consequences of one's actions.¹³⁹ The crucial caveat to this principle is that the mere act of providing others with a copy of the work may not, standing alone, be construed to signify consent to all uses of the work facilitated by access to that copy.¹⁴⁰ Otherwise, a copyright owner could not sell or give away copies of her work without losing the entire protection of the copyright. To grant a license to a specific use of the work, the owner must somehow involve herself in furthering the specific activities that would otherwise infringe.

2. Inference based on majoritarian default rule

Sometimes we infer consent from conduct not necessarily because it seems to reflect the owner's actual intent, but because it is customary in a particular context to treat consent as the default. These are not, of course, two entirely distinct categories: if we assume the owner is familiar with the social norms, then engaging in the conduct *does* reflect the owner's intent. But we may charge the owner with such knowledge even if she disclaims it, where this is seen as reducing transaction costs for the majority.¹⁴¹ While the literature on such default rules has largely focused on contracting,¹⁴² such rules are arguably even more important in property law, which mediates relations between numerous parties who do not necessarily know each other's identities, and are thus in even greater need of simplifying heuristics than parties actually engaged in direct communication.¹⁴³ As a general matter, non-owners are charged with a bright-line duty to avoid interference with the property of others, and subjected to strict liability for failures to properly identify boundaries or obtain permissions.¹⁴⁴ In practice, however, we fearlessly

¹³⁸ See, e.g., *Silva v. MacLaine*, 697 F. Supp. 1423, 1430 (E.D. Mich. 1988) (author of original work gave consent to use of his work in defendant's book by "his correcting the text, his giving advice, his encouraging the writing of the book, his sending of the manuscript, his revisions").

¹³⁹ RESTATEMENT (SECOND) OF TORTS § 8A (1965).

¹⁴⁰ See 17 U.S.C. § 202 (2012).

¹⁴¹ See Thomas W. Merrill & Henry E. Smith, *The Property/Contract Interface*, 101 U. COLUM. L. REV. 773, 800 (2001) (a "majoritarian" default seeks "to identify the rule that most parties would prefer to adopt to govern their relationship, if they could costlessly negotiate on the subject").

¹⁴² See, e.g., Ian Ayres & Robert Gertner, *Majoritarian vs. Minoritarian Defaults*, 51 STAN. L. REV. 1591, 1600 (1999); Ian Ayres & Robert Gertner, *Strategic Contractual Inefficiency and the Optimal Choice of Legal Rules*, 101 YALE L.J. 729, 765–66 (1992); David Charny, *Hypothetical Bargains: The Normative Structure of Contract Interpretation*, 89 MICH. L. REV. 1815, 1849 (1991).

¹⁴³ See Merrill & Smith, *supra* note 141, at 802 (discussing use of in rem rights to reduce information costs to large and indefinite class of dutyholders).

¹⁴⁴ See 87 C.J.S. Trespass § 4 ("[I]t is not necessary that the trespasser intend to commit a

intrude on each other's property all the time without first obtaining express permission:

Every retail dealer impliedly invites the public to enter his shop for the examination of his goods, that they may purchase them if they see fit; the mechanic extends the like invitation to those who may have occasion to become his customers; the physician and the lawyer invite them to their respective offices, and so on * * * No doubt one may visit another's place of business from no other motive than curiosity, without incurring liability, unless he is warned away by placard or otherwise. *So every man, by implication, invites others to come to his house as they may have proper occasion, either of business, or courtesy, for information, etc. Custom must determine in these cases what the limit is of the implied invitation.*¹⁴⁵

Where such a custom exists the informational burden is shifted to owners, who must take steps (e.g., by “warn[ing] away by placard or otherwise”) to negate the default inference of consent. Three key factors differentiate this sort of rule from a compulsory license approach: the activity that triggers the burden shifting can reasonably be construed as inviting the otherwise infringing conduct; the property owner can meaningfully refrain from engaging in that activity; and once the burden of negating the inference of consent has been triggered, she can satisfy it by some reasonably accessible means.

A version of this principle animates *Field v. Google Inc.*,¹⁴⁶ a case involving the use of “robots” that automatically copy information from internet web sites to be included in search databases.¹⁴⁷ Most people who post materials on the Internet want them to be accessible through search engines, and it would be cumbersome for them to have to take steps to affirmatively request or permit this. The Internet community has therefore tacitly adopted an “opt out” rule, in which people who wish to deviate from the norm of consent communicate this by using a “no-archive” meta tag¹⁴⁸—the cyber equivalent of a placard saying “no robots.” Plaintiff Field posted his copyrighted works to his own publicly accessible web site without including the “no-archive” meta-tag, and then sued Google when its “robots” automatically created cache copies of the works. The court held that by deliberately omitting the meta-

trespass or even know that the act will constitute a trespass A trespasser is liable for all the detriment proximately caused by the trespass whether or not acting in good faith and with reasonable care.”).

¹⁴⁵ See *Prior v. White*, 132 Fla. 1, 19 (1938) (quoting 2 COOLEY ON TORTS, 4th ed. 238, § 248). For discussion of potential pitfalls in using custom to define the contours of copyright, see Jennifer E. Rothman, *The Questionable Use of Custom in Intellectual Property*, 93 VA. L. REV. 1899 (2007).

¹⁴⁶ 412 F. Supp. 2d 1106 (D. Nev. 2006).

¹⁴⁷ *Id.*

¹⁴⁸ *Id.* at 1116.

tag,¹⁴⁹ Field had granted a license to Google to create cached links providing access to his posted materials. In effect, posting material online is like putting up a storefront—you are inviting people to come in and browse unless you tell them otherwise. Note the difference between this scenario and another, in which Google has famously sought to impose an “opt out” regime on copyright owners—its massive-scale digital scanning of the book collections of several university libraries.¹⁵⁰ The mere printing and distributing of those books in hard copy did not invite such copying, nor could the authors have refrained from those activities and still benefited from their copyright.¹⁵¹

Note that it would be difficult to explain the holding of *Field* using the theory that a license is a species of contract. There was no communication of any kind between Field and any (human) agent of Google from which one could infer a “meeting of the minds,” nor did Google provide Field with any promise of consideration in exchange for the license. In fact, the court in *Field* did not reference the notion that a license is a contract, instead citing *De Forest Radio* and the principle that “[c]onsent to use the copyrighted work need not be manifested verbally and may be inferred based on silence where the copyright holder knows of the use and encourages it.”¹⁵²

3. Inference based on penalty default rule

Another form of default rule posited in the literature on contract interpretation is the penalty default.¹⁵³ The idea is that where one of the parties to a transaction is likely to have information not available to the other, the law may choose a default rule that favors the disadvantaged party, thus placing the burden on the advantaged party to reveal the information if it wishes to contract around the default.¹⁵⁴ While the theory is appealing, there is some dispute as to whether any of the doctrines of contract interpretation actually do embody such a strategy.¹⁵⁵ Whether or not such an animal exists in contract doctrine, I

¹⁴⁹ Field conceded that he was aware of the standard use of meta-tags, but the court’s description of their use as “a highly publicized and well-known industry standard” suggests that constructive knowledge would have been imputed in any event. *Id.*

¹⁵⁰ See generally, Matthew Sag, *The Google Book Settlement and the Fair Use Counterfactual*, 55 N.Y.L. SCH. L. REV. 19 (2010/11).

¹⁵¹ Nor, it should be noted, does posting online grant an implied license for all forms of copying. See, e.g., *Thornton v. J Jargon Co.*, 580 F. Supp. 2d 1261, 1281–82 (M.D. Fla. 2008) (posting of humorous quiz on freely accessible webpage could not be construed as implied license to copy the contents of the quiz or placement of the quiz in the public domain).

¹⁵² *Field*, 412 F.Supp.2d at 1116.

¹⁵³ See Ian Ayres & Robert Gertner, *Filling Gaps in Incomplete Contracts: An Economic Theory of Default Rules*, 99 YALE L.J. 87 (1990). I argue in Part II.C.2 *infra* that the penalty default rule posited here actually has a firm pedigree in common law property doctrine.

¹⁵⁴ See *id.*

¹⁵⁵ See Michelle Boardman, *Penalty Default Rules in Insurance Law*, 40 FLA. ST. U. L. REV. 305 (2013) (outlining the debate and considering whether *contra preferentem* is a penalty default).

will suggest that it provides a plausible explanation of the line of implied license cases stemming from *Oddo v. Ries*, including *Effects Associates* and *Foad*.

Consider first the informational burdens imposed by copyright law, particularly in its current incarnation. I have described above how exhaustion doctrine ensures that ownership of a copy will include certain use privileges that most people would assume themselves to have. In other respects, however, those intuitions may remain unreliable. Ownership of a copy does not, for example, entitle you to perform the work publicly, even where the acts constituting such “performance” may seem like merely making normal use of the owned copy. Owning a copy of a script or sheet music does not entitle one to publicly mount a performance of the play or composition, even if each actor or musician performs using an individually purchased copy—or even if each member of the audience has purchased a copy of their own. Moreover, unlike a copy of a pictorial work, which may be displayed to people present in a public place, owning a recorded copy of music or a film does not entitle one to play it in public, except under certain circumstances.¹⁵⁶ Finally, apart from the context of computer programs covered by Section 117,¹⁵⁷ owning a copy of a work will not entitle one to make additional copies of the work or to prepare derivative works based on it.

All of the above rules, as well as numerous exceptions to them not listed here,¹⁵⁸ apply without regard to any communication or other personal relationship between copyright owners and those who purchase copies of their works. They define the contours of the baseline *in rem* duties imposed by the Copyright Act with regard to works of authorship, though it is highly dubious whether they correspond to the description of such duties as “uniform . . . [and] restrict[ed] . . . to a short list of negative obligations, easily defined and understood by all”¹⁵⁹ Most people probably experience them as a confusing list of governance rules prohibiting certain uses of objects to which they would have otherwise plenary use rights.

Against this backdrop, we can interpret the doctrine stemming from *Oddo v. Ries* as a form of default rule that serves to lower the information costs to parties engaged in certain copyright-related

¹⁵⁶ For example, one can play recorded music in public without regard to whether one owns the copy, so long as the music composition is not dramatic and the performance is entirely non-profit in nature. See 17 U.S.C. § 110(4) (2012).

¹⁵⁷ See 17 U.S.C. § 117 (2012) (permitting the owner of a copy of a computer program to make those copies and adaptations needed to run it on a machine, or to perform maintenance on the machine once the program has been installed therein).

¹⁵⁸ See, e.g., 17 U.S.C. § 107 (2012) (fair use), § 108 (exceptions for libraries), § 110 (providing 11 different exceptions to performance and display rights).

¹⁵⁹ Merrill & Smith, *supra* note 141, at 794.

transactions. We can restate the doctrine as follows: When an author creates a work at a client’s request and provides it to him, knowing the purpose to which the client intends to put it, the author is presumed to consent to all uses of the work necessary to achieve the intended purpose, unless she has taken clear actions to dispel this assumption.¹⁶⁰ It is possible to interpret this doctrine simply as a majoritarian default that reduces transaction costs for both parties. It saves both authors of commissioned works and their clients from the need to inform themselves about and contract over the technicalities of copyright law, enabling them to focus instead on something more readily understood by both—the nature of the client’s project. So long as the nature of the project is clear, the needed copyright permissions will follow from it by automatic implication.¹⁶¹

On the other hand, the scenarios governed by *Oddo* are also likely to exhibit a “compound-paucital” dynamic¹⁶² in which authors might use their greater understanding of copyright law opportunistically, in order to obtain benefits the client would not have agreed to if asked *ex ante*. Where a client commissions a work¹⁶³ whose value depends on its intended use as part of a broader productive project, failure to obtain all the permissions needed to complete the project will enable the author to engage in holdup, forcing the client to either pay extra or else lose the value of the resources already invested in obtaining the work’s creation.¹⁶⁴ As noted earlier, the author cannot sit back indefinitely and watch the client sink resources into actual infringing uses, only later asserting the copyright claim—such is the conduct of which estoppel defenses are made. The author could, however, deliver the copies of the

¹⁶⁰ See, e.g., *Latimer v. Roaring Toyz, Inc.*, 601 F.3d 1224, 1235–36 (11th Cir. 2010) (photographer who applied design to motorcycle did so with knowledge that it was meant to be used as a promotion by the motorcycle manufacturer); *Wilchombe v. TeeVee Toons, Inc.*, 555 F.3d 949, 956 (11th Cir. 2009) (author created work to be included on defendant’s album and submitted work for final mixing for that purpose); *Nat’l Ass’n for Stock Car Auto Racing, Inc. v. Scharle*, 184 F. App’x 270 (3d Cir. 2006) (design for racing trophy); *Johnson v. Jones*, 149 F.3d 494 (6th Cir. 1998); *I.A.E., Inc. v. Shaver*, 74 F.3d 768 (7th Cir. 1996); *Effects Associates, Inc. v. Cohen*, 908 F.2d 555, 557–58 (9th Cir. 1990).

¹⁶¹ A general rule for construction of licenses along these lines was once proposed for inclusion in the statute. See *A Bill to Amend and Consolidate the Acts Respecting Copyright and to Codify and Amend Common-Law Rights of Authors in Their Writings: Hearings on H.R. 10976 Before the H. Comm. on Patents*, 72d Cong. 4 (1932) (“All licenses granted by the owner of a copyright work shall be construed to vest in the licensee any and all rights of the owner in such copyright work to the extent that such rights are necessary to effect the purposes of such license.”).

¹⁶² “Compound-paucital” refers to relations involving numerous identified individuals on one side of the transaction, which may enable an individual on the other side to exploit informational advantages that come from being a repeat player. See *Merrill & Smith*, *supra* note 141, at 804–05.

¹⁶³ It should be noted that the mere act of commissioning a work does not render it a “work for hire.” For this to be the case, there would have to be a signed document expressly so providing, and the work would have to fall into one of nine categories specifically enumerated in the statute. See 17 U.S.C. § 101 (2012) (defining “work made for hire”).

¹⁶⁴ This would include the time and other resources invested in informing the author of the specifications of the work to be created, even if no consideration is paid.

commissioned work, and soon thereafter follow up with an overture to negotiate a license for their use in the next phase of the project.¹⁶⁵

A recurring version of this dynamic involves an architect or engineering firm hired to prepare early-phase plans for some large-scale construction project.¹⁶⁶ Ideally, the architect would like the client to sign a contract agreeing that, barring extreme malfeasance, she will be retained to see the project through all of its stages to completion. Presented with such a term, many clients would balk, preferring to retain their discretion to fire the architect at will and hire someone else to complete the project. Unless the client is savvy about copyright law, he will likely assume that any plans for which he pays the architect become his to do with as he pleases, including hiring someone else to make modifications and actually building the project. Absent a doctrine of implied license, however, the client will be sorely mistaken. While paying for and obtaining copies of an architectural design will give the client ownership of those copies, Section 202 prevents that transfer of ownership from conferring any rights to the design itself. If the client has another architect use the design as the basis for a modified plan—or even without modifying the plan, to generate and distribute the various sorts of additional drawings needed to see the product through permitting and construction—the new hire will not be able to do so without infringing the author’s exclusive rights to prepare derivative works and to reproduce and distribute the work in copies. Even if it could be accomplished using only the blueprints provided by the original author, actual construction of the building itself also counts as an infringing copy of the work.¹⁶⁷ As one court put it, absent a license, the client “can use the drawings only as pieces of paper (wallhangings? placemats?)”¹⁶⁸

In this sort of scenario, the *Oddo* doctrine looks like a penalty default rule. If the commissioned author knows that the client seeks to use the work as part of a productive project, she is required to make express disclosure of any limitations or conditions she wishes to place on uses of the work that will be necessitated by that project.¹⁶⁹

¹⁶⁵ This would not necessarily amount to opportunism on the author’s part. The author may well believe in good faith that the deal is to be paid for her initial effort in creation of the work, and only if and when it meets with the client’s approval to negotiate the question of derivative uses. The *Oddo* doctrine places the burden on her to make this understanding explicit early in the transaction.

¹⁶⁶ See, e.g., *Nelson-Salabes, Inc. v. Morningside Dev., LLC*, 284 F.3d 505, 516 (4th Cir. 2002); *Foad Consulting Grp., Inc. v. Azzalino*, 270 F.3d 821 (9th Cir. 2001); *Johnson v. Jones*, 149 F.3d 494, 500 (6th Cir. 1998); *I.A.E., Inc. v. Shaver*, 74 F.3d 768, 776 (7th Cir. 1996).

¹⁶⁷ See 17 U.S.C. § 101 (2012) (defining “architectural work” as “the design of a building as embodied in any tangible medium of expression, including a building, architectural plans, or drawings”).

¹⁶⁸ *Shaver*, 74 F.3d at 772.

¹⁶⁹ One standard AIA (American Institute of Architects) form contract was cited as follows:

Otherwise, she will be held to have implicitly licensed them by delivery of the completed work. This doctrine does not violate Section 202, for it does not turn on mere transfer of ownership of the copy, but rather on the author's act of making such a transfer in a context where two things are true: (1) the work transferred was commissioned by the transferee; and (2) the author knew the purpose for which the transferee intended to use the work. The first requirement can be seen as serving to protect the author from an excessively broad application of the rule. Otherwise, purchasers of copies of preexisting works could simply announce intended uses to the author during the course of the transaction, thereby forcing upon the author the burden of disclaiming permission for them even where the purchaser faced no risk of holdup.¹⁷⁰ While such a purchaser may still misapprehend the scope of the use privileges that come with ownership of a copy, it is only where the client commissions creation of a work tailored to his particular needs that he is justified in assuming the transaction will permit him to use it in service of those needs.¹⁷¹

Courts applying the *Oddo* doctrine—those, that is, who understand that the question is not one of contract formation—have not described it as a penalty default, but rather as an inquiry into whether, in delivering the commissioned work, “the licensor intends that the licensee-requestor copy and distribute his work.”¹⁷² This description is misleading. In most of these cases, there is really no doubt that the author “intends” to permit productive use of the work—*so long as* the author gets what she wants out of the transaction. The question is not whether the author has a subjective intent to license, but whether the author's intended conditions on the license should be given legal effect. If the question were simply one of subjective intent, there would be little reason to doubt either that Effects Associates intended to grant Cohen a license, or that if asked, it would have intended that license to be contingent upon payment in full. While speaking in terms of “intent to license,” courts tend to adopt an inquiry that actually assumes such intent from

“Drawings, specifications and other documents shall not be used by the Owner on other projects, additions to this project, or . . . for completion of this Project by others, except by written agreement relating to use, liability and compensation.” *Johnson*, 149 F.3d at 498.

¹⁷⁰ Cf. *Weinstein Co. v. Smokewood Entm't Group, LLC*, 664 F. Supp. 2d 332, 344–45 (S.D.N.Y. 2009) (no implied license where transaction did not occur until after the work was created). Note that this limitation is actually not in *Oddo* itself, because the court finds *Oddo* to have granted an implied license for the use of preexisting articles of his. 743 F.2d at 632. On the other hand, this might explain the extremely restricted scope of the implied license found to exist. See *supra* note 35.

¹⁷¹ The description of *Oddo* and *Effects* as standing for “the principle that a seller grants a buyer an implied license to use a product for the purpose for which the seller sold it to the buyer”, *Foad Consulting*, 270 F.3d at 827 n.10, is thus inaccurate as stated. As I will argue below, the element of creation at the request of the licensee is also important to make this sort of license assignable. See *infra* Part II.D.2.

¹⁷² *Shaver*, 74 F.3d at 776.

the delivery of a commissioned work, and focuses on whether any conditions to the license were made manifest prior to delivery.¹⁷³ Thus for example, the Fourth Circuit has posited that the ultimate question whether an implied license was granted turns on “at least three factors”:

(1) [W]hether the parties were engaged in a short-term discrete transaction as opposed to an ongoing relationship; (2) whether the creator utilized written contracts, such as the standard AIA contract, providing that copyrighted materials could only be used with the creator’s future involvement or express permission; and (3) whether the creator’s conduct during the creation or delivery of the copyrighted material indicated that use of the material without the creator’s involvement or consent was permissible.¹⁷⁴

This too is misleading, to the extent that it suggests one can determine whether the parties were engaged in a “discrete transaction” or an “ongoing relationship” separately from whether the author ever informed the client that an ongoing relationship was a condition of any ongoing license. In practice, the first factor is determined on the basis of the latter two.¹⁷⁵

4. Implied license as a backstop to work-for-hire doctrine

It is also useful to consider *Oddo* in relation to work-for-hire doctrine. This is another set of default rules aimed at creating efficient baseline allocations of rights to works created for the specific benefit of someone other than the author. If the author is an employee, there is a strong default rule giving the employer not merely ownership, but also authorship status to any works created within the scope of employment.¹⁷⁶ This rule results in a huge reduction in transaction costs, for many (perhaps most) employees routinely create copyrightable works of authorship during the course of their work activities, not all of which are easily foreseeable in advance.¹⁷⁷ Absent work-for-hire doctrine, employers would be forced to obtain express licenses for each

¹⁷³ See *Foad Consulting*, 270 F.3d at 828–29.

¹⁷⁴ *Nelson-Salabes, Inc. v. Morningside Dev., LLC*, 284 F.3d 505, 516 (4th Cir. 2002).

¹⁷⁵ See *id.* (noting that author was not retained to develop plans for the entire Project and created work pursuant to task-specific contract, but finding that parties were still engaged in “ongoing relationship” because author had specifically advised client of intent to make continued use of plans contingent on its future involvement with the project).

¹⁷⁶ 17 U.S.C. § 201(b) (2012). Vesting statutory authorship in the employer is significant for two reasons. One is that it prevents the employee from obtaining termination rights, which is important to avoid the same transaction costs discussed in the text. See 17 U.S.C. § 203 (2012). The other is that it causes the term of copyright to run for a set number of years from creation or publication, as opposed to the employee’s lifespan plus 70 years. See 17 U.S.C. § 302 (2012). This too may be thought of as a way of decreasing information costs within the firm, as employers are not required to track the lives of ex-employees in order to determine the extent of their property rights.

¹⁷⁷ The indeterminacy of the objects of rights allocation pushes the employer-employee relationship toward the multital end of the information cost spectrum.

of these works of authorship, or face the possibility of opportunistic holdout should one of them prove to have strategic value.¹⁷⁸ The rule is also consistent with the normative goal of protecting the ability of authors to benefit from their own labor. Authors who create works pursuant to an employment relationship stand in a different position from those who seek to create and market their work independently. The employee has chosen the relative security of regular pay and other benefits, while offloading to the employer most of the risk stemming from the uncertain value of the works created. While the parties cannot contract out of the rule in such a way as to restore the employee's status as author of works created within the scope of employment, they can contract to transfer ownership of such works back to the employee, or to define the scope of the employment so as to leave certain categories of works outside it.

When it comes to independent contractors, on the other hand, there is a strong default rule leaving authorship and initial ownership in the hands of the work's actual creator. It is possible to contract around this rule to turn a commissioned work into a work-for-hire, but only by means of an express written agreement, and only for certain statutorily enumerated categories of works.¹⁷⁹ The author who creates works by commission stands in an intermediate position between the employee-author and the author who creates and markets works entirely on her own initiative. Such an author bears somewhat less risk in devoting resources to creation, but still remains at arms-length from the client and retains independent interests in her work. The law preserves her ownership rights to give her bargaining power, but uses implied license doctrine to prevent her from using this power opportunistically. Taken together, the work-for-hire rules and the *Oddo* doctrine serve to reduce the complexity of copyright law to the following relatively intuitive set of baseline assumptions that govern absent express actions taken to depart from them:

- (1) If you're my employee, I own the work;
- (2) If you're not my employee, you own it;
- (3) If I commission you to make a specific work for me, I get whatever (nonexclusive) licenses I need to use it for the purposes I explained to you when I engaged you;
- (4) If you created the work independently, all I get is the right to transfer or make personal use of the copy I purchase.

¹⁷⁸ In other words, the firm would be rendered unable to substitute agency costs for contracting costs, but would be forced to incur both. See R.H. Coase, *The Nature of the Firm*, in *ECONOMICA* (1937).

¹⁷⁹ See 17 U.S.C. § 101 (2012) (defining “work made for hire”). The reason for the limitation is concern that some classes of authors are likely to be at a systematic bargaining disadvantage vis-à-vis certain intermediaries, and therefore in need of termination rights to let them obtain a larger share of the value of works that prove to be successful. See 17 U.S.C. § 203 (2012).

Departures from (1) and (2) require a signed writing. Departures from (3) require express action from the author putting the client on notice that there are conditions on the contemplated use. Departures from (4) require either express license grants from the author (to give the purchaser additional use rights to the work), or express consent from the purchaser (to take possession of the copy as a bailee whose use privileges are more limited than first sale doctrine would otherwise prescribe).

5. The relevance of contractual dealings

As I have been at pains to point out, it is possible to grant a license (express or implied) without any contractual relations between the parties at all. What matters is only whether the owner's conduct either implies actual consent to use or triggers a default rule giving rise to a presumption of such consent. In the latter case, we might as well dispense with talk of consent and simply say that under certain circumstances the law creates a license privilege regardless of whether the owner intended this or not, unless the owner takes steps to prevent it from occurring. In this sense, Judge Kozinski was on the right track in suggesting that an implied license is "a legal obligation the law imposes between certain parties where there is no actual agreement between them,"¹⁸⁰ with the correction that the relevant categories are privilege and consent, not obligation and agreement.

None of the above ceases to govern where the parties are involved in contractual dealings. Those dealings constitute conduct, and the conduct of the author (or other copyright owner) in negotiating a contract may serve any of the purposes just described. The crucial point is that where the question is whether a license was granted, the inquiry should focus solely on the legal consequences that attach to the owner's conduct as a matter of property doctrine, including the default rules described above. Whether the conduct also results in the formation of a valid contract is irrelevant.¹⁸¹ Because the question is one of the owner's manifested (or constructive) intent and not whether there was a meeting of the minds, contract terms that were proposed by the owner but never agreed to by the defendant are perfectly relevant and may serve to place the client on notice that no license has been granted.¹⁸²

¹⁸⁰ *Foad Consulting Grp., Inc. v. Azzalino*, 270 F.3d 821, 832 (9th Cir. 2001).

¹⁸¹ See *John G. Danielson, Inc. v. Winchester-Conant Props., Inc.*, 322 F.3d 26, 41 (1st Cir. 2003) ("[W]e are looking to the contract for evidence about overall intent, not for an interpretation of its binding terms"); See *Foad Consulting*, 270 F.3d at 834 (Kozinski, J., concurring) (noting that contract can be evidence of a relationship giving rise to implied copyright license, even if the license is not derived from the contract itself). See also *Jacob Maxwell, Inc. v. Veeck*, 110 F.3d 749, 752–53 (11th Cir.1997) (holding that parties' unenforceable oral agreement for exclusive license did not preclude the creation of an implied nonexclusive license by conduct).

¹⁸² See e.g., *Johnson v. Jones*, 149 F.3d 494, 500 (6th Cir. 1998) (absence of implied license

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Nor was there any need for the panel majority’s labored excursion into California parol evidence law in *Foad*.¹⁸³ The question was not whether “the contract grants GenCom an implied license,”¹⁸⁴ but whether Foad Consulting granted GenCom an implied license. It had, because it prepared and delivered the plans at GenCom’s request, knowing that GenCom intended to use them to complete the project, and without ever clearly placing limitations or conditions on such use.

Just as meeting of the minds is irrelevant to the grant of a license, so is consideration. As I will discuss below, there may be cases where an implied license is *rendered irrevocable* by means of contract, and to that extent consideration may be relevant. But a license may be granted gratuitously, and many implied licenses are.¹⁸⁵ Even under the *Oddo/Effects* doctrine, it is not strictly necessary for the client requesting creation of the work to have paid the author for it.¹⁸⁶ Why, then, do some courts make a point of noting how much the client did pay?¹⁸⁷ The answer, again, is that contractual dealings constitute conduct on the author’s part from which the grant of a license may be inferred. If the author was offered (or actually paid) consideration in an amount that seems disproportionately large in light of the conditions she now seeks to enforce on the client’s use, this constitutes circumstantial evidence that those conditions were never made known to the client. The author’s acceptance of such an amount is circumstantial evidence that she either intended to grant the client rights of commensurate value, or intended for the client to rely upon that belief. Courts have not based findings of implied license on this inference alone, nor should they given the difficulty of second-guessing the parties’ evaluations at the

supported by copyright owner’s submission of two contracts which, though they were never signed, clearly denied permission for future uses of the work without the author’s negotiated consent); *Nelson-Salabes, Inc. v. Morningside Dev., LLC*, 284 F.3d 505, 516 (4th Cir. 2002) (same).

¹⁸³ *Foad Consulting*, 270 F.3d at 826–28. One wonders what the court would have done if California’s parol evidence rule had strictly prohibited the use of material outside the written contract terms. Under the court’s stated approach, this would rule out any possibility of an implied nonexclusive license where the parties had a written contract not expressly granting one. This in turn would require the court to decide whether “federal copyright law and policy” actively mandates the possibility of implied nonexclusive licenses, or merely refrains from prohibiting them and leaves the question to state law.

¹⁸⁴ *Id.* at 826.

¹⁸⁵ See, e.g., *Quinn v. City of Detroit*, 23 F. Supp. 2d 741 (E.D. Mich. 1998); *Field v. Google Inc.*, 412 F. Supp. 2d 1106 (D. Nev. 2006).

¹⁸⁶ See *I.A.E., Inc. v. Shaver*, 74 F.3d 768, 776 (7th Cir. 1996) (listing elements of implied license as: “(1) a person (the licensee) requests the creation of a work, (2) the creator (the licensor) makes that particular work and delivers it to the licensee who requested it, and (3) the licensor intends that the licensee-requestor copy and distribute his work.”).

¹⁸⁷ See, e.g., *Effects Assocs. v. Cohen*, 908 F.2d 555, 556 (9th Cir. 1990) (contract was to pay \$62,000 for footage); *Lighthouse Solutions, LLC v. Connected Energy Corp.*, 2004 WL 1811391, at *6 (W.D.N.Y. 2004) (defendant paid over \$300,000 for the Code).

time.¹⁸⁸

6. Construing the scope of the license

Under the *Oddo* doctrine much turns on construing the purpose for which the work was created, and identifying uses that are necessary to that purpose. If the license is construed too strictly, it will be ineffective in preventing opportunism by the author. If construed too broadly, it will give the client rights he did not bargain for and undermine the author's legitimate interests in controlling the use and presentation of her work. A key question here is the extent to which the contemplated project can be expected to evolve after the point when the author delivers her contribution, and the extent to which such evolution justifies the client in creating derivative works. It is easy enough to conclude that had Cohen entertained second thoughts and decided to scrap "The Stuff," he (unlike Effects) would have no entitlement to use the footage in music videos. But what if Cohen had made a feature film, only altering the title and plot from what had been contemplated when the footage was commissioned?

Such a problem was raised in the recent case *Garcia v. Google, Inc.*, in which an actress sued a filmmaker (and YouTube) for infringement of her recorded performance by its inclusion and distribution in the controversial film "Innocence of Muslims."¹⁸⁹ Garcia alleged that she had been told she was acting in an "adventure film set in ancient Arabia" entitled "Desert Warrior."¹⁹⁰ In fact, the final film turned out to be a piece of anti-Islamic propaganda in which her performance was partially dubbed to accuse Mohammed of child molestation.¹⁹¹ In reversing the district court's denial of a preliminary injunction, a Ninth Circuit panel ruled that while Garcia had granted the filmmaker an implied license to use her work in "Desert Warrior," the radically different nature of "Innocence of Muslims" exceeded the scope of that license.¹⁹² By holding that actors (or, by implication, any other contributor of minimally-original material to a collaborative work) who do not qualify for co-authorship of the film may still hold independent copyrights in their individual contributions, the decision in *Garcia* expanded the potential sphere of author opportunism and thus raised the stakes for implied license doctrine.¹⁹³ In his opinion, Judge

¹⁸⁸ In *Shaver*, for example, the court notes the client's payment to an architect of \$10,000 for preliminary drawings, an amount arguably low enough to reflect the architect's expectation of ongoing involvement rather than an intent to confer a license. 74 F.3d at 777.

¹⁸⁹ See *Garcia v. Google, Inc.*, 2014 WL 747399 (9th Cir. 2014).

¹⁹⁰ *Id.* at *1, *5.

¹⁹¹ See *id.*

¹⁹² *Id.*

¹⁹³ On the question of whether such performances should be treated as separately copyrightable works of authorship, see Rebecca Tushnet, *Performance Anxiety: Copyright Embodied and*

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Kozinski is at pains to limit this effect by emphasizing that implied licenses “must be construed broadly,” and stating that “[w]ere she now to complain that the film has a different title, that its historical depictions are inaccurate, that her scene is poorly edited or that the quality of the film isn’t as she’d imagined, she wouldn’t have a viable claim that her implied license had been exceeded.”¹⁹⁴

The court was surely correct to conclude that consent cannot be inferred from delivery of a work where the fundamental nature of the project is misrepresented.¹⁹⁵ Instead of stating that implied licenses must otherwise be construed broadly however, I suggest that we should focus on the scope of the licensee’s objectively reasonable expectations of consent based on what was actually said, in the context of baseline expectations in the particular field. Large, complex projects requiring the input of multiple people for realization (like feature films and construction projects) will necessarily evolve during the course of their development, and authors who contribute to such a project can be inferred to know and consent to this. If, however, prior to contributing her performance, Garcia had expressly indicated that her willingness to participate was conditional on some specific aspect of the production being as represented, then there would be no ground for finding an implied license to use the work in ways that violated that condition. An implied license *may* be “narrow [and] easily exceeded,”¹⁹⁶ so long as the narrowness is made clear to the licensee up front.

C. Implied Irrevocability

The power to revoke a license is as crucial to an owner’s control as the power to grant one, and licenses are generally assumed to be revocable by the licensor at will.¹⁹⁷ This is true of implied licenses as well. Even though an owner has signaled her consent to use by conduct, she remains free to withdraw that consent at any time,¹⁹⁸ provided she gives licensees a reasonable amount of time in which to discontinue the use.¹⁹⁹ Similarly, where the license is based on a majoritarian default

Disembodied, 60 J. COPYRIGHT SOC’Y U.S.A. 209 (2013).

¹⁹⁴ 2014 WL 747399 at *5.

¹⁹⁵ See W. PAGE KEETON ET AL., PROSSER & KEETON ON TORTS, §18 (5th ed. 1984) (discussing invalidation of consent by “fraud in factum”); 37 AM. JUR. 2D *Fraud and Deceit* § 2 (2014) (discussing invalidation of consent by “fraud in the inducement”).

¹⁹⁶ 2014 WL 747399 at *5.

¹⁹⁷ See Newman, *supra* note 3, at 1115.

¹⁹⁸ See *Video Pipeline Inc. v. Buena Vista Home Entm’t, Inc.*, 275 F. Supp. 2d at 558–59 (D. N.J. 2003) (there could be no implied license to stream movie trailers beyond point at which notice was given that such streaming was unauthorized); *Parker v. Yahoo!*, Inc., 2008 WL 4410095, at *4 (E.D. Pa. 2008) (implied license could be revoked by filing of lawsuit); *Recursion Software, Inc. v. Interactive Intelligence, Inc.*, 425 F. Supp. 2d 756, 773 (N.D. Tex. 2006) (absent evidence of consideration, any implied license would be freely revocable).

¹⁹⁹ See *Quinn v. City of Detroit*, 23 F. Supp. 2d 741, 749–50 (E.D. Mich. 1998) (City’s implied license to use computer system included a reasonable period of time to transfer its data to a new

rule, the rule will prescribe means by which the owner can opt out of the default, thus denying a license to prospective uses.²⁰⁰

1. Implied contract not to revoke

There are two primary ways in which a license interest may become irrevocable. The first is for it to be granted by signed writing, as in the case of an exclusive license granted in compliance with Section 204 of the Copyright Act. I have argued elsewhere that such a writing serves the same function as a deed granting an easement,²⁰¹ and that a license granted in this way is a form of ownership interest, because the licensor has relinquished all power to revoke it absent conditions subsequent expressly set forth in the grant.²⁰² Since implied licenses are, by definition, not granted in writing, they cannot achieve irrevocability by this means.

The other well-known route to irrevocability is consideration. It is often said in the context of copyright that a license granted for consideration is irrevocable.²⁰³ As I have discussed elsewhere, this was not (and still is not) the case with regard to licenses to use real property, because payment alone is not regarded as a sufficient formality to effect the transfer of an ownership interest.²⁰⁴ If consideration renders a license irrevocable, it does so because we regard the licensor as having taken on a contractual duty not to revoke, and—crucially—because we choose to give this duty specific enforcement by denying legal effect to any attempted revocation by the licensor.²⁰⁵ While it may often make sense to find an implied promise not to revoke, the presence of consideration does not automatically lead to this conclusion,²⁰⁶ particularly where the licensee is receiving other benefits that may explain the consideration.²⁰⁷ Even if there is a contract not to revoke

system in the case of a revocation of the license).

²⁰⁰ See *Field v. Google Inc.*, 412 F. Supp. 2d 1106, 1116 (D. Nev. 2006) (web site owner can opt out of search engine caching by using appropriate meta-tag).

²⁰¹ See Newman, *supra* note 3, at 1144–50. I have also argued that Section 205(e) should be understood to permit the effective irrevocable grant of a nonexclusive license simply by means of signed writing as well. See *id.*

²⁰² See *id.* at 1117; Newman, *supra* note 25, at 77.

²⁰³ See, e.g., *Lulirama Ltd., Inc. v. Axxcess Broad. Serv., Inc.*, 128 F.3d 872, 882 (5th Cir. 1997).

²⁰⁴ See Newman, *supra* note 3, at 1131–36 (discussing *Wood v. Leadbitter*, [1845] 153 Eng. Rep. 351 (Exch.) 352 and *Marrone v. Wash. Jockey Club*, 227 U.S. 633 (1913)).

²⁰⁵ See *id.* (arguing that the differences between copyright and real property make this sort of specific enforcement appropriate).

²⁰⁶ See *Natkin v. Winfrey*, 111 F. Supp. 2d 1003, 1012 (N.D. Ill. 2000) (“[B]ecause we don’t know the scope of the implied license, we also don’t know if Harpo paid consideration and, if it did, whether that payment precludes at-will termination.”); *Walthal v. Rusk*, 172 F.3d 481, 483 (7th Cir. 1999) (dismissing as “without merit” the claim that a license agreement was irrevocable because consideration was paid).

²⁰⁷ See, e.g., *Atkins v. Fischer*, 331 F.3d 988, 993 (D.D.C. 2003) (material dispute of fact as to whether license granted when client told artist that “[t]here would be plenty of money later on” and talked her into reducing her prices for her work).

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supported by consideration, this does not mean the license can never be terminated. Like any contract, a contract not to revoke can be terminated if there is material breach.²⁰⁸ Should the contract ever be terminated, the licensor will be free to exercise her persisting power to revoke the license.

As we noted earlier, a licensor who is contractually bound not to revoke might still transfer title to someone who is not. While there may be an argument for holding such a transferee equitably bound to honor the license if he had notice of it,²⁰⁹ if he purchased title for good value without notice, it would appear that the transferee has unfettered power to revoke.²¹⁰ One might object that any licensor who has implicitly agreed not to revoke has necessarily also implicitly agreed not to transfer without notice, but the objection would be unavailing. Even if we assume such a duty, the licensor still has good title to the property and therefore has the power to confer good title even if she does so in breach of contract.²¹¹ She may be liable in contract for the breach, but this will not prevent title (and its attendant power to revoke licenses) from passing to the transferee. To the extent that an implied license must rely on contract for its irrevocability, there seems to be no way around this vulnerability.

2. Implied license as “license coupled with an interest” or easement by necessity

When it comes to implied licenses arising under *Oddo/Effects*, there is a better basis than contract for their irrevocability. Property law has long recognized an exception from the rule that irrevocable licenses must be granted by written instrument. Where the license is “coupled with an interest,” it may become irrevocable even absent compliance with the Statute of Frauds.²¹² The leading case is *Wood v. Manley*,²¹³ in

²⁰⁸ See, e.g., *Fosson v. Palace (Waterland), Ltd.*, 78 F.3d 1448, 1455 (9th Cir. 1996) (citing *Rano v. Sipa Press Inc.*, 987 F.2d 580 (9th Cir. 1993) in recognition of “the rule applied in other circuits that once a non-breaching party to an express copyright license obtains and exercises a right of rescission by virtue of a material breach of the agreement, any further distribution of the copyrighted material would constitute infringement”); *Hyman v. Cohen*, 73 So.2d 393, 397 (Fla. 1954) (“[a] material breach, as where the breach goes to the whole consideration of the contract, gives to the injured party the right to rescind the contract or to treat it as a breach of the entire contract”); 3 NIMMER, *supra* note 46, at § 10.15[A] [4] (“[U]pon such rescission, the assignment or license is terminated and the copyright proprietor may hold his former grantee liable as an infringer for subsequent use of the work.”) (footnote omitted).

²⁰⁹ See *Tulk v. Moxhay*, (1848) 41 Eng. Rep. 1143 (Ch.).

²¹⁰ See RESTATEMENT (FIRST) OF PROP. § 539 cmt. a (1944).

²¹¹ See Note, *The Owner's Intent and the Negotiability of Chattels: A Critique of Section 2-403 of the Uniform Commercial Code*, 72 YALE L.J. 1205 (1963).

²¹² See Charles E. Clark, *Licenses in Real Property Law*, 21 COLUM. L. REV. 757, 767–69 (1921); RESTATEMENT (FIRST) OF PROPERTY § 513 (1944); POWELL ON REAL PROPERTY § 4.26; *Wood v. Leadbitter*, [1845] 153 Eng. Rep. 351 (Exch.) 355 (“A mere license is revocable: but that which is called a license is often something more than a license; it often comprises or is connected with a grant, and then the party who has given it cannot in general revoke it, so as to

which a landowner sold the defendant a large quantity of hay situated on the seller's land. Among the conditions of sale were that the purchaser would be permitted to leave the hay on the land until a given date, and in the meantime would be allowed to come on the land from time to time in order to remove it. Sometime after the sale, the landowner sent the purchaser a written notice denying him permission to enter the land, and locked the gate leading to where the hay was situated. The purchaser broke the gate open and went into the land to take the hay, and was charged with trespass.²¹⁴ The jury returned a verdict for the purchaser-defendant, which the plaintiff asked the Court of Queen's Bench to overturn. His argument was that the license to enter his land had not been granted by deed and was therefore revocable at will. This principle was well-founded, and indeed it would later be held that absent a deed, a license remained revocable even when granted for consideration.²¹⁵ Under these circumstances, however, Chief Justice Lord Denman responded: "The law countenances nothing so absurd as this: a license thus given and acted upon is irrevocable."²¹⁶

The elements underlying irrevocability here seem to be two: (1) the license was incidental to a valid grant of ownership in some other property; and (2) the circumstances are such that revocation of the license would have the effect of "defeating" the grant. But why, one might object, would revocation necessarily "defeat the grant"? Couldn't the law recognize the landowner's right to revoke the license, but still enforce the purchaser's ownership of the hay by giving him an action for detinue? Such an approach would be analogous to what the court later did in *Wood v. Leadbitter*: uphold the landowner's power to revoke a license despite a contract to the contrary—and thereupon to treat the (ex)licensee as a trespasser who could be physically expelled with impunity—subject only to a suit for liability under the contract.²¹⁷ Of course, one might reason the same way about an easement by necessity. Such an easement is said to arise "[w]here a grantor conveys a tract of land which has no outlet to a public highway except over the grantor's remaining land or over that of a stranger"²¹⁸ But why exactly? If property is, as some contend, primarily a "right to exclude,"²¹⁹ then there is no contradiction in owning property one cannot reach, provided

defeat his grant, to which it was incident.").

²¹³ *Wood v. Manley*, [1839] 113 Eng. Rep 325 (Q.B.).

²¹⁴ *Id.* at 326.

²¹⁵ *Leadbitter*, 153 Eng. Rep. 351; see *supra* note 212 and accompanying text.

²¹⁶ *Manley*, 113 Eng. Rep. at 326.

²¹⁷ See *supra* note 204 and accompanying text.

²¹⁸ 28A C.J.S. EASEMENTS § 106; see also *Akers v. D.L. White Const., Inc.*, 142 Idaho 293, 127 P.3d 196 (2005); *Buck v. Allied Chem. Corp.*, 77 A.D.2d 782, 431 N.Y.S.2d 222 (4th Dep't 1980).

²¹⁹ See, e.g., Thomas W. Merrill, *Property and the Right to Exclude*, 77 NEB. L. REV. 730 (1998).

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that one can still prohibit others from using it.

I would suggest that the principle underlying these doctrines be stated as follows: Property ownership exists to protect owners in the use and enjoyment of resources;²²⁰ it is inherently fraudulent to purport to transfer ownership while withholding (or reserving the power to revoke) rights without which no use or enjoyment can be had. Any purported grant of ownership therefore necessarily includes any property rights within the grantor’s power without which the grantee’s ownership would be nugatory. To grant ownership of a parcel of land that cannot be accessed without traversing the grantor’s land is necessarily to grant an easement enabling access. The same is true of a chattel grant, though we do not generally refer to this as an “easement.” It is, nevertheless, a right of entry onto the grantor’s land that is “appurtenant” to ownership of the chattel—for as long as the chattel remains situated on the grantor’s land. Indeed, owners of chattels are generally held to have such a right of entry where needed to retrieve them, even where they are located on land belonging to someone other than the chattels’ grantor.²²¹

This line of property doctrine provides a better grounding than does contract theory for the irrevocability of copyright licenses implied under *Oddo v. Ries* and its progeny. In all of these cases, the author unambiguously transfers property directly to the client—namely, tangible copies of the work that the author was hired to create.²²² The transfer of a copy does not transfer any rights in the work as such. Ordinarily, the purpose of such transfer lies simply in the transferee’s own enjoyment of the expressive benefits conveyed by the work, and the baseline *in rem* copyright rules described above (including first sale doctrine) automatically convey sufficient privileges for that purpose.

Where, on the other hand, the client’s sole interest in the work is as the basis for some productive enterprise necessitating reproduction, public performance, or the creation of derivative works, he needs privileges that go beyond those usually conveyed with a copy.²²³ He needs, in effect, to traverse terrain within the copyright owner’s close in

²²⁰ See *supra* note 86.

²²¹ Indeed, the opinion in *Wood v. Leadbitter*, 153 E.R 351, 358 (1845), makes this connection explicitly, regarding the case of *Wood v. Manley* as “analogous to that of a man taking my goods, and putting them on his land, in which case I am justified in going on the land and removing them.”

²²² See *John G. Danielson, Inc. v. Winchester-Conant Props., Inc.*, 322 F.3d 26, 42 (1st Cir. 2003) (noting the importance of “whether the supposed infringer obtained the plans directly from the supposed licensor”).

²²³ Note that which of these rights are actually within the scope of the contemplated project must be determined on a case-by-case basis. Compare *Oddo v. Ries*, 743 F.2d 630, 634 (9th Cir. 1984) (alteration of manuscript outside scope of implied license to print book based on it) with *Foad Consulting Grp., Inc. v. Azzalino*, 270 F.3d 821, 832 (9th Cir. 2001) (modifications to site plans were foreseeable and necessary part of completing development project).

order to get any use and enjoyment out of his copy.²²⁴ Had he obtained the copy independently of the author, or only after the author had already independently created the work, and only then decided to engage in such productive use, he would have no claim to the excluded privileges—just as one who purchases a parcel of land next to another's obtains no easement from his neighbor by conceiving of uses that would require access to her land. Where, however, the author creates a work at the client's request and transfers ownership of a copy of it to him with full knowledge that use and enjoyment depend on such access, she creates a sort of easement appurtenant of which the dominant tenement is not the copy itself, but the productive enterprise in whose service the copy was created.²²⁵ Such an interest is irrevocable for as long as the necessity persists, which in this case would mean for as long as the specific project for which the work was created continues to be pursued.

This proposed understanding of the doctrine answers cleanly the question posed above with regard to *Effects*: What if the studio were to assign its copyright in the footage to someone else? Would the assignee now be able to terminate Cohen's license? If the license were merely a contractual obligation, the answer to this question would likely be yes, even though this would significantly undermine the purpose of recognizing an implied license in the first place. If we understand the implied license to be in the nature of an easement for the benefit of the film project however, the answer is clearly no.²²⁶

D. *Implied Power to Assign/Sublicense*

A longstanding line of federal cases holds that patent and copyright licenses "are personal to the licensee and not assignable unless expressly made so in the agreement."²²⁷ Federal courts have held that this rule is a matter of federal IP policy, which therefore trumps any

²²⁴ A copyright owner would be ill-advised to reject this argument on the ground that the client is perfectly able to "use and enjoy" his copy of the work so long as he is able to make personal use of it, even if he cannot use it in pursuit of the productive project for which he sought its creation. The obvious rejoinder (which many are eager to supply) is that by the same token, the author does not need the protection of copyright law to extract all the "use and enjoyment" to which he is entitled from his own created work, so long as he is free to enjoy whatever copies he makes himself.

²²⁵ Cf. Zechariah Chafee, Jr., *Equitable Servitudes on Chattels*, 41 HARV. L. REV. 945, 964 (1928) (noting the possibility of a business serving as a dominant tenement for a servitude).

²²⁶ See, e.g., *Drake v. Wells*, 93 Mass. 141 (Mass. 1865) (In this case, the trial court held that a license incident to a grant (the grant here being timber rights) was irrevocable and binding on the grantee of the land on which the timber was situated. The Supreme Judicial Court of Massachusetts agreed with this principle, but reversed on the ground that the transfer of title to the timber could not be effectual until the trees were actually cut down and thus severed from the land.).

²²⁷ *Unarco Indus. v. Kelley Co.*, 465 F.2d 1303, 1306 (7th Cir. 1972); See also *Gardner v. Nike*, 279 F.3d 774, 778 (9th Cir. 2002) (holding that 1976 Act did not override precedent under 1909 Act that a licensee "had no right to resell or sublicense the rights acquired unless he had been expressly authorized so to do.").

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contrary state contract law permitting free assignability of contractual rights.²²⁸ The rationale given for the rule in the patent context is that free assignability could undermine the IP owner’s ability to control the identity of assignees, leading to the possibility that rights would come into the hands of competitors the owner would never have agreed to license.²²⁹ In reaffirming this rule as applied to exclusive licenses under the 1976 Act, the Ninth Circuit said that “[b]y 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.”²³⁰ The rule has been roundly attacked, both on policy grounds and as a violation of *Erie* doctrine.²³¹ In the copyright arena, the rule has proven controversial as applied to exclusive licenses because of language in the 1976 Act suggesting that such licenses now function as assignments.²³² There is little theoretical dispute, however, that it applies to nonexclusive licenses.²³³

Despite this seemingly well-entrenched rule, courts have countenanced the unauthorized transfer or sublicense of implied copyright licenses.²³⁴ As we have seen, the implied license granted to Cohen in *Effects Associates* apparently extended to distributor New World Entertainment as well.²³⁵ More glaringly, the panel majority in *Foad*, despite its great show of consulting federal copyright policy with regard to use of California’s parol evidence rule, then proceeded to ignore the issue completely in holding that California contract law permitted the assignment of GenCom’s implied license to a successor despite a contract term expressly prohibiting this.²³⁶ Can these two sets of cases be reconciled?

I will suggest that they can be, at least to some extent. The key concern animating the federal doctrine of non-assignability is to protect the IP owner’s right to control the identity of the licensee. In the patent

²²⁸ See *Unarco*, 465 F.2d at 1306 (“the question of assignability of a patent license is a specific policy of federal patent law dealing with federal patent law”).

²²⁹ See *in re CFLC, Inc.*, 89 F.3d 673, 679 (9th Cir. 1996).

²³⁰ *Gardner*, 279 F.3d at 778 (quoting *Harris v. Emus Records Corp.*, 734 F.2d 1329, 1333 (9th Cir.1984)) (alteration in original).

²³¹ See, e.g., Aaron Xavier Fellmeth, *Control Without Interest: State Law of Assignment, Federal Preemption, and the Intellectual Property License*, 6 VA. J.L. & TECH. 8 (2001).

²³² See Newman, *supra* note 25, at 61–66.

²³³ See Alice Haemmerli, *Why Doctrine Matters: Patent and Copyright Licensing and the Meaning of Ownership in Federal Context*, 30 COLUM. J.L. & ARTS 1, 42 (“In contrast, the evolution of a federal common law rule on the inalienability of nonexclusive licenses, . . . appears functional and compelling.”); Fellmeth, *supra* note 231, at 33.

²³⁴ See, e.g., *Morgan v. Hawthorne Homes, Inc.*, 2009 WL 1010476, at *19 (W.D. Pa. 2009) (“An implied nonexclusive license is transferable”) (citing *Nat’l Ass’n for Stock Car Auto Racing, Inc. v. Scharle*, 356 F. Supp. 2d 515, 528 (E.D. Pa. 2005)).

²³⁵ *Effects Assocs. v. Cohen*, 908 F.2d 555, 556 (9th Cir. 1990).

²³⁶ *Foad Consulting Grp., Inc. v. Azzalino*, 270 F.3d 821, 831 (9th Cir. 2001).

context, the problem with free assignability has been described as follows:

[A] party seeking to use the patented invention could either seek a license from the patent holder or seek an assignment of an existing patent license from a licensee. In essence, every licensee would become a potential competitor with the licensor-patent holder in the market for licenses under the patents. And while the patent holder could presumably control the absolute *number* of licenses in existence under a free-assignability regime, it would lose the very important ability to control the *identity* of its licensees. Thus, any license a patent holder granted—even to the smallest firm in the product market most remote from its own—would be fraught with the danger that the licensee would assign it to the patent holder’s most serious competitor, a party whom the patent holder itself might be absolutely unwilling to license.²³⁷

A copyright owner might have similar concerns,²³⁸ or as I have argued elsewhere, may wish to use the identity of the licensee as a proxy for controlling qualities of the work’s presentation to the public that would be difficult to reduce to enforceable license terms.²³⁹ The question is whether we can identify categories of cases in which these interests are not harmed by finding implied permission to assign or sublicense, and in which refusing to infer such permission would increase transaction costs unproductively.

1. Implied inclusion of non-privy parties within the scope of an express license

Many productive uses of works of authorship require the involvement of multiple parties to bring them to fruition. Creation of a film, for example, involves the efforts of large numbers of people, coordinated by a film studio. Many of these people will be employees of the studio, but since the demise of the “studio system,” many (including for example director and actors) will tend to be independent contractors.²⁴⁰ If an author grants the studio a license to create an audiovisual work based on her novel, it would be unproductive to hold that this license permits only the employees of the studio to contribute to the work, and that the author must give her express consent to each independent contractor the studio wishes to involve in the project. In licensing the studio to create a derivative work, she authorizes it to take

²³⁷ *In re CFLC, Inc.*, 89 F.3d 673, 679 (9th Cir. 1996).

²³⁸ DC Comics, for example, would presumably not want the film rights to its characters to wind up in the hands of a studio owned by Marvel.

²³⁹ See Newman, *supra* note 25, at 93–96.

²⁴⁰ The work-for-hire provisions include works commissioned “as a part of a motion picture or other audiovisual work” for this very reason—to prevent the finished work from becoming unusable due to fragmentation of rights. See 17 U.S.C. § 101 (2012).

on the role of author with regard to that work. The role of author does not mean that one does all the work of creation singlehandedly; it means that one exercises creative control, selecting and coordinating the efforts of other contributors so as to have final say on both the final form and content of the realized work and the manner in which it is presented to the public.²⁴¹

It would violate the licensor’s interest in controlling the identity of the licensee if the studio were simply to assign the movie rights to some other entity, or to enter into the sort of sublicense in which another entity steps entirely into the shoes of the sublicensor and exercises creative and commercial control in its stead.²⁴² The appropriate majoritarian default rule, however, would appear to be one that permits a licensee to contract with third parties as needed to carry out the aims of the license, so long as the licensee continues to exercise its designated role as the entity exercising both creative and commercial control. This would include contracting with third parties whose role is not creative input but production or distribution. This slight modification of the judge-created non-assignability doctrine would reconcile its stated purpose with the concern voiced by Nimmer that licensees should not be required to “engage in all exploitations” singlehandedly.²⁴³

While the approach I suggest here is at odds with the stark statement that a licensee has “no right to . . . sublicense the rights acquired unless he ha[s] been expressly authorized to do so[,]”²⁴⁴ courts have not in fact categorically adhered to that statement. First, where the intended involvement of a particular party in the licensed project was clearly known to the licensor, courts will regard the license as extending to that party’s involvement even though it was not itself privy to the license transaction.²⁴⁵ Second, even where the specific identities of the eventual third parties are not known at the time of licensing, if the licensed use is such as to require (or even reasonably involve) the involvement of such third parties, the licensee will have an implied license to enlist them. In *Gracen v. Bradford Exchange*, for example, MGM had licensed the Bradford Exchange to make a series of collector’s plates using characters and scenes from the film “The

²⁴¹ See *Lindsay v. Wrecked and Abandoned Vessel R.M.S. Titanic*, 52 U.S.P.Q.2d 1609, 1612–13 (S.D.N.Y. 1999).

²⁴² In *Gardner v. Nike, Inc.* for example, Nike had created a cartoon character and granted an exclusive license to Sony. Sony assigned all its rights to Gardner on a quitclaim basis, in exchange for a share of proceeds. *Gardner v. Nike, Inc.*, 279 F.3d 774, 776 (9th Cir. 2002).

²⁴³ 3 NIMMER, *supra* note 46, at § 10.02[B][4][b].

²⁴⁴ *Gardner*, 279 F.3d at 778 (quoting 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 10.01[C][4] (2001)).

²⁴⁵ See *Nat’l Ass’n for Stock Car Auto Racing, Inc. v. Scharle*, 356 F. Supp. 2d 515, 525–28 (E.D. Pa. 2005) (artist’s grant of license to Mint to create NASCAR trophy based on drawings also extended to NASCAR’s use of trophy).

Wizard of Oz.”²⁴⁶ Bradford, in turn, “invited several artists to submit paintings of Dorothy as played by Judy Garland, with the understanding that the artist who submitted the best painting would be offered a contract for the entire series.”²⁴⁷ The court opined, “although Bradford was not expressly authorized to sublicense the copyright in this way, there can be no serious doubt of its authority to do so.”²⁴⁸ Cohen’s distribution sublicense to New World Entertainment can be seen as falling in this category.

We can contrast this with the scenario at issue in *Leicester v. Warner Bros.*,²⁴⁹ in which an artist created a public art installation in connection with a building, granting to the building owner ““and to the Owner’s related corporate entities, and to the Owner’s assigns”” a license to make ““reproductions of the work including but not limited to reproductions used in advertising, brochures, media publicity, and catalogs or other similar publications””²⁵⁰ Under my proposed understanding of the implied right to sublicense, the owner of the building would be free to contract with third party photographers, printers, and the like in order to create such reproductions when it wished to commission them to its own specifications and for its own business purposes. It would not, however, be free to do what it actually did in the case: grant Warner Brothers a license to make reproductions of the building for use in a feature film, a project over which Warner Brothers exercised artistic and commercial control.²⁵¹

2. Assignability of easement by necessity

As I have argued above, the type of implied license that arises under *Oddo/Effects* is analogous to an easement by necessity having as

²⁴⁶ *Gracen v. Bradford Exch.*, 698 F.2d 300, 301 (7th Cir. 1983).

²⁴⁷ *Id.*

²⁴⁸ *Id.* at 303. See also *Key Maps, Inc. v. Pruitt*, 470 F. Supp. 33, 38 (S.D. Tex. 1978) (implied license to a Fire Department to reproduce a map included permission to order reproductions of the map from a third party printer).

²⁴⁹ 47 U.S.P.Q.2d 1501, 1998 WL 34016724 (C.D. Cal. 1998), *aff’d*, 232 F.3d 1212 (9th Cir. 2000).

²⁵⁰ *Id.* at *2–4.

²⁵¹ *Id.* Note that the court interpreted the language of the license to draw a distinction between two-dimensional and three-dimensional reproductions, the license to the former being non-exclusive, to the latter, exclusive. *Id.* The court thought this mattered based on a misreading of *Harris v. Emus Records Corp.*, 734 F.2d 1329 (9th Cir. 1983), which it took to stand for the proposition that an exclusive license carries with it the right to assign or sublicense. *Id.* at *3. I have argued elsewhere that the Ninth Circuit’s later holding in *Gardner v. Nike*, 279 F.3d 774 (9th Cir. 2002), that the baseline rule of non-assignability applies to exclusive as well as nonexclusive licenses is correct, and therefore would not distinguish between the two. See Newman, *supra* note 25, *passim*. I also find the court’s construction of the license as exclusive with regard to three-dimensional works to be unfounded, as the artist undertook only to refrain from duplicating his work in connection with other projects or for the use of other clients, leaving open the possibility of making three-dimensional reproductions for his own personal use. *Leicester*, 1998 WL 34016724, at *3.

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dominant tenement the enterprise in service of which the work was created. This would take it out of the realm of non-assignable *in personam* relations, and make it a part of the estate in the dominant tenement. While easements in gross have long been regarded as personal and nontransferable,²⁵² appurtenant easements are understood to be transferrable along with the dominant tenement. Such an understanding would explain why, in a case like *Foad*, the implied licensee was able to transfer all of its rights in a construction project to a successor in interest, and the successor was entitled to use the licensed plans, despite a contract term prohibiting the assignment of rights under the contract. This result is inexplicable under the framework the Ninth Circuit professed itself to be applying, but makes perfect sense once one realizes that the license was not a “right under the contract.” Rather, GenCom’s license arose from the facts that it asked Foad Consulting to create the plans for the project, and Foad did so, delivering them with full knowledge as to their intended use and without stating any express conditions to that use. From that point on, Foad was deemed to have given constructive and irrevocable consent to use those plans to complete the project. This consent attached to the project itself and could be transferred with—and only with—the totality of GenCom’s interest in the project. Were the project to be scrapped, any other use of Foad’s plans on future projects would be unlicensed and infringing. Likewise, once GenCom had transferred the project to someone else, it had no further entitlement to make use of Foad’s plans. To prevent the creation of such an easement, Foad had only to give express notice prior to delivering the plans that it intended to make any license contingent on continued employment in the project.

There may at times be ambiguity as to what exactly this form of so-called “dominant tenement” consists of and how it may be transferred, but it is essentially the same ambiguity already involved in determining the scope of the implied license. In *Foad*, GenCom had commissioned plans for a shopping center, and had shepherded the development project through the local government agencies in order to obtain the approvals needed to build it.²⁵³ We are told that it then “transferred its rights to develop the project” to the successor, which presumably included whatever interests it owned in the project site and whatever government approvals it had obtained.²⁵⁴ There is little difficulty in holding that the successor was engaged in the same enterprise for which the plans had been created, and that if either the site or the nature of the development were significantly altered, it would constitute a different project outside the scope of the license.

²⁵² See Newman, *supra* note 25, at 86–89.

²⁵³ *Foad Consulting Grp., Inc. v. Azzalino*, 270 F.3d 821, 824 (9th Cir. 2001).

²⁵⁴ *Id.*

The question is whether this proposed doctrine runs afoul of the judge-made federal policy against assignment of licenses. I contend that it does not, because the license interests created under *Oddo/Effects* are not open-ended and attach only to works that the author creates specifically for the use of another. An author who creates a work independently has a presumptive interest in controlling the manner in which it is commercialized and presented to the public. This is what the non-assignability doctrine seeks to protect, by giving her control over the identities of the persons who will be empowered to make such decisions, and preventing that control from being relinquished inadvertently. Thus, when the novelist grants a license to the publisher or movie studio, the burden is on the latter to ask and bargain for unfettered powers of transfer. This interest of the author's is greatly diminished, however, when she creates a work at another's request and with the specific intent of serving his ends. In such cases, the author (absent a valid work-for-hire agreement) retains ownership of her work and may employ it toward additional ends of her own apart from those of the client, but is placed under the burden of giving the client notice if she intends to exercise a control that may interfere with his ends.

III. COPYRIGHT LICENSES ARE CREATURES OF FEDERAL LAW

There is indisputably a federal common law of implied copyright licenses.²⁵⁵ While federal courts do sometimes raise issues under state contract law in the course of deciding implied license cases,²⁵⁶ much of the time they rely on a body of precedent created by federal courts out of whole cloth.²⁵⁷ Though less prevalent in this area, federal common

²⁵⁵ See *supra* note 83 and accompanying text; *Parker v. Yahoo!, Inc.*, 2008 WL 4410095, at *4 n.8 (E.D. Pa. 2008) ("As neither party has raised the issue of choice of law, the Court will conduct its analysis under federal common law.").

²⁵⁶ See *supra* note 80.

²⁵⁷ See, e.g., *Estate of Hevia v. Portrio Corp.*, 602 F.3d 34 (1st Cir. 2010); *Latimer v. Roaring Toyz, Inc.*, 601 F.3d 1224 (11th Cir. 2010); *Asset Mktg. Sys., Inc. v. Gagnon*, 542 F.3d 748 (9th Cir. 2008); *Nat'l Ass'n for Stock Car Racing, Inc. v. Scharle*, 184 F. App'x 270 (3d Cir. 2006); *John G. Danielson, Inc. v. Winchester-Conant Props., Inc.*, 322 F.3d 26 (1st Cir. 2003); *Nelson-Salabes, Inc. v. Morningside Dev., LLC*, 284 F.3d 505 (4th Cir. 2002); *Korman v. HBC Florida, Inc.*, 182 F.3d 1291 (11th Cir. 1999); *Johnson v. Jones*, 149 F.3d 494 (6th Cir. 1998); *I.A.E., Inc. v. Shaver*, 74 F.3d 768 (7th Cir. 1996); *MacLean Assocs., Inc. v. Wm. M. Mercer-Meidinger-Hansen, Inc.*, 952 F.2d 769 (3d Cir. 1991); *Effects Assocs., Inc. v. Cohen*, 908 F.2d 555 (9th Cir. 1990); *Oddo v. Ries*, 743 F.2d 630 (9th Cir. 1984); *Softtech Worldwide, LLC v. Internet Tech. Broad. Corp.*, 761 F. Supp. 2d 367 (E.D. Va. 2011); *Beholder Prods., Inc. v. Catona*, 629 F. Supp. 2d 490 (E.D. Pa. 2009); *Intelligraphics, Inc. v. Marvell Semiconductor, Inc.*, 2009 WL 330259 (N.D. Cal. 2009); *Morgan v. Hawthorne Homes, Inc.*, 2009 WL 1010476 (W.D. Pa. 2009); *Numbers Licensing, LLC v. bVisual USA, Inc.*, 643 F. Supp. 2d 1245 (E.D. Wash. 2009); *Parker v. Yahoo!, Inc.*, 2008 WL 4410095 (E.D. Pa. 2008); *Janky v. Lake Cnty. Convention & Visitors Bureau*, 2006 WL 2771019 (N.D. Ind. 2006); *Attig v. DRG, Inc.*, 2005 WL 730681 (E.D. Pa. 2005); *Berg v. Symons*, 393 F. Supp. 2d 525 (S.D. Tex. 2005); *Meisner Brem Corp. v. Mitchell*, 313 F. Supp. 2d 13 (D. N.H. 2004); *Holtzbrinck Publ'g Holdings, L.P. v. Vyne Commc'ns, Inc.*, 2000 WL 502860 (S.D.N.Y. 2000); *SHL Imaging, Inc. v. Artisan House, Inc.*, 117 F. Supp. 2d

law also governs certain aspects of express copyright licenses. While federal courts generally regard themselves as applying state contract law in the construction of such licenses, they do so subject to the proviso that state law will be superseded should it conflict, not merely with the express terms of the Copyright Act itself, but with what the federal courts understand to be the purposes underlying federal copyright law.²⁵⁸ The most salient and controversial example of this approach is the rule of license non-assignability discussed above.²⁵⁹

The legitimacy of these exercises in federal lawmaking has been called into question. One line of attack asserts that use of federal law in these areas amounts to a preemption of state contract law that is unjustified under the usual doctrines governing when such preemption is appropriate.²⁶⁰ Another asserts that federal courts have no authority under *Erie v. Tompkins*²⁶¹ to generate their own common law in these areas.²⁶² If I am correct that at root a license is not a duty created by contract law, but a limited form of property interest, then these objections ought to fall by the wayside. Ordinary conflict of law principles suggest that federal, not state law should govern copyright licenses. And this is a good thing, because as a practical matter only federal courts are in a position to develop a refined body of doctrine in this area.

A. *Choice of Law Principles Suggest that Federal Law Should Govern the Creation of License Interests in Federally-Created Property.*

As Justice Holmes pointed out in *Marrone v. Washington Jockey*

301 (S.D.N.Y. 2000); *Quinn v. City of Detroit*, 23 F. Supp. 2d 741 (E.D. Mich. 1998); *Design Options, Inc. v. BellePointe, Inc.*, 940 F. Supp. 86 (S.D.N.Y. 1996); *Irwin v. Am. Interactive Media, Inc.*, 1994 WL 394979 (C.D. Cal. 1994); *Johnson v. Salomon*, 1977 WL 22758 (D. Minn. 1977); *Foreign Car Parts, Inc. v. Auto World, Inc.*, 366 F. Supp. 977 (M.D. Pa. 1973).

²⁵⁸ See e.g. *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1088 (9th Cir. 1989) (“The license must be construed in accordance with the purposes underlying federal copyright law. . . . We rely on state law to provide the canons of contractual construction, but only to the extent such rules do not interfere with federal copyright law or policy.”) (citing *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851, 854 (9th Cir. 1988); *Harris v. Emus Records Corp.*, 734 F.2d 1329, 1334 (9th Cir. 1984); *Fantastic Fakes, Inc. v. Pickwick Int’l, Inc.*, 661 F.2d 479, 482–83 (5th Cir. 1981)).

²⁵⁹ See *supra* notes 227–231 and accompanying text.

²⁶⁰ See *Fellmeth*, *supra* note 231, at 34:

When federal judges assume, without analysis, that federal policy (as interpreted, or possibly invented, by them) is so important that it must preempt state law simply because the matter is within a realm upon which Congress *could have* legislated constitutionally (but did not), such judges come dangerously close to putting themselves in the place of legislators, violating the separation of powers and undermining principles of optimal democratic governance and subsidiarity.

²⁶¹ *Erie v. Tompkins*, 304 U.S. 64, 78 (1938). But see Henry J. Friendly, *In Praise of Erie—And of the New Federal Common Law*, 39 N.Y.U. L. REV. 383 (1964).

²⁶² *Id.* at 35–36.

Club of D.C.,²⁶³ the question whether a property owner has breached a contractual duty to permit entry (i.e., to refrain from revoking a license) and the question whether the entrant has a valid interest entitling him to enter without trespass are two different things.²⁶⁴ The former is a matter of contract law; the latter of property law. Thus, to the extent that a “license agreement” is a contract in which the parties assume reciprocal duties to each other, the validity, construction, and enforcement of those duties are governed by state contract law. To the extent, however, that a “license agreement” is an act resulting in the creation of a license interest, the conditions under which such an interest can validly be granted, revoked, or transferred are governed by property law. The question then becomes which sovereign’s law governs interests in the relevant property. When parties contract to convey interests in property, the law of the place of contracting generally governs contractual rights and liabilities, but the effects on actual entitlements to the property are governed by the law of the situs.²⁶⁵ When it comes to a form of intangible property expressly created by statute, such as the familiar case of corporate stock, transfer is governed by the law of the state that created it.²⁶⁶ This makes sense, because the rules governing creation and transfer of property interests need to be grounded in the policies justifying protection of the type of property interest in question. In *Unarco Indus., Inc. v. Kelley Co.*,²⁶⁷ the Seventh Circuit held that the question of assignability of a patent license is “a specific policy of federal patent law dealing with federal patent law,” and should therefore be decided as a matter of federal rather than state law.²⁶⁸ Why is the assignability of a license a specific policy of federal law? The court’s explanation is consistent with my contention that a license is not an act of contracting but an exercise of powers of title:

²⁶³ 227 U.S. 633 (1913) (holding that a ticketholder to race track could be expelled as a trespasser despite contract embodied in ticket).

²⁶⁴ *See id.* at 636 (“The fact that the purchase of the ticket made a contract is not enough. A contract binds the person of the maker, but does not create an interest in the property that it may concern, unless it also operates as a conveyance.”).

²⁶⁵ 15A C.J.S. Conflict of Laws § 90 (2013):

The law of the place where the property is situated generally governs the requisites, validity, and effect of executory land contracts, but some courts determine contractual rights and liabilities by the law governing the contract; real covenants are governed by the law of the situs of the land but personal covenants are governed by the law of the place of contracting.

See also 15A C.J.S. Conflict of Laws § 83 (2013) (same rule for movables).

²⁶⁶ 15A C.J.S. Conflict of Laws § 84 (2013): “[T]he rule in the United States is that the validity and formal requisites of a transfer of corporate stock are governed by the law of the place of incorporation.”; RESTATEMENT (FIRST) OF CONFLICT OF LAWS § 213 (1934): “The original creation of property in an intangible thing which exists only because it has been created by law is governed by the law of the state which created the original intangible thing and interest therein.”

²⁶⁷ 465 F.2d 1303 (7th Cir. 1972).

²⁶⁸ *Id.* at 1306.

When an inventor or person holding patent rights desires to license or relinquish any part of the patent monopoly, such person is utilizing the monopoly of rights intended by the framers of the Constitution and the legislation of Congress to reward invention and originality. This monopoly conferred by federal statute as well as the policy perpetuating this monopoly, so affects the licensing of patents, and the policy behind such licensing is so intertwined with the sweep of federal statutes, that any question with respect thereto must be governed by federal law.²⁶⁹

To license a patent is to utilize a power conferred by it, and the law creating the patent therefore governs the manner in which that power may be used.

The objection against “preemption” of state law by federal law in this area is thus a red herring. The question in *Unarco* was not really whether uniform federal patent policy is so important as to call for *preemption* of otherwise applicable state law, but rather which body of law should govern patent licenses as a matter of basic choice of law principles.²⁷⁰ Once we see that the license interest is not a contract, it becomes apparent that in fact *there is no* directly applicable state law on patent licensing for a federal court to either apply or preempt, because states are preempted at a higher level from issuing patents, and therefore have no occasion to make such policy.²⁷¹ At best, one could apply principles derived from the state law concerning creation and transfer of interests in other kinds of property. Even if states did have their own patent regimes, the rules governing transfer of *federal* patents would be governed by *federal* law, just as the transfer of corporate stock is governed by the law of the state of incorporation. Similarly, copyrights are a form of property created by a federal statute that expressly preempts the states from creating any equivalent legal or equitable rights,²⁷² denying state courts any power to adjudicate suits brought to enforce them.²⁷³

²⁶⁹ *Unarco Indus., Inc. v. Kelley Co.*, 465 F.2d 1303, 1306 (7th Cir. 1972).

²⁷⁰ I do not dispute that the court in *Unarco* used what sounds like a preemption analysis. *See id.* at 1305–06. I am rather proposing an alternate rationale for the holding, one that I think finds support in the court’s description of the nature of the federal interest. If one sticks to the assumption that license interests are creatures of contract law, however, I would find it difficult to disagree with Judge Friendly on the preemption question. *See Bartsch v. Metro-Goldwyn-Mayer, Inc.*, 391 F.2d 150, 153–54 (2d. Cir. 1968) (Friendly, J.) (construing license construction as a matter of contract law, and concluding that development of a “federal common law” of contracts is not justified).

²⁷¹ *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 167 (1989) (“The patent statute’s careful balance between public right and private monopoly to promote certain creative activity is a ‘scheme of federal regulation . . . so pervasive as to make reasonable the inference that Congress left no room for the States to supplement it.’”) (citation omitted).

²⁷² 17 U.S.C. § 301 (2012).

²⁷³ 28 U.S.C. § 1338 (2012).

B. *It is Consistent with Erie Doctrine for Federal Courts to Generate a Common Law of Copyright Licenses.*

Even if choice of law principles suggest that federal law should govern copyright licenses, one might question whether, given *Erie*, federal courts have constitutional power to generate that law. The doctrine of *Clearfield Trust Co. v. United States*²⁷⁴ suggests that they do. There the Supreme Court held that the rights and duties of the United States on commercial paper which it issues are governed by federal common law rather than state law.²⁷⁵ It is important to note that *Clearfield Trust* addresses two distinct questions: (1) do federal courts have power to make law in this area;²⁷⁶ and (2) should they use this power to adopt or depart from existing state law.²⁷⁷ With regard to the first question, the Court held that *Erie* did not apply, because the government's action in disbursement of funds is clearly the exercise of a constitutionally authorized function of the federal government, giving rise to duties and rights grounded in federal law.²⁷⁸ It followed that "[i]n absence of an applicable Act of Congress it is for the federal courts to fashion the governing rule of law according to their own standards."²⁷⁹

There is no question that the creation and enforcement of copyright interests is a constitutionally authorized function of the federal government, one that gives rise to duties and rights grounded in federal law.²⁸⁰ There can thus be no question that the federal government has power to prescribe the rules governing transfer of copyright interests. The key difference from *Clearfield Trust* is that here there is an applicable Act of Congress, and one might read it as directing federal courts to follow state law. Section 201(d)(1) of Title 17 provides 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.²⁸¹

The phrases "any means of conveyance," "operation of law," and

²⁷⁴ 318 U.S. 363 (1943).

²⁷⁵ *Id.* at 366.

²⁷⁶ *Id.*

²⁷⁷ *Id.* at 367. See also Friendly, *supra* note 261, at 410. For an example of the adoption of state law in construing copyright law, see *De Sylva v. Ballentine*, 351 U.S. 570 (1956) (using state law to interpret whether the statutory term "children" included illegitimate children).

²⁷⁸ *Clearfield Trust Co.*, 318 U.S. 363, 366 (1943).

²⁷⁹ *Id.* at 367 (citation omitted).

²⁸⁰ U.S. CONST. art. I, § 8. See also Zeitz, *supra* note 2, at 446–47 (making case that federal common law should govern creation of implied licenses). Zeitz, however, argues that licenses "are very much creatures of copyright because their essence is a promise not to sue for copyright infringement." *Id.* If this were so, the case for applying state law would be much stronger, because contract law is what governs promises, whatever their subject matter. The stronger argument is that the essence of a license is not a promise, but an exercise of power granted by the copyright.

²⁸¹ 17 U.S.C. § 201(d)(1) (2012).

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“applicable laws” are clearly understood to include state laws and means recognized thereunder. It is, moreover, clear that state courts have exclusive jurisdiction to adjudicate claims of copyright ownership whenever they arise in contexts that do not allege claims of infringement.²⁸² Therefore, one might argue, while Congress has constitutional authority to prescribe rules for copyright transfers, it has in fact decided to leave them to be governed by state law.

There are several responses. First, it bears noting that Section 201(d)(1) applies only to transfers of ownership, which are statutorily defined to exclude nonexclusive licenses, including all implied licenses.²⁸³ The statute is thus silent as to the rules governing implied licenses, making it clearly appropriate for the federal courts to fill the gap.²⁸⁴

Second, even with regard to exclusive licenses—which *are* within the ambit of “transfers of copyright ownership”—Section 201(d)(1) does not say anything about choice of law. It tells us that existing background principles of property law may be applied to the transfer of copyright interests, but does not purport to specify which sovereign’s version of those principles should apply to any given question. I have argued that—contrary to common assumption—choice of law analysis in fact points to federal law for questions concerning the creation and transfer of license interests, which are exercises of the powers of title created by federal copyright law. This is not to assert that federal courts should therefore generate their own rules of conveyance from scratch. Rather, for any given issue concerning transfers the question is whether, as stated in *Clearfield Trust*, the federal courts should use their lawmaking power to adopt or depart from existing state law.²⁸⁵ For most matters, adoption will be the desirable course. Where the federal courts believe that federal copyright policy requires departure from state law, however—as they have done in holding patent and copyright licenses to be presumptively nontransferable²⁸⁶—they are empowered to do so.

Finally, as a practical matter, issues as to the existence and scope of an implied license only arise where someone raises them as a defense to a claim of infringement. As state courts lack jurisdiction over such claims, they are absolutely disabled from generating a body of common law precedent as to the validity and scope of implied (or, for that matter,

²⁸² See *T.B. Harms Co. v. Eliscu*, 339 F.2d 823 (2d Cir. 1964) (federal court lacked jurisdiction to hear suit seeking declaration as to ownership of copyright, where no infringement was alleged).

²⁸³ 17 U.S.C. § 101 (2012).

²⁸⁴ See *Clearfield Trust Co.*, 318 U.S. at 367 (“In absence of an applicable Act of Congress it is for the federal courts to fashion the governing rule of law according to their own standards.”).

²⁸⁵ See *supra* note 277. See also *Boyle v. United Technologies Corp.*, 487 U.S. 500, 507–08 & n.3 (discussing federal court discretion to incorporate state law except where a conflict with federal policy exists).

²⁸⁶ See *supra* note 227.

express) copyright licenses. It is little to be wondered at then, that even when federal courts feel compelled to consult state law on these matters, they fail to find anything terribly useful.²⁸⁷ In part this is because they are misconceiving the question and looking for precedent on implied-in-fact contracts, when the better analogies would be to cases concerning implied consent to the use of real or personal property, or even cases involving implied consent to personal touching that would otherwise constitute battery.²⁸⁸ While such cases would be more illuminating than contract doctrine however, they still cannot offer much guidance on the specific scenarios and concerns that will arise and recur in the context of copyright licenses. Only the federal courts have the opportunity to create a body of useful precedent in this area, and as argued above, ordinary choice of law principles suggest that it is appropriate for the law governing this area to be federal in origin.

CONCLUSION

I have sought to provide an account of implied license doctrine that rescues it from two different misconceptions. One is the faulty premise that licenses are contractual obligations, and that therefore findings of implied license must be somehow justified in accordance with state contract law. The other is the view that implied license is an open-ended invitation for courts to override owners' rights of control in service of various policy goals. Once we recognize licenses as exercises of powers granted by property law, we can understand the doctrine of implied license as one that seeks to allocate informational burdens so as to facilitate private ordering based on the principle of owner control. It does so by using context-based default rules to reduce transaction costs and discourage owners from opportunistic use of their exclusive rights. In a broader light, I offer this as another example of why we should embrace rather than shun the conception of copyright as a form of property right doctrinally continuous with other traditional property rights.²⁸⁹ Such a conception does not imply that owners' assertions of control must inevitably run roughshod over the liberty interests of others. Rather, it gives us access to a tradition of nuanced calibration between the two.

²⁸⁷ See *Foad Consulting Grp., Inc. v. Azzalino*, 270 F.3d 821, 827 n.10 (9th Cir. 2001) ("We can find no California cases on point, but we have no reservations about predicting that were the California Supreme Court to be presented with the issue, it would adopt this common-sense principle underlying *Effects Associates*."); see also *Bartsch v. Metro-Goldwyn-Mayer, Inc.*, 391 F.2d 150, 154 (2d. Cir. 1968) (Friendly, J.) ("Unfortunately, when we turn to state law, we find that it offers little assistance.").

²⁸⁸ See, e.g., *Tomasetti v. Maryland Cas. Co.*, 117 Conn. 505 (1933) (discussing, in context of insurance case, the sort of conduct necessary to give rise to permission to use one's car).

²⁸⁹ See Newman, *supra* note 7, at 170–71 (arguing that property doctrine helps to provide principled limits to the proper scope of copyright owners' exclusive rights).

The key points of my analysis can be summarily restated as follows:

- (1) An implied license, like any other copyright license, is a unilateral exercise of the copyright owner's power to create privileges to use the work in others;
- (2) Whenever a copyright owner engages in conduct that is reasonably perceived as signifying consent to a particular use of the work by others, those others are licensed to engage in such use until the owner gives them notice that permission is being withdrawn. Actions (apart from the bare provision of a copy) that directly facilitate specific uses of the work that would otherwise infringe are among the types of conduct that signify consent;
- (3) The conduct that signifies consent to use may or may not take place in the context of a contractual relationship. If it does, conduct related to contract formation may also bear on the question whether consent to use has been granted. Whether or not a valid contract has actually been formed, however, is irrelevant to the question whether consent to use has been made manifest. Also, any doctrines grounded in contract law that restrict the sorts of evidence of intent that may be brought to bear in construing any contract between the parties do not operate to exclude evidence on the question whether consent to use was granted;
- (4) It is possible for an author to enter into an implied contract not to revoke a license, but the mere fact that consideration was paid in connection with the overall transaction is not dispositive on the question whether such a contract exists;
- (5) Consent to use may be inferred on the basis of customs that, once triggered in a given context, require copyright owners to take specific steps to avoid granting a license;
- (6) If an author creates a work at the request of a client who wishes to use it for a productive purpose made known to the author, and the author delivers a copy of the work to the client without placing any express conditions on its use, the client will obtain an irrevocable license to use the work in all ways necessary to further the purpose for which it was created. This license may be transferred to someone else provided that it is accompanied by the original licensee's entire interest in the project, and will bind the copyright owner's successors in interest to the copyright;
- (7) Any other license, express or implied, is not transferrable without the consent of the owner. Unless contrary notice has been given, however, a license will always contain an implicit authorization to grant sublicenses to third parties whose involvement is necessary to fulfill the purpose of the license, provided that those parties remain under the active creative and commercial control of the original licensee;
- (8) The creation and scope of an implied copyright license are matters governed by federal common law.