UNITED STATES DISTRICT COURT,
SOUTHERN DISTRICT OF NEW YORK.

- X

THE HILL FOUNDATION, INC., :

Plaintiff, :

-against- : Civil 19-377

CLAYTON F. SUMMY CO., :

Defendant. :

- X

MEMORANDUM IN SUPPORT OF
DEFENDANT'S MOTION TO
LIMIT EXAMINATION

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This motion is made pursuant to the provisions of Rule 30b of the Federal Rules of Civil Practice, which provides among other things that after notice has been served for the taking of a deposition by oral examination, the court, upon motion, may make an order "that certain matters shall not be inquired into".

The plaintiff here has served a notice for an examination of the defendant before trial, which sets forth six items upon which the plaintiff desires to conduct its examination. This motion is directed at items 3, 4, 5 and 6, which the defendant asks be eliminated upon the ground "that the matters specified in said items are not presently relevant to the subject matter involved in the pending action, in that they relate to the question of damages, as

to which the plaintiff may not now inquire in this action until its right to the accounting prayed for in the complaint has been adjudged".

The Pleadings

The complaint alleges three causes of action, with the third of which the proposed examination does not appear to be concerned. For the purposes of this motion the other two causes of action may be summarized as follows:

The plaintiff sues as assignee of one Patty S. Hill and one Jessica M. Hill, and in its own right.

In the first cause of action the plaintiff alleges that one of its assignors, Patty S. Hill, and her deceased sister Mildred J. Hill composed and wrote the words and music of a number of songs collectively entitled "Song Stories for the Kindergarten", which included one song entitled "Good Morning to All". This song, with words written by Patty S. Hill, later became the famous "Happy Birthday To You".

The co-authors licensed one Clayton F. Summy to publish the book "Song Stories for the Kindergarten" and thereupon, and in accordance with the license, in 1893 Summy copyrighted the book and later a revised edition of it.

Prior to the expiration of the original copyrights one Jessica M. Hill, sister of Patty S. Hill and Mildred

song by motion picture and theatrical producers, and alleges further that during the years 1934 and 1935 Jessica M. Hill granted to the defendant a number of licenses for the publication, sale and performance of various piano arrangements of the song "Happy Birthday To You", in consideration of which the defendant was to make certain royalty payments to Miss Hill; that the licenses contained the further provision that should the defendant receive any payment for the musical reproduction or performance of the song in any country one-half of the amount received should be paid to Miss Hill.

In its prayer for relief the plaintiff thereupon among other things prays that the defendant may be required to account for its acts and conduct and for all monies received by it as royalties for the sound and dramatic rights of the song.

The defendant's answer so far as here pertinent admits that it has entered into agreements for the use of the song for motion picture and stage performances without the consent of the Misses Hill, but denies it is limited to the sale of the song in sheet music form or that it has been guilty of any breach of contract or duty to the plaintiff or its assignors.

In short, the answer puts in issue the plaintiff's right to an accounting.

The Items Sought To Be Eliminated.

As has been stated this motion seeks to have eliminated from the notice of examination items 3, 4, 5 and 6. All of these items call for matters which are appropriate to an accounting, once it has been adjudged that the plaintiff is entitled to an accounting, but which have no bearing upon the primary issue as to whether there shall be an accounting at all.

Item 3 asks for the date when the defendant commenced to enter into agreements with motion picture and dramatic producers.

Item 4 calls for the names, addresses, business and occupation of every person, firm or corporation with whom such agreements have been made.

Item 5 calls for the terms and conditions of such agreements.

Item 6 calls for the names and addresses of every person, firm or corporation from whom the defendant collected and is continuing to collect royalties for the use of the song.

One thing which the plaintiff has not asked for is a statement of the amounts collected.

By this omission plaintiff apparently seeks to avoid the effect of the long settled principle that the plaintiff may not have an accounting until it has first been adjudged that it is entitled to one.

However, it must be manifest that the matters called for in the items referred to are all integral features of an accounting. They have no bearing whatsoever on the preliminary issue, which must first be adjudicated, as to whether the plaintiff is entitled to an accounting. It makes no difference on that issue as to when the defendant began to permit the use of the song, whom it permitted to use it, what the terms of the agreements were or from whom it has collected royalties.

The Law.

It seems clear, even though there is little authority under the new rules, that in the situation here presented the plaintiff may not, in advance of a trial upon the basic issues, obtain a discovery or examination with respect to the subject matter of the accounting which it seeks.

There is a rather full discussion of the general subject matter in an opinion of the late Justice Cardozo, in Sinclair Refining Co. v. Jenkins Petroleum Process Co., 289 U. S. 689. There a bill of discovery, brought in aid

of an action at law, had been dismissed in the District Court but upheld by the Circuit Court of Appeals. While the Supreme Court affirmed the Circuit Court of Appeals, it pointed out the difference between the situation there existing and the situation in a case such as that at bar. Justice Cardozo said, at p. 693:

> "To state the function of the remedy is to give the password to its use. There are times when a suit is triable in separate parts, one affecting the right or liability, and the other affecting the measure of recovery. In suits of that order a discovery as to damages will commonly be postponed till the right or liability has been established or declared. Schrieber v. Heyman, 63 L.J. Rep. 749 (1894); Elkin v. Clarke, 21 W. R. 447 (1873); Parker v. Wells, L.R. 18 Ch . Div. 477; Fennessy v. Clark, L.R. 37 Ch. Div. 184; De la Rue v. Dickinson, 3 K. & J. 388; Peile, The Law and Practice of Discovery, pp. 26-29; Bray, Principles and Practice of Discovery, pp. 14, 15; Wigram, Points in the Law of Discovery, § 45. As a general thing it will be useless to decree it any earlier, and may even be oppressive. 'The principle of judicial parsimony' (L. Hand, J., in Pressed Steel Car Co. v. Union Pacific R. Co., supra), if nothing more, condemns a useless remedy. This division of the trial into stages or instalments will happen oftenest in suits in equity, though it is not unknown in actions at law where a jury has been waived. In equity it is common practice. Thus, a suit to establish a partnership or to restrain the infringement of a patent culminates, if successful, in an interlocutory decree, which will be followed by an accounting and a discovery of documents. In these and like cases, the accounts will not be probed until the right has been adjudged." (Underlineation ours)

The bill of discovery under the old practice achieved the result which is now effected by the provisions in the new rules for an examination before trial.

The instant case is one in equity, where the plaintiff claims it is entitled to an accounting from the defendant on the ground that the defendant has improperly permitted the use of the copyrighted song by motion picture and theatrical producers.

Until the right to the accounting has been adjudged, the accounts should not be probed in whole or in part. This result was reached under the new rules by Judge Conger, of this Court, in Unlandherm v. Park Contracting Corp., 26 Fed. Supp. 743 (1938). There the plaintiff claimed that he had a patent covering a method of supporting an elevated railroad while a subway was being constructed under the street, and that the defendant, in building the Sixth Avenue subway, had infringed this patent. The plaintiff sought an examination before trial of the defendant with respect, among other things, to "the saving, measured in terms of money, attributed to the complained of method over previous methods of supporting the elevated structure, and the street decking during the creation of a subway therebeneath."

Judge Conger disallowed this item (p. 745) "because it relates to the question of damages."

In Michelson v. Crowell Publishing Co., 25 Fed. Supp. 653 (D.C., Mass., 1938) the plaintiff had brought suit under

the copyright laws and had propounded interrogatories to the defendant, of which the court said that if they were material at all they were material only on the question of damages. In sustaining the defendant's objection to the interrogatories the court made the comment (p. 654):

> "After reading the pleadings and examining the exhibits, I am satisfied that these cases are those in which the court may appropriately adopt the procedure suggested in Sinclair Refining Co. v. Jenkins Petroleum Co., 289 U. S. 689, * * * *."

The court thereupon went on to quote in part the language which we have quoted above from that decision.

There would seem to be no basis for distinguishing between the situations as presented by a bill of discovery, a notice of examination before trial and the propounding of interrogatories. The basic conception is that there may not be probing for an accounting until the right to it has been adjudged.

It is said of this subject in Dyer-Smith's Federal Examinations Before Trial (1939) (p. 94):

> "On the other hand certain subject matter might be relevant at one time and not at another, and in such a case the question of time for taking the deposition might be raised under the head of relevancy."

The author further comments (P. 96):

> "As stated in the Sinclair case, supra, discovery as to damages, or the like, before the right or

> liability has been established or declared, would be useless, and might be oppressive, in the type of case that is tried in separate parts."

Such is likewise the rule in the New York state courts, under the Civil Practice Act, where it has been held that an examination as to an accounting is to be postponed until after the right to the accounting has been determined.

Carmody says of this (New York Practice, p. 2939):

> "However, where there is an issue as to the right to the accounting, there is generally no right to a discovery of the defendant's books and papers prior to the interlocutory judgment determining that the plaintiff is entitled to an accounting; for if the issue as to the right to an accounting is decided adversely to the plaintiff, the necessity for a discovery and inspection will disappear."

In De Rapalie v. Gavin, 209 App. Div. 883 (2d Dept.), the court said:

> "The second cause of action repeats all of the allegations of the first cause of action, and demands an accounting between the parties as to the disposition of the 400 shares of stock of the corporate defendant. Until the plaintiff proves the contract alleged as to the stock, and his right to an accounting, any order for an examination before trial is premature."

To the same effect see Emerick Mill Co. v. Gay, 215 App. Div. 659 (1st Dept.)

In American Seal-Kap Corp. v. Smith Lee Co., 154 Misc. 176 (aff'd. without opinion 248 App. Div. 617, 2d Dept.), there was involved a controversy as to trade secrets, and

the plaintiffs moved for an examination before trial. The court said, at p. 178:

> "The usual practice in this type of action in equity is for the plaintiff to prove his right to an accounting, whereupon an interlocutory judgment is entered directing an accounting. The discovery and inspection should therefore be limited to those matters upon which the plaintiffs' right to an accounting is predicated."

CONCLUSION

The motion should be granted and items 3, 4, 5 and 6 should be eliminated from the examination as being not presently relevant.

Dated, New York, N. Y.
November 17, 1942.

Respectfully submitted,

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