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Copyright Licensing

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John Waite v. UMG Recordings, Inc.

In a putative class action involving recording artists' attempts to terminate their grants of rights to record labels, the district court denied class certification, holding that the individualized nature of work-for-hire exceptions to termination precludes adjudication on class basis.

Background of the Case

Plaintiffs, a group of musicians and recording artists, brought a putative class action against Universal Music Group (UMG) for copyright infringement and injunctive and declaratory relief, claiming UMG continued to exploit the artists' sound recordings despite their having served notices of termination of their grants of rights in the recordings to UMG or its predecessors under Section 203 of the Copyright Act. Plaintiffs moved for class certification and the appointment of class representatives—Leonard Graves Phillips and Stan Sobol of the punk rock band The Dickies; Steve Wynn, Dennis Mehaffey, and David Pellish of the alternative rock band Dream Syndicate; and rock singer-songwriter Susan Straw Harris. The district court denied the motion, ruling that the individualized and fact-intensive nature of UMG's copyright defenses precluded certification and rendered aggregate adjudication inappropriate.

The proposed representative plaintiffs had each entered recording agreements with UMG's predecessor labels in the 1970s and 1980s, pursuant to which they granted the copyrights in their sound recordings to the labels. Each plaintiff had also served a written notice of termination of their respective copyright grants pursuant to Section 203, though UMG disputed the effectiveness of those notices. Plaintiffs sought to certify two proposed classes of similarly situated recording artists—one class seeking actual and statutory damages comprising plaintiffs whose termination notices contained effective dates that had already been reached, and a second class seeking only declaratory relief comprising plaintiffs whose effective termination dates had not yet arrived. Plaintiffs sought to enjoin UMG from infringing the copyrights of both classes. In order to certify the first proposed class, which sought money damages, plaintiffs were required under Federal Rule of Civil Procedure 23 to demonstrate that common questions of law or fact among the class members predominate over individual issues.

District Court Considers “Work for Hire” Defense

UMG asserted several defenses to plaintiffs' infringement claims, including that plaintiffs' works were all “made for hire” under

Section 101 of the Copyright Act, to which the Section 203 termination does not apply. Although each of plaintiffs' recording agreements contained language stating that the artists were “employees for hire,” and/or that the artists' recordings were “works made for hire,” the court noted the work made-for-hire determination is a fact-intensive inquiry based on multiple tests adopted by the courts. The first test, set forth in the U.S. Supreme Court's decision in *Community for Creative Non-Violence v. Reid*, applies 13 non-exhaustive factors to determine whether an author was an employee and produced the work within the scope of his or her employment. The district court reasoned that applying the *Reid* factors—which include the hiring party's right to control the manner and means of creation, the hired party's tax treatment and the provision of benefits, and whether the hiring party had the right to assign additional projects—requires evaluating evidence unique to each artist. Because the determination would depend on facts peculiar to each proposed class member, the court concluded that plaintiffs had failed to meet their burden on predominance.

The court also reasoned that the “instance and expense” test, which analyzes whether plaintiffs' recordings were “specially commissioned” under the definition of work-for-hire under Section 101(2) of the Copyright Act, also requires an individualized inquiry. The court noted that this evaluation turns on the parties' creative and financial arrangement in each case; the hiring party's participation, investment, and supervision in the creation of the work; and the nature of the payment to the hired party, all of which

require separate factual inquiry for each artist. This test, too, undermined predominance and weighed against certification of the proposed class. Finally, the court held that another of UMG's defenses—the alleged invalidity of plaintiffs' written termination notices—also required individualized evaluation of the specific defects, intent and good faith involved in the infirmity of each termination notice.

Class Action Determination

As to the second proposed class of artists whose termination effective dates had not yet been reached and which sought only injunctive relief against UMG, plaintiffs were required under Rule 23 to demonstrate that the

class is “cohesive” and impacted in ways that apply generally to the class as a whole. The court reasoned that this proposed class was not cohesive for the same reasons as the first. In addition, the court ruled that plaintiffs had failed to demonstrate that UMG acted on grounds generally applicable to the class, because there was no evidence that UMG exploited all proposed class members' works after the respective effective dates of termination, and this inquiry would be highly fact specific. Accordingly, the court denied the motion for class certification in its entirety.

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