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227 U.S.P.Q. 559, 1985 Copr.L.Dec. P 25,847

1985 WL 3049
United States District Court; S.D. New York.

WILLIE DIXON, Plaintiff,
v.
ATLANTIC RECORDING CORPORATION, SUPERHYPE MUSIC, INC., JIMMY PAGE, ROBERT PLANT, JOHN PAUL JONES, JOHN BONHAM, THE AMERICAN SOCIETY OF COMPOSERS, AUTHORS & PUBLISHERS, and THE HARRY FOX AGENCY, INC., Defendants.

No. 85 Civ. 287 (WCC).
|
October 4, 1985.

Attorneys and Law Firms

ROBERT W. CINQUE, ESQ., P.C. 130 West 57th Street New York, New York 10019, for plaintiff.

SILBERMAN & SHULMAN, ESQS., P.C. 136 East 57th Street New York, New York 10022, for defendant The Harry Fox Agency, Inc.; ALAN L. SHULMAN, ESQ., BARRY I. SLOTNICK, ESQ., IRVING J. GOTBAUM, ESQ., of counsel.

OPINION AND ORDER

CONNER, District Judge:

***1** Willie Dixon (‘Dixon’), the renowned blues artist, brought this copyright infringement action against the members of the legendary rock group, Led Zeppelin, alleging that their composition ‘Whole Lotta Love’ substantially copies his composition ‘I Need Love.’ In addition to the members of the band, Dixon sued several other defendants alleging that they contributed to Led Zeppelin's infringement of his work. Among these additional defendants is The Harry Fox Agency, Inc. (‘Fox’), the licensing and collecting agent for Superhype Music, Inc. (‘Superhype’), the owner and publisher of ‘Whole Lotta Love.’

Dixon charge all of the defendants with ‘publicly performing, making and using recorded copies and contributing to, participating in and furthering the infringement, or sharing in the proceeds thereof derived from the unauthorized and unlawful use of Plaintiff's Composition.’ Complaint at ¶13. Dixon's particular claim against Fox is that it contributed to the infringement by issuing ‘mechanical licenses' for ‘Whole Lotta Love’ pursuant to a contract with Superhype. [1]

This matter is now before the Court on Fox's motion for summary judgment pursuant to Rule 56 of the Federal Rules of Civil Procedure. Fox contends that it cannot be held liable for any alleged infringement for two reasons. First, it maintains that it always disclosed its status as an agent for Superhype, and therefore cannot be held liable for issuing licenses for ‘Whole Lotta Love’ on Superhype's behalf. Second, Fox argues that even if an agent for a fully disclosed principal can be held liable for actions it took on its principal's behalf, its participation in the distribution of ‘Whole Lotta Love’ was insufficient as a matter of law to make it liable for the infringement alleged here.

I have carefully reviewed the parties' papers, and have decided, for the reasons stated below, to deny Fox's motion without prejudice to renewal after Dixon has had an opportunity for discovery with respect to the issues raised by this motion.

Background

As noted above, Fox has an agreement with Superhype to act as its licensing and collecting agent. As that title would suggest, Fox provides two basic services. First, it issues licenses to record companies enabling them to manufacture and distribute phonorecords embodying compositions that Superhype owns and publishes, and second, it collects royalties on those compositions on Superhype's behalf. For these services, Fox receives a commission from the royalties it collects.

The licenses Fox issues for Superhype are commonly known as ‘mechanical licenses.’ By issuing such licenses, a copyright owner can comply with the so-called ‘compulsory license’ provisions of the Copyright Act. Title 17, § 115 of the United States Code provides that where a copyright owner has distributed phonorecords of a nondramatic musical work to the public, he must grant a license to make and distribute

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phonorecords of that work to anyone who applies for such a license so long as that person pays the statutory royalty. By issuing mechanical licenses, a copyright holder such as Superhype can comply with this provision while eliminating some of the formal accounting and notice requirements of the statute.

***2** Fox contends that since it must grant a license to anyone who applies for one, its work is purely ministerial. It claims that it has no discretion in determining who will receive a license or what the royalty rate will be. Although it sometimes grants licenses at less than the statutory royalty, it avers that it cannot do so without express approval from the copyright owner.

In granting mechanical licenses, Fox clearly discloses that it acts only as an agent for the copyright owner. The typical license reads in relevant part: 'You [the licensee] have advised us [Fox] in our capacity as Agent for the Publisher(s) . . . that you wish to use the copyrighted work referred to [above] . . .. You shall pay royalties and account to us as Agent for and on behalf of said Publisher(s) quarterly on the basis of records manufactured and sold . . ..' Exhibit C to Affidavit of Edward P. Murphy dated March 19, 1985.

Dixon does not dispute that Fox acted as an agent for a fully disclosed principal in issuing mechanical licenses for 'Whole Lotta Love,' but he contends that it is irrelevant to Fox's liability under the Copyright Act whether Fox acted as an agent for a disclosed principal or not. For the reasons stated below, I agree.

Discussion

Fox cites numerous cases for its contention that an agent for a fully disclosed principal cannot be held liable in tort for actions it took on its principal's behalf. Unfortunately, the cases Fox cites are inapposite, since they are not suits to hold an agent liable in tort, but to hold the agent liable for its principal's breach of contract. These cases rightly hold that an agent for a fully disclosed principal will not be liable on its principal's contract with a third-party, but that rule is irrelevant to this case.

Indeed, it is hornbook law that '[a]n agent who does an act otherwise a tort is not relieved from responsibility by the fact that he acted at the command of the principal or on account of the principal . . ..' Restatement (Second) of Agency § 343 (1957). This rule has long been applied to copyright actions; 'copyright infringement being a tort, an agent may be equally liable with his principal in many cases.' Buck v. Crescent Gardens Operating Co., 28 F. Supp. 576, 578 (D. Mass. 1939).

However, I need not consider the intricacies of agency law to resolve the instant motion. The Court of Appeals has eschewed such an analysis in favor of a less formalistic and more pragmatic approach. See Shapiro, Bernstein & Co. v. H. L. Green Co., 316 F.2d 304, 307 (2d Cir. 1963) (noting that 'the courts have not drawn a rigid line between the strict cases of agency, and those of independent contract, license, and lease'). The court has held that a person who promotes or induces an infringement can be held liable as a 'vicarious' infringer, even through he has no actual knowledge that a copyright is being violated, if (1) he has the right and ability to control or supervise the infringing activity, and (2) he has a direct financial interest in the exploitation of the copyrighted materials. Gershwin Publishing Corp. v. Columbia Artists Management, Inc., 443 F.2d 1159, 1162 (2d Cir. 1971); Shapiro, 316 F.2d at 307. These two considerations constitute the relevant inquiry here.

***3** Dixon contends that Fox satisfies these two requirements. First, he argues that Fox has an obvious ability to control the infringing activity since it must grant a license before anyone can make a recording of 'Whole Lotta Love,' and second, he contends that Fox has a direct financial interest in the exploitation of the composition since it derives its commission from the royalties that licensees pay to reproduce 'Whole Lotta Love.' Plaintiff's Memorandum of Law in Opposition to Defendant's Motion for Summary Judgment at 7. Fox, on the other hand, argues that it does not have any ability to control the alleged infringement since it has no discretion in determining whether to issue a license. It contends that under its agreement with Superhype, it must grant a mechanical license to anyone who applies and who agrees to pay the statutory royalty.

If that were clearly the case, I might be inclined to grant summary judgment to Fox, although I do have some reservations as to whether Fox can so easily insulate itself from vicarious liability in view of the commissions

it earns from each license it issues. However, Dixon contends, and Fox has not denied, that Fox has some discretion in negotiating and granting what are known as 'synchronization licenses' for compositions owned by Superhype, in compromising disputes with licensees over the payment of royalties, and in executing other responsibilities incidental to its role as a licensing and collecting agent. See Affidavit of Robert W. Cinque, Esq. dated April 17, 1985 at ¶¶5–7. It is impossible to determine with precision the scope of Fox's discretion since Fox has been unable to produce a copy of its written agreement with Superhype. Id. at ¶8. Since the nature of the relationship between Fox and Superhype is somewhat unclear, Dixon has requested a limited period of discovery on that issue.

Because Fox's motion for summary judgment was made soon after this action was commenced, Dixon has not had an opportunity to conduct discovery in connection with this motion. The Court of Appeals has repeatedly stressed that 'summary judgment should not be granted while the party opposing judgment timely seeks discovery of potentially favorable information.' Schering Corp. v. Home Ins. Co., 712 F.2d 4, 7 (2d Cir. 1983); see also Quinn v. Syracuse Model Neighborhood Corp., 613 F.2d 438, 445 (2d Cir. 1980); Lipsky v. Commonwealth United Corp., 551 F.2d 887, 899 (2d Cir. 1976). Bearing that admonition in mind, I have decided to deny Fox's motion for summary judgment without prejudice to renewal after a 90-day period of discovery limited to the issue of Fox's relationship with Superhype.

Counsel for Dixon, Fox, and the other parties to this action are directed to appear for a pretrial conference on Friday, October 11, 1985 at 9:30 A.M. in Courtroom 618 as previously scheduled.

SO ORDERED.

All Citations

Not Reported in F.Supp., 1985 WL 3049, 227 U.S.P.Q. 559, 1985 Copr.L.Dec. P 25,847

Footnotes

1 Dixon also asserted a claim for unfair competition, but has advised the Court that he will voluntarily discontinue that claim and rely solely on his claim for copyright infringement. Affidavit of Robert W. Cinque, Esq. dated April 19, 1985 at ¶2.

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