

RICHARD FEINER AND COMPANY, INC., Plaintiff,

v.

PARAMOUNT PICTURES CORPORATION, Defendant.

No. 110756/09, Mot. Seq. No. 001.

Supreme Court, New York County.

March 30, 2011.

PAUL WOOTEN, J.S.C.

In this breach of contract action, defendant Paramount Pictures Corporation ("Paramount"), moves, pursuant to CPLR 3212, for an order granting it summary judgment and dismissal of the complaint, in addition to an award of costs in this action.

Plaintiff Richard Feiner and Company, Inc. ("Feiner") cross-moves, pursuant to CPLR 3212, for an order granting it partial summary judgment for breach of contract and dismissal of Paramount's affirmative defenses. Feiner is also seeking a trial preference, pursuant to CPLR 3403 (a).

Background

The following facts are not in dispute. Feiner is a domestic corporation that is engaged in the production and licensing of feature-length motion pictures, television shows, music and publications. Its principal place of business is located at 31 West 74th Street, New York, New York.

Paramount is a Delaware corporation that is also engaged in the production of feature-length motion pictures. It is licensed to do business in the State of New York and its principal office is located at 1515 Broadway, New York, New York, Paramount is the successor in interest to the rights and liabilities of Republic Pictures Corporation (Republic), formerly of Los Angeles, California.

By agreement dated September 17, 1986 (Agreement), Feiner sold and transferred its interest to Republic in the following feature-length films: Blood on the Sun; Bugles in the Afternoon; Johnny Come Lately; Kiss Tomorrow Good-Bye; Mission in Morocco; Only the Valiant; Blowing Wild; Cloak and Dagger; Court Martial of Billy Mitchell; Distant Drums; The Enforcer; Marjorie Morningstar; My Girl Tisa; Pursued; Retreat; Hell!; South of St. Louis; and Three Secrets (collectively, the Pictures), for the sum of \$2,475,000,

Republic was subsequently acquired by Spelling Entertainment, which was, in turn, acquired by Viacom/Paramount in the late 1990's. Viacom's corporate structure was later transformed, most notably with the 2005 split of Viacom and CBS^[1] into two separately traded public companies. In connection with the split, Paramount's affiliated company, Melange Pictures LLC, came to own the copyrights to the Pictures, and continues to license to Paramount the exclusive right to exploit the copyrights to the Pictures.

Pursuant to the Agreement, Feiner is entitled to license fees when the Pictures air in the following U.S. cities: Altoona, Atlanta, Binghamton, Boston, Buffalo, Chicago, Cincinnati, Columbus, Cleveland, Dayton, Detroit, Fresno, Hartford-New Haven, Indianapolis, Los Angeles, Milwaukee, New York, Philadelphia, Lebanon (PA), Toledo and Washington D.C. (collectively, Markets) (see Exhibit A to Affidavit of Mary Lupi Basich, dated May 13, 2010 [Basich Aff. At 17-23, 45, 46, 47]).

Feiner alleges that, on or before January 1, 2001, it discovered that some of the Pictures were being broadcast on various television stations across the country without its consent. Feiner further alleges that, despite its belief that it possessed ownership of those rights in perpetuity in the Markets, Paramount failed to pay it a licensing fee for said broadcasts, in willful violation of the Agreement. As a result, Feiner commenced this lawsuit asserting two causes of action for breach of contract. Feiner is seeking an award of damages, together with consequential damages. Feiner also seeks an accounting regarding the dates, hours, and broadcasts of the Pictures within the Markets.

Paramount argues that it is entitled to summary judgment because: (1) Feiner's contention that it has a retained right to exploit the Pictures within the Markets contradicts the clear and unambiguous language of the Agreement; (2) nothing in the Agreement provides that the seller retains exploitation rights in the Markets, whether during the term of the licenses or upon expiration or termination of them; (3) Feiner's interpretation of the disputed language in the Agreement would void several of its provisions, thereby rendering others meaningless, or in the alternative; and (4) Feiner retained the rights in and to the licenses and the proceeds therefrom, and to date there have been no such proceeds, and thus no resultant breach.

Feiner argues that it is entitled to summary judgment because: (1) the language of the Agreement demonstrates that Feiner has specific "retained rights" in the Pictures and that clause should be given effect; (2) Feiner's rights are not limited by the statute of limitations or by a lapse of the licenses; and (3) Paramount submitted an affidavit from its attorney who has no personal knowledge of the facts in this case.

Summary Judgment Standard

To obtain summary judgment, it is necessary that the movant establish its cause of action or defense sufficiently to warrant the court as a matter of law in directing judgment in its favor and it must do so by tender of evidentiary proof in admissible form (*Zuckerman v City of New York*, 49 NY2d 557, 562 [1980]). "[T]o defeat a motion for summary judgment, the

opposing party must "show facts sufficient to require a trial of any issue of fact" (*id.*). Furthermore, "mere conclusions, expressions of hope or unsubstantiated allegations or assertions are insufficient" for this purpose (*id.*).

Discussion

For the reasons discussed below, both motions are denied. Paramount has produced evidentiary proof sufficient to warrant the court, as a matter of law, to direct judgment in its favor following the transfer of ownership rights and its right to use the Pictures (see *Greenfield v Phyllis Records*, 98 NY2d 562, 572 [2002]). However, Feiner has demonstrated facts sufficient to require a trial concerning the rights it may have retained as grantor. Feiner has failed to produce evidentiary proof sufficient to warrant the court to direct judgment in its favor.

It is well established that the interpretation of a contract is a question of law for the court. "The fundamental, neutral precept of contract interpretation is that agreements are construed in accord with the parties' intent" (*Greenfield v Phyllis Records, Inc.*, 98 NY2d at 569). Here, the "best evidence of what parties to a written agreement intend is what they say in their writing" (*id.* [internal quotation marks and citation omitted]). Thus, if a written agreement is complete, clear and unambiguous on its face, it must be enforced according to the plain meaning of its terms (*id.*). "A contract is unambiguous only if the language it uses has "a definite and precise meaning, unattended by danger or misconception in the purport of the [agreement] itself, and concerning which there is no reasonable basis for a difference of opinion" (*id.* at 569 [citation omitted]). "Extrinsic evidence of the parties' intent may be considered only if the agreement is ambiguous, which is an issue of law for the courts to decide" (*id.*).

New York has well-established precedent on the issue of whether a grantor retains any rights to artistic property once it is unconditionally transferred.

"[T]he unconditional transfer of ownership rights to a work of art includes the right to use the work in any manner unless those rights are specifically limited by the terms of the contract. However if a contract grants less than full ownership or specifies only certain rights to use the property, then other, unenumerated rights may be retained by the grantor"

(*id.* at 571 [internal citations omitted]).

The Agreement transferred ownership rights in the Pictures from Feiner to Paramount. However, Feiner "reserved" certain exclusive rights to which Paramount did not have an interest or claim. The Agreement provides:

"1. THE GRANT.

(a) Subject to paragraphs 2 and 5 below, Seller hereby sells, grants, assigns and sets over to Purchaser, its licensees, successors and assigns, in perpetuity all of Seller's rights, and interest of every kind, nature and description throughout the Universe (whether or not such

rights, title or interest is now known, recognized or contemplated), if any, in and to the following `Elements' (hereinafter called `the Grant'):

(i) those seventeen (17) feature length motion pictures set forth in Exhibit A annexed hereto (each hereinafter referred to as the `Picture' and collectively as `the Pictures")

(Exhibit A to Basich Aff.). Section 2 of the Agreement further provides, in part:

"(b) The Agreement does not include the following rights, all of which rights are reserved by Seller, and may be freely exercised by Seller, and Purchaser shall have no interest therein or claim thereon:

(i) the exclusive right under copyright to exercise all publication rights to the Literary Materials.

(ii) All copyrights and rights of copyright in the musical compositions embodied in the Pictures, and all exclusive rights to exploit and use the same independently of the exhibition in any medium (including, without limitation, by means of television and home video) of the Pictures. . . .

(iii) The exclusive right under copyright to make, market, and exploit audio only phonorecords (including discs, tapes, or similar reproductions) of the soundtracks of the Pictures

(vi) the exclusive right under copyright and otherwise to exhibit, distribute, market, and otherwise exploit the Pictures in all media and by any device whether now or hereafter known in any and all languages (except as provided below) solely within the following territories: Germany (Bundes-Republik, Deutschland, West Berlin, Deutsche Demokratische Republik, East Berlin), Austria, Switzerland (except versions dubbed in the French language or English versions with French sub-titles), Lichtenstein and Luxembourg.

(*id.*).

It is undisputed that the sale of the Pictures was subject to several outstanding licenses that Feiner had granted to other third-party television stations to exhibit the Pictures in limited geographic areas. As for the nature of the "retained rights" held by Feiner, and whether Paramount's alleged grant of national cable television exhibition rights constitutes a breach of the local broadcast Licenses, the Agreement provides:

"2. RETAINED RIGHTS. The foregoing Grant is subject to the following retained rights (the `Retained Rights') notwithstanding anything to the contrary in paragraph 1:

(a) The Grant is subject to certain licenses pertaining to exploitation of the Pictures in existence as of January 1, 1986 between Seller (or certain predecessors of Seller) and third parties (the `Licenses') specified on Exhibit B annexed hereto. Seller retains all rights in and to such Licenses and all proceeds therefrom (subject to paragraph 3 [a] [xiv] below) except that upon the expiration or sooner termination of any License, all rights granted thereunder

shall revert to Purchaser including, without limitation, all rights to and rights of access to, any Film Materials subject to any such expired or terminated License"

(Exhibit A to Basich Aff.).

The record reveals that the parties to the Agreement negotiated a provision to ensure that Republic, Paramount's predecessor in interest, received a copy of all of the licenses referenced in Section 2 (a) of the Agreement prior to the document's execution. The Agreement provides:

6. Other Delivery.

(a) Except as otherwise provided below, on or before the date of execution of this Agreement, Seller shall deliver to purchaser the following:

(xiii) Copies of the Licenses"

(*id.*). A copy of those outstanding licenses were attached to Paramount's Exhibit A (*id.*).

It appears that Feiner obtained the licenses through multiple transactions. On November 8, 1969, Feiner procured the right to the exclusive exhibition of the Pictures in perpetuity after executing a contract with Walter Mitchell (Mitchell Agreement). Section 1 of the Mitchell Agreement provides in part:

"Seller hereby sells, grants, assigns, and sets over to Feiner, its licensees, successors and assigns, in perpetuity, all of his right, title and interest throughout the world in and to those seventeen (17) feature length motion pictures set forth in Schedule A annexed hereto (hereinafter called the `Photoplays') together with all of Seller's right, title and interest"

(Exhibit H to Plaintiff's Exhibits In Opposition to Defendant's Motion for Summary Judgment [Plaintiff's Exhibits]).

Section 2 (b) also provides in part:

"That on or about December, 1965, Golden Arrow Films, Inc. (hereinafter called `Golden Arrow')^[2] assigned all of its rights to the Photoplays and all physical properties and property rights pertaining thereto to John Mitchell as security for the repayment of a loan in the amount of \$100,000 from John Mitchell to Golden Arrow"

(*id.*).

On August 12, 1966, John Mitchell (the predecessor in interest to Walter Mitchell) assigned said property to Walter Mitchell. Section 2 [c] of the Mitchell Agreement provides:

"That by reason of the foregoing, Seller presently owns all of the rights to the Photoplays which were acquired by Golden Arrow from Jayark Films Corporation (hereinafter called `Jayark') pursuant to a certain agreement between Golden Arrow and Jayark dated November 12, 1965 (which agreement was recorded in the United States Copyright Office

in Volume 1218, pages 192 to 214) including any and all rights conveyed or purported to be conveyed by Jayark to Golden Arrow in said agreement (all of which are hereinafter called 'said rights') free from any claim of Golden, its creditors, officers, directors and stockholders or any other person, firm or corporation and that neither Seller nor Golden Arrow has sold, leased, licensed, encumbered or otherwise exploited the Photoplays or said rights or any part thereof except for those licenses concerning the Photoplays which have been heretofore made by Golden Arrow and which are set forth in Schedule B annexed hereto"

(*id.*). Included in the scope of rights granted to Feiner in section 1 (b) were the rights that Golden Arrow films held in the Pictures. The document further provides:

"John Mitchell assigned said assignment to Seller. Said assignments were recorded in the United States Copyright Office in Volume 1339, pages 279 to 288. Seller warrants that the assignment from Golden Arrow to John Mitchell constituted a good and valid first lien on the rights of Golden Arrow in and to the Photoplays which was, at the time of the foreclosure sale referred to below, superior to the rights and claims of any and all creditors of Golden Arrow. Golden Arrow thereafter defaulted in payment of said loan and Seller, by reason thereof, and pursuant to and in compliance with the laws of the State of New York, caused the rights of Golden Arrow in and to the Photoplays which were assigned as aforesaid to John Mitchell, to be sold at public sale on June 23, 1969. Seller purchased Golden Arrow's aforesaid rights at public sale for the sum of \$165,000 and received an auctioneer's bill of sale which was recorded in the United States Copyright Office in Volume 1350, pages 123 to 126"

(*id.* at 2 [b]). Thus, Feiner obtained the rights to the Pictures following John Mitchell's assignment of those rights to Walter Mitchell as security for a loan.

Despite its contentions, Paramount was aware of the broadcast and exhibition licenses Feiner held pursuant to Section 2 (a) of the Agreement. As discussed above, they were forwarded to Republic at the execution of the Agreement and they were attached to Paramount's moving papers (Exhibit A to Basich Aff.). Although Paramount contends that it has not received any royalties or licensing fees on behalf of the Pictures during the six years ending in June 2009, it appears that in recent years, Paramount has utilized "deal memos" with various media companies to air the Pictures on local and national cable channels across the country (Exhibits B and I to Plaintiff's Exhibits) (Affidavit of Richard Feiner, dated June 29, 2010). The deal memos include exhibition dates during the last six or seven years, together with an assessment of fees ranging between \$12,000 and \$75,000 per memo. As discussed above, the Agreement provides that the Pictures are subject to certain licenses pertaining to their exploitation. Therefore, a question of fact remains and further discovery is necessary to determine whether the "deal memos" involved proceeds or royalties paid to Paramount for the exhibition of the Pictures and whether those exhibitions constitute a breach of the local broadcast Licenses held by Feiner.

A question of fact also remains as to the date or dates of expiration of the licenses held by Feiner. Although it appears that some of the licenses are held in perpetuity, there is conflicting testimony in the record as to the expiration dates of the remaining licenses.

Accordingly, and on the basis of the above mentioned issues of material fact, summary judgment is denied as to both Paramount's motion for summary judgment and Feiner's cross motion for partial summary judgment.

The Court notes that the branch of Feiner's cross-motion for partial summary judgment seeking a trial preference is premature and need not be addressed at this time because the parties' motions for summary judgment are denied and the matter has not been set down on the trial calendar.

Conclusion

Accordingly, it is,

ORDERED that Paramount's motion for summary judgment is denied; and it is further,

ORDERED that Feiner's cross-motion for partial summary judgment for breach of contract and dismissal of Paramount's affirmative defenses is denied; and it is further,

ORDERED that the branch of Feiner's cross-motion for partial summary judgment seeking a trial preference is denied, without prejudice, as premature.

ORDERED, that counsel shall appear for a preliminary conference at 11:00 a.m. on May 11, 2010, in New York Supreme Court, Part 7, Room 341 60 Centre Street, New York 10013.

This constitutes the Decision and Order of the Court.

[1] The full corporate name for both Viacom and CBS was not found within the papers.

[2] On November 4, 1966, Golden Arrow Films, Inc. and Johnar Film Production (Johnar Agreement) executed a "License Agreement for Television Exhibition." The term of said license was in "Perpetuity"(Exhibit B to Exhibit A to Basich Aff.). The section marked "Special Notes" therein provided that "The rights and licenses herein granted are sole and exclusive to Licenses and will not be granted to any third party during the term hereof for exhibition in the listed markets" (*id.*).