

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 1:21-CV-23727-DPG

LIL' JOE RECORDS, INC.,

Plaintiff,

v.

MARK ROSS, CHRISTOPHER WONG
WON, JR., RODERICK WONG WON,
LETERIUS RAY, ANISSA WONG WON
and LUTHER CAMPBELL,

Defendants.

**PLAINTIFF'S MOTION FOR JUDGMENT
AS MATTER OF LAW PURSUANT TO RULE 50**

Plaintiff, Lil Joe Records, Inc. ("Lil Joe"), through undersigned counsel, submits its Motion for Judgment as a Matter of Law pursuant to Rule 50(a) Fed. R. Civ. P., as matter of law, as follows:

I. Legal Standards Supporting Granting of this Motion for Judgment as a Matter of Law

"Judgment as a matter of law is appropriate when a party presents no legally sufficient evidentiary basis for a reasonable jury to find for them on a material element of his cause of action." *Williams v. First Advantage LNS Screening Sols., Inc.*, 947 F.3d 735, 744 (11th Cir. 2020). Circumstances precluding summary judgment do not necessarily preclude judgment as a matter of law. *See, e.g., American Sav. Loan Assoc. of Florida v. Pembroke Lakes Regional Ctr. Assocs., Ltd.*, [908 F.2d 885, 888](#) n. 5 (11th Cir. 1990).

Under Rule 50, "[a] party's motion for judgment as a matter of law can be granted at the close of evidence or, provided it's timely renewed, after the jury has returned its verdict" *Chaney v. City*, 483 F.3d 1221, 1227 (11th Cir. 2007). The Court can also consider the Rule 50 Motion and defer ruling

until the Jury returns its verdict. In amending the rules, the Advisory Committee has noted that “[o]ften it appears to the court or to the moving party that a motion for judgment as a matter of law made at the close of the evidence should be reserved for a post-verdict decision. This is so because a jury verdict for the moving party moots the issue and because a pre-verdict ruling gambles that a reversal may result in a new trial that might have been avoided. For these reasons, the court may often wisely decline to rule on a motion for judgment as a matter of law made at the close of the evidence, and it is not inappropriate for the moving party to suggest such a postponement of the ruling until after the verdict has been rendered.” Fed.R.Civ.P. 50(a)(1), Notes of Advisory Committee on Rules-1991.

Regardless of timing, “in deciding on a Rule 50 motion a district court’s proper analysis is squarely and narrowly focused on the sufficiency of evidence.” The question before the district court regarding a motion for judgment as a matter of law remains whether the evidence is “legally sufficient to find for the party on that issue.” *Chaney v. City*, 483 F.3d 1221, 1227 (11th Cir. 2007). Here, the Defendants’ evidence is woefully and legally insufficient.

II. Overview

This case, at its core, is about whether the defendants, members or survivors of members of 2 Live Crew, made a valid termination of a grant of sound recording copyrights to 5 albums when they sent notice of termination pursuant to 17 U.S.C. §203 (Ex. D59).

III. The Unrebutted Facts Presented at Trial

1. The 4 members of *2 Live Crew*: Luther Campbell (“Campbell”), Christopher Wong Won, Mark Ross, and David Hobbs, transferred whatever sound recording copyright rights¹ they had to *2 Live Crew’s* music (the “*2 Live Crew* Copyrights”) to Luke Records, Inc. f/k/a Skyywalker Records, Inc. f/k/a Luke Skyywalker Records, Inc. (“Luke Records”). Campbell and Luke Records subsequently

¹ The transfer of composition copyrights are not at issue in this case.

filed bankruptcy where all of their sound recording copyright rights to *2 Live Crew's* music, including the *2 Live Crew* Copyrights, were transferred in bankruptcy and sold to Lil' Joe "free and clear of any and all liens, claims, encumbrances, charges, setoffs or recoupments of any kind", thereafter "no royalties, whether as artist, producer, writer, publisher, or in any other capacity, on any of the masters" are due to Luther Campbell. Exs. P4 (¶1A), P43 (Order Confirming the Joint Plan of Organization), P45 (1996 Assignment by Campbell and Luke Records) and P46 (recorded Luke Records' assignment). Defendants seek to terminate the transfer of the *2 Live Crew Sound Recording* Copyrights pursuant to 17 USC §203 (the "Termination Notice"; Ex. D59).

2. Lil Joe acquired the *2 Live Crew Sound Recording* Copyrights pursuant to a March 22, 1996 order of Judge Robert Mark, transferring the rights pursuant to and under the legal authority of 11 USC §363. (EX P43) ("Judge Mark's Order").

3. Irrespective of whether the grant of rights to the 5 albums occurred in 1990 (according to the Defendants, Ex. D50) or 1991 (according to the Plaintiff, Exs. P1-3), the value of the copyrights were well known when the transfers occurred and significant sums had already been paid. A Five Million Dollar Advance by Atlantic Records had been given to Luke Records, Inc. for a distribution deal. All 5 albums had been hugely successful (RIAA Certified Gold Sales Of 500,000 copies for *2 Live Is What We Are* and *Move Somethin'* or RIAA Certified Platinum Sales in excess of 1 Million copies for *As Nasty As They Wanna Be* And *As Clean As They Wanna Be*).

4. The Termination Notice purports to terminate a transfer that allegedly occurred only pursuant to a contract entered into in 1990 which (according to Defendants) purports to memorialize an earlier oral agreement to transfer copyrights (Ex. D50, the "1990 Agreement").

5. Plaintiff asserts the only transfer of the sound recordings copyrights to Luke Records

occurred in 1991 pursuant to²:

- Exclusive Recording Agreement dated April 1991, between Luke Records, Inc. and Chris Wong Won; (Ex. P2)
- Exclusive Recording Agreement dated April 1991, between Luke Records, Inc. and Mark Ross and David Hobbs; (Ex P3)
- Exclusive Recording Agreement dated February 1991, between Luke Records, Inc. and Luther Campbell. (Ex P1)

(collectively, the “1991 Agreements”).

6. The Termination Notice does not seek to terminate transfers made pursuant to the 1991 Agreements or the subsequent grants in 1993, 1996, 2001, and 2003, and are not mentioned in the Termination Notice.

Reason No. 1: The Termination Notice is null and void because it only purports to terminate any grant of rights under the 1990 Agreement, which agreement contains no grant of any sound recording copyrights.

Pursuant to 17 U.S.C. §203(a), termination can only be effected by serving a notice that meets the requirements found in 37 CFR § 201.10. Pertinent here, the Notice of Termination had to include:

- **Statement of Termination:** A *clear* statement that the termination is being exercised under the relevant section of the Copyright Act (e.g., 17 U.S.C. § 203).
- **Date of Execution of the Grant:** The *date* when the original grant or transfer of rights was executed.
- **Identification of the Grant:** A *brief statement reasonably identifying the grant* to which the notice of termination applies.

Notably, 37 CFR § 201.10(b)(2) requires that there be a “clear identification” of each of the above required information. That includes the date of the execution of the grant being terminated and a brief statement reasonably identifying the grant to which the notice of termination applies. 37 CFR § 201.10(b)(2)(iii), (v).

A. The Termination Notice only identifies the 1990 Agreement and that 1990 Agreement contains no grant of sound recordings copyrights. As such, the Termination Notice is not effective to terminate the grant of copyrights here.

² The regulations under Section 203 mandate that the grant to be terminated must be identified in the notice.

The evidence—and only evidence—is that (i) the Termination Notice that Defendants sent (Ex. D59), refers to the 1990 Agreement only, and (ii) that this 1990 Agreement contains no grant of any sound recording copyrights. It is undated. And it merely refers to an earlier purported oral agreement to transfer copyright that as a matter of law cannot transfer a copyright and which is rebutted by the integration clause. Thus, the Termination Notice utterly fails to comply with 17 U.S.C. § 203 and 37 C.F.R. § 210, as it fails to identify the grant—any grant—to which the termination would apply and the date of that grant. Judgment as a matter of law on that ground is also correct.

Defendants also did not comply with the requirements to effectuate the Termination Notice here under 17 U.S.C. § 203 and 37 C.F.R. § 210 because they failed to identify the 1991 Agreements (or Campbell’s 1995 grants; Ex. 45 and 46), the only contracts referring to the grant of the sound recordings at issue here, or any of the subsequent transfers. While Defendants point to the language “All other grants and transfers”, that does not include the required date of the execution of the grant being terminated and a brief statement reasonably identifying the grant. 17 U.S.C. §203(a); 37 CFR § 201.10.

The Termination Notice’s four corners claim the grant to be terminated is only pursuant to the undated “1990” Agreement. The only evidence is that the grant of the 5 albums at issue was pursuant to the 1991 Agreements, which are not even mentioned in the Termination Notice.

The following legally sufficient and overwhelming evidence supports a finding as a matter of law that the 1990 Agreement contains no grant of any rights to the sound recordings, and the only agreement transferring the sound recording copyright rights from *2 Live Crew*’s members to Luke Records was the 1991 Agreements:

- It is un rebutted and un rebuttable that the term of the 1990 Agreement is expressly January 1-December 31, 1987, but the only evidence is that none of the recordings at issue were made during that time frame. Not one.

- It is un rebutted and un rebuttable that the 1990 Agreement contains no grant of or transfer of any sound recording copyright rights – only name and likeness rights.
- As a matter of law (Section 204 of the Copyright Act), 2 Live Crew could not make an oral agreement (the terms of which neither Campbell nor Ross could not state) to transfer the copyrights.
- It is un rebutted and un rebuttable that Paragraph 16 of the 1990 Agreement expressly sets forth that no oral agreements are effective.
- It is un rebutted and un rebuttable that Allen Jacobi, the lawyer who prepared the 1991 Agreements, testified that he had no knowledge of a 1990 Agreement and there would be no reason to prepare the 1991 Agreements, if a 1990 Agreement existed.
- It is un rebutted and un rebuttable that Joe Weinberger, the in-house lawyer for Luke Records, testified that he was never aware of a 1990 Agreement, and that Luke Records used the 1991 Agreements to calculate and pay royalties.
- It is un rebutted and un rebuttable that both Chris Wong Won and his lawyer, Doug Stratton, sent letters to Luke Records threatening to sue for breach of the 1991 Agreements and did not mention a 1990 Agreement.
- It is un rebutted and un rebuttable that Luke Records and 2 Live Crew operated under the terms of the 1991 Agreements and made no reference to any 1990 Agreement.
- It is un rebutted and un rebuttable that Luther Campbell testified there was only one agreement and the 1990 agreement, which term ended before all of the albums at issue were recorded, does not transfer any sound recording copyrights.
- It is un rebutted and un rebuttable that a lawsuit was filed vs Luke Records in 1992 by David Hobbs and Mark Ross for breach of the 1991 Agreements, because no royalties were calculated and paid consistent with same and a settlement was reached and did not mention a 1990 agreement.

Neither Campbell nor Ross could provide any legally sufficient evidence that a grant of sound recording copyrights occurred in the 1990 Agreement that nowhere even references any sound recording copyrights. 2 Live Crew’s claim that there was an oral agreement to transfer the copyrights prior to the 1990 agreement fails as matter of law and under the clear, irrebuttable terms of paragraph 16 of the 1990 Agreement, on which Defendants themselves rely, and under paragraph 27 of the 1991 Agreements. *Latimer v. Roaring Toyz, Inc.*, 601 F.3d 1224, 1235 (11th Cir. 2010); *Francois v. Jack Ruch Quality Homes, Inc.*, 2006 U.S. Dist. LEXIS 57062 *22 (C.D. Ill. Aug. 14, 2006) (“the Copyright Act invalidates any such transfer, sale or assignment of copyright ownership that is not in writing signed by the copyright owner. 17 U.S.C. § 204(a).”). Nor can a copyright be transferred retroactively

back to an oral agreement. *Davis v. Blige*, 505 F.3d 90 (2d Cir. 2007). “[A]ssignments ... are prospective”, *id.* at 104, “a license or assignment in copyright can only act prospectively.”, *id.* at 104. “There is little from a policy perspective to recommend a rule that allows retroactive licenses or assignments, and there are two strong reasons disfavoring them” *Id.* at 105-06.; *Spinelli v. Nat'l Football League*, 903 F.3d 185, 198 (2d Cir. 2018) (applied *Davis*’s holding to bar Associated Press from granting a retroactive license to the NFL). Judgment as a matter of law is warranted on these grounds as well.

B. The failure to identify (i) any grant of copyright and (ii) the 1991 Agreement, is no small defect and most certainly not harmless.

As a general rule, an error is harmless only if it “do[es] not materially affect the adequacy of the information required” under section 203. 37 CFR § 201.10(e)(1). It is un rebutted that the Termination Notice must describe the grant of a sound recording copyright to be terminated and doesn’t mention in this Termination Notice any grants in 1991, 1993, 1996, 2001 and grants by the members of 2 Live Crew of the sound recording copyrights at issue. Under 37 CFR § 201.10(e)(2), errors in identifying the date of the execution of the grant may not affect the validity of the notice if the errors were “made in good faith and without any intention to deceive, mislead, or conceal relevant information.” Here, they weren’t.

Here, the Termination Notice’s failure to mention the 1991 Agreement was intentional, because those 1991 Agreements expressly set forth the “artist for hire” language in 2 places and the Termination Notice deceptively omits those 1991 Agreements. The Termination Notice further attempts to make it appear as though the transfers were made before the true value of the works was known when the overwhelming, irrefutable evidence is that they were known and paid significant sums at the time of the transfer.

Thus, if the date of execution specified in a notice of termination is not the actual date of

execution of the grant, that kind of error may be considered harmless “if it is as accurate as the terminating party is able to ascertain, and if the date is provided in good faith and without any intention to deceive, mislead, or conceal relevant information.” *Compendium of U.S. Copyright Practices*, §2310.12 (3d ed. 2021) (citing 37 CFR § 201.10(e)(2)). A harmless error would be, for example, a mistake on the date of execution. But here, the date of execution is not the error. Rather, the error is in the operative grant and omitted to mislead. “An error’s ‘materiality,’ and hence its ‘harmlessness,’ is to be viewed through the prism of the information needed to adequately advance the purpose sought by the statutory termination provisions themselves.” *Champlin v. Music Sales Corp.*, 604 F. Supp. 3d 224, 236 (S.D.N.Y. 2022). On the other, section 203 strives ‘for the existing assignee to receive reasonable notice of what rights of theirs are being affected’ in the artist’s exercise of his or her termination right.” *Champlin*, 604 F. Supp. 3d at 236 (quoting *Siegel*, 690 F. Supp. 2d at 1055–56). It is impossible to ascertain from the Notice which grant Defendants were attempting to terminate. This error was done to conceal the “work for hire” language expressly set forth in the 1991 Agreements, irrefutably that all Defendants know full well exists given they signed and sued upon them in prior litigation. And this error was material because it was flatly set forth to deceive to make it appear as though the transfers were made before the true value of the works was known when they squarely were known.

The Copyright Office has described the inquiry framed by these objectives as “attempt[ing] to avoid the imposition of costly or burdensome [termination] requirements” while, at the same time, “giving the grantee and the public a reasonable opportunity to identify the affected grant and work from the information given in the notice.” *Termination of Transfers and Licenses Covering Extended Renewal Term*, 42 Fed. Reg. 45916, 45918 (Sept. 13, 1977). Here, the Termination Notice failed to even mention the 1991, 1993, 1996, 2001 and/or 2003 grant of rights.

C. Even if the 203 Termination Notice was valid (respectfully, it is not), the irrebutable evidence is that there are, nevertheless, additional grants not mentioned at all in the

Termination Notice that are as a matter of law not terminated

There is no mention in the Termination Notice of the Campbell's grants in **1996** (to Lil Joe), the Ross grants in **1993** (to Luke Records) or in **2001** (to Lil Joe) and the Wong Won grant in **2003**. Therefore, judgment as a matter of law is warranted because the Termination Notice does not (as a matter of law) affect these grants at all. See *Penguin Books v Steinbeck*, 537 F. 3d 193 (2^d Cir.2008) (section 203 does not terminate grants replaced by subsequent grants).

Reason No. 1: The 2 Live Crew Copyrights were "works made for hire," because 2 Live Crew were employees of Luke Records. Therefore the copyrights are not subject to termination under section 203.

As the Court knows well, it is firmly established that transfer of a copyright in a "work made for hire" is not subject to termination. 17 USC §203(a); *Ennio Morricone Music Inc. v Bixio Music Group Ltd.*, 936 F.3d 69, 73 (2nd Cir. 2019). "A 'work made for hire' is ... a work prepared by an employee within the scope of his or her employment...." 17 USC §101.

This requirement to qualify a work as a 'work made for hire' is straightforward and easy to apply. *Ennio*, 936 F.3d at 73. A "work made for hire" includes "a work prepared by an employee within the scope of his or her employment." 17 U.S.C. § 101(1).

Here, there was extensive, overwhelming evidence (much being unrebutted) supporting Lil' Joe's claims that the three *2 Live Crew* members were each artists for hire, but certainly Campbell, as the CEO and owner of Luke Records, was an employee. The evidence is as follows:

1) The sound recording copyright registrations (Plaintiffs EX 27-32), and the copyright notices on the 5 albums (Defendants' EX D133, D57A) (designated by Campbell), filed over a decade before termination of the copyrights was in question, each show Luke Records was the owner of the copyrights, which was only accurate if the members were "artists for hire;"

2) Since these albums were released before any transfer (whether in 1990 pursuant to the 1990

Agreement or in 1991 pursuant to the 1991 Agreements), the copyright notice showing Luke Records' ownership could only be accurate if the members of *2 Live Crew* were "artists for hire";

3) The copyright registrations by Lil Joe show the sound recordings were acquired from Luke Records, and Luke Records could only be the owner with authority over those sound recordings if the members of *2 Live Crew* were "artists for hire";

4) Each of the members of *2 Live Crew*, Campbell, Wong Won, Ross and David Hobbs, expressly agreed in paragraphs 5(c) and 20(a) in the 1991 Agreements that the *2 Live Crew* Copyrights were works "made for hire";

5) If the 1990 Agreement is the operative agreement, each of the members of *2 Live Crew*, Campbell, Wong Won, Ross and David Hobbs, expressly agreed in paragraph 2(d) that Luke Records owns the *2 Live Crew* Copyrights ("Company shall own all master recordings embodying the performance of Artist made hereunder...") and that such ownership "shall from the inception of their creation, be entirely and forever the property of the Company...", in other words, they were works "made for hire";

6) Both paragraph 16 of the 1990 Agreement and paragraph 27 of the 1991 Agreements contain an integration clause disclaiming any oral or other agreements;

7) Campbell, Christopher Wong Won and Mark Ross were paid salaries from which taxes were withheld (Exs. P39, 40, 41, 42) which Luke Records CFO and outside CPA testified is only done for employees, and participation by all the members of *2 Live Crew* in pension plans and receipt of workers compensation insurance and health insurance, which is only available to employees, was un rebutted.

8) Campbell's own documents filed under penalties of perjury in the Bankruptcy Court indicate he was an employee;

9) The testimony of Herman Moskowitz, the CPA for Luke Records, and Joe Weinberger, the tax attorney for Luke Records, was un rebutted that the members of 2 Live Crew were employees; and

9) Finally, the IRS audited Luke Records and after doing so, agreed with Luke Records’ position that each of the members of 2 Live Crew were employees.

The Supreme Court in *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 751 (1989). identified thirteen non-exclusive factors to aid in this artist-for-hire inquiry. *Horror Inc. v Miller*, 15 F.4th 232 (2d Cir. 2021), expounded on the test. *Id.* at 243-44. These factors are not to be applied “in a mechanistic fashion” there is “no direction concerning how the factors were to be weighed.” *Id.* at 248. Of *Reid*’s thirteen factors, five “should be given more weight in the analysis, because they will usually be highly probative of the true nature of the employment relationship.” *Horror*, 15 F.4th at 249. Those factors are: "(1) the hiring party's right to control the manner and means of creation; (2) the skill required [of the hired party]; (3) the provision of employee benefits; (4) the tax treatment of the hired party; and (5) whether the hiring party has the right to assign additional projects to the hired party."

The analysis, as set forth below, shows the overwhelming majority of the factors favor “employee” status of two of the three members issuing the termination notice—Mark Ross and Christopher Wong Won—and clearly show that the third member—Campbell—was an”employee”:

Factor	Test	Evidence
*1	Luke Records Right to Control	The 1991 Agreements and the 1990 Agreement specifically gives Luke Records complete control over the recording process. (¶¶ 4,5,6,8,9 of the 1991 Agreements, ¶4(a) of the 1990 Agreement). Based upon the un rebutted evidence, Luke Records controlled the entire production process.
*2	The Skill Required	Both Luke Records and the members of 2 Live Crew were skillful in the recordings process.

3	Source of Instrumentalization and Tools	Based upon the unrebutted evidence, Luke Records paid for and provided the studio, picked the times when the studio would be used, and paid for all costs of production including the producers, instruments and tapes. Paragraph 5 of the 1990 Agreement and _ of the 1991 Agreements obligate Luke Records to pay all costs. Two of the albums at issue were recorded in studios owned by Luke Records.
4	Location of Work	Based upon the unrebutted evidence, Luke Records selected and paid for the studios, or owned the studios. Paragraph 5 of the 1990 Agreement and _ of the 1991 Agreements obligate Luke Records to pay all costs.
5	Duration of Relationship	Based upon the unrebutted evidence, the parties worked together on an exclusive basis from 1986 until 1991.
*6	Right to Assign Additional Projects	The 1991 Agreements (§ 2(b)) specifically give Luke Records the right to assign additional projects. Based on the unrebutted evidence, Luke Records had the right to assign additional works
7	Extent of Discretion Over When and How Long Work	Based upon the unrebutted evidence, Luke Records controlled access to the studio and therefore when and how long work would occur.
8	Method of Payment	Based upon the unrebutted evidence, Luke Records paid them by check deducting payroll taxes.
9	2 Live Crew's Role	The works were agreed to be works for hire which means the group members were employees. (§§ 5(c) & 20(a) of the 1991 Agreements and 2(d) of the 1990 Agreement). The group was deemed employees. (§§ 4a & 20a of the 1991 Agreements)
10	Whether the Work is Part of Luke Records' Regular Business	Based upon the unrebutted evidence, Luke Records was a record company. Hence its regular business was recordings.
11	Whether Luke Records is in Business	Based upon the unrebutted evidence, Luke Records was in business at the time of the recordings.
*12	Provisions of Employee Benefits	Based upon the unrebutted evidence, each of the members of 2 Live Crew received benefits only

		allowed to employees.
*13	Tax Treatment	Based upon the un rebutted evidence, Luke Records treated the members as employees for payroll and tax purposes, which the IRS agreed to when it audited Luke Records.

Four of the five factors show that Campbell most certainly was an employee and weigh heavily in support of a finding that Christopher Wong Won and Mark Ross were employees of Luke Records and therefore the *2 Live Crew* Copyrights were “works for hire.” First factor - the right to control: The 1991 Agreements explicitly give Luke Records complete control and Luke Records CEO controlled the entire process. While individuals may have some artistic freedoms, the 1991 Agreements (at ¶4) and the 1990 Agreement (at ¶4) set forth that Luke Records will select the musical materials and the artists will record and re-record any material until Luke Records finds it satisfactory and Luke Records’ decision is final. Moreover, the Supreme Court has cautioned that “the extent of control the hiring party exercises over the details of the product is not dispositive.” *Reid*, [490 U.S. at 752](#). And “supervision need not be constant to establish an employee-employer relationship.” *Robles v. RFJD Holding Co.*, No. 11-62069-CIV-ROSENBAUM/SELTZER, at *8 (S.D. Fla. June 3, 2013) (citing cases therein).

Second factor – the right to assign: The 1991 Agreements (¶ 2(b)) specifically give Luke Records the right to assign additional projects: “During each Contract Period hereunder, Company will have the following options (“Over-call Options”) to increase the Recording Commitment for the Period”

Third and fourth factors – provision of employee benefits and tax treatment: Campbell, Christopher Wong Won, and Mark Ross were also provided employee benefits and were treated as employees for tax purposes. These two factors in particular, “the parties’ tax treatment of their relationship is, along with employee benefits, ‘highly indicative’ of whether a worker should be treated

as a conventional employee for copyright purposes.” *Horror*, 15 F.4th at 253.

And while skill might be required, the same person, Campbell, is both the employer and the employee. Lil’ Joe searched and could locate no authority holding the sole owner of a business to be an independent contractor, not an employee, just because he is a “skilled worker.” (This proposition doesn’t even make logical sense, as it would mean that a doctor or lawyer could never be an employee of his solely owned practice.). *Cf.*, *JustMed, Inc. v. Byce*, 600 F.3d 1118 (9th Cir. 2010) (Byce, shareholder and director of company was an employee when he developed source code at issue); *Kev & Cooper Liab. Co. v. Gladwell Educ.*, Civil Action 22-2029 (SDW) (JRA), at *5 (D.N.J. Feb. 27, 2023) (rejecting argument that a work could not be fore hire where it was created by a co-owner of the company where other employees contributed to the work).

The remaining seven of the 13 factors analyzed in the chart above, held to be “less significant in the copyright context”, *Horror*, 15 F.4th at 255, also favor Campbell’s, Christopher Wong Won’s and Mark Ross’ status as an employee. Campbell performed numerous functions for Luke Records, as its CEO, beyond performing for *2 Live Crew*, including overseeing other acts, supporting the conclusion that Luke Records controlled Luther Campbell’s works, could assign him additional projects and contemplated an indefinite relationship. There can be little doubt that Luther Campbell and the other members of *2 Live Crew* were an integral part of the record company’s business. The unrebutted testimony was that Campbell was an employee of Luke Records was provided by Joe Weinberger (the in house lawyer for Luke Records), Herman Moskowitz (the CPA for Luke Records) and Allen Jacobi (the outside attorney for Luke Records). Campbell’s naked and unsupported testimony that *2 Live Crew* were not employees is legally insufficient in the face of the very employee payroll checks that he signed, the copyright notices that he created, his own Banruptcy Court filings under penalties of perjury, his very participation in pension plans, health insurance, and workers

compensation insurance only available to employees. Campbell presented no legally sufficient evidence to controvert his own documents and filings.

Numerous cases support a finding that Campbell (as the CEO and owner of Luke Records) was acting within the scope of his employment. *See JustMed, Inc. v. Byce*, 600 F.3d 1118 (9th Cir. 2010) (holding Byce's work was a work made for hire; he was a shareholder and director of the corporation JustMed, Inc.; and the court concluded he was an employee of the corporation when he worked on the source code at issue, although Byce was not an employee for tax purposes); *E.E.O.C. v. Century Broad. Corp.*, No. 89 C 5842, 1990 WL 43286, at *3 (N.D.Ill. March 23, 1990) (broadcasting company "controlled" radio announcers because it dominated the manner in which the announcers performed their job: (1) it set rules about when news broadcasts would occur and how long they would be; (2) it exclusively controlled the marketing devices, such as contests; (3) it oversaw commercials and station identifications; and (4) it determined even when announcers could announce the time); *Sterpetti v. E-Brands Acquisition, LLC*, 2006 US Dist. LEXIS 21407 *20-22 (M.D. Fla. April 20, 2006)(an employee was an artist for hire who created a fresh pasta manual, within the scope of his employment even though there was no assignment nor contract; finding 3 elements must be present to show employee status if the work: a) is of the kind he is employed to perform; b) it occurs substantially within the authorized time and space limited; and c) it is activated at least in part by a purpose to serve the master.). Each of these three factors show that Campbell was acting within the scope of his employment with Luke Records. At a minimum, therefore, the legally sufficient evidence shows Campbell, incontrovertibly, and Mark Ross and Christopher Wong Won, overwhelmingly, were Luke Records employees so the *2 Live Crew* Copyrights are of works made for hire. Judgment as a matter of law is correct on this ground because all 3 had to be independent contractors and just the evidence that 1 of the 3 members was an employee compels judgment as a matter of law.

Reason No. 3: Section 203 does not apply since the value of the copyrights were known when the transfer occurred.

By 1990 or 1991, the value of the copyrights was well known. The records were international hits and in 1990, the un rebutted evidence is that Luke Records received a distribution deal from Atlantic Records, with a \$5 million advance. Since the value of the 2 Live Crew copyrights were known—in fact, well known—by 1990 or 1991, Section 203 protection is not warranted. *Waite v. UMG Recordings Inc.*, 2023 US Dist. LEXIS 14465 (4-5 (S.D. NY Jan. 27, 2023) (Section 203 implemented to protect artists who give up their copyrights *before* they know it is a hit); *Champlin v. Music Sales Corp.*, 604 F. Supp. 3d 224, 236 (S.D. NY 2022) (“the Act seeks to ‘counterbalance the unequal bargaining position of artists seeking to reclaim their copyrights, resulting in part from the ‘impossibility of determining a work’s value until it has been exploited.’”) (quoting H.R. Rep. No. 94-1476, at 124 (1976)). Judgment as a Matter of Law is correct on these grounds.

Reason No. 4: The Termination Notice cannot as a matter of 17 USC § 203(b)(5) affect the grant of rights to Lil Joe pursuant to bankruptcy law and the Bankruptcy Order of Judge Robert Mark.

“Bankruptcy cases afford a separate vehicle by which copyrights can be transferred” by operation of law. *Nimmer on Copyright* § 19A.03[B] **attached**. “It is undisputed that the property of the debtor's estate includes the debtor's intellectual property, such as interest in patents, trademarks, and copyrights", legal and equitable, vested, unvested, or contingent, and regardless of whether there may be a transfer restriction. *Chesapeake Fiber Pkg. v. Sebro Packaging Corp.*, 143 B.R. 360 (D. Md. 1992) (citing *United States v. Inslaw Inc.*, 932 F.2d 1467, 1471 (D.C. Cir. 1991)); *Cardwell v Bankruptcy Estate of Joel Spivey (In re Douglas Asphalt Co.)*, 483 BR 560, 571 (Bankr. S.D. Ga. 2012); *Denadai v Preferred Capital Markets, Inc.*, 272 B.R. 21, 28–30, 29 n 5 (D. Mass. 2001) (citing H.R. Rep. No. 95-595, at 175-76 (1977)); 11 U.S.C. § 101; 11 U.S.C. § 541. The grants of rights to Lil’ Joe arose under Chapters 7 and 11 of federal bankruptcy law, and thus are not affected by at

termination right under subsection 203(b)(5)'s plain language. Section 203 expressly exempts rights arising under any other federal law from termination:

Termination of a grant under this section affects only those rights covered by the grants that arise under this title, and in no way affects rights arising under any other federal, state or foreign law.

17 USC §203(b)(5). It is un rebutted that Lil Joe first obtained the rights to the 2 Live Crew sound recording copyrights pursuant to an order of bankruptcy by Judge Robert Mark, dated March 22, 1996 (Ex. P43), adopting the plan pursuant to 11 USC § 1229, and stating that Lil' Joe is a "good faith purchaser as that term is used in 11 U.S.C. § 363(m) and is entitled to all of the protection of good faith purchasers pursuant thereto." It is also un rebutted that Mark Ross's Bankruptcy Settlement Agreement and Agreed Nondischargeable Final Judgment (Ex. P8 & 11), stating that he has "no rights" to the recordings.

"No rights" means "no rights". These bankruptcy court transfers of copyrights are transfers by operation of federal law. *See Brooks v. Bates*, 781 F.Supp. 202, 205 (S.D.N.Y. 1991) (relying on Professor Melville B. Nimmer's copyright treatise to interpret "by operation of law" to mean transfers by bequest, bankruptcy, mortgage foreclosures, and the like. *Id.* at 205 (citing Melville B. Nimmer David Nimmer, 3 *Nimmer on Copyright* § 10.03[A] at 10-42); *see also* 3 *Nimmer on Copyright* § 10.03 at 22 **attached** ("It has already been noted that the Act's requirement for transfers to be memorialized in writing is inapplicable to those that arise "by operation of law."57 The statute leaves the contours of that exception undefined. Presumably, the intent is to refer to such matters as disposition by courts in bankruptcy, probate, and the like."); 3 *Nimmer on Copyright* § 10.4 at 3 **attached** ("The House Report states that Section 201(e) would not inhibit transfers of ownership pursuant to proceedings in bankruptcy and mortgage foreclosures, because in such cases the author, by his overt conduct in filing in bankruptcy,5 or hypothecating a copyright, has consented to such a transfer. Similarly, it may be

concluded that the transfer of rights from employee to employer in a for hire relationship is not precluded as this is based upon a rebuttable presumption of consent from the employee.”); *Taylor Corp. v. Four Seasons Greetings, LLC*, 403 F.3d 958, 964 (8th Cir. 2005) (holding that a bankruptcy court order approving an asset purchase agreement transferring intellectual property rights constituted transfer by operation of law); *The Evolutionary Level Above Human, Inc. v. Havel*, 3:22-CV-395-MGG, at *18 (N.D. Ind. Feb. 27, 2024) (holding evidence presented by both parties established that works by the Heaven’s Gate cult were transferred to the plaintiff in a copyright infringement lawsuit by operation of law in probate proceedings by the Public Administrator as part of a settlement agreement approved by the California court).

Moreover, Campbell and Ross lack standing to even pursue this asset. “Because a Chapter 7 debtor forfeits his prepetition assets to the estate, only the Chapter 7 trustee, not the debtor, has standing to pursue” that asset. *Russ v. Jackson County School Board*, 530 F.Supp. 3d 1074, 1082 (N.D. Fla. 2021) A bankruptcy ‘trustee, as representative of the bankruptcy estate, is the only proper party in interest, and is the only party’ who can pursue these interests. *Id.* Accordingly, here, it was the trustee of the Luke Bankruptcy, not Luther Campbell, who could elect to terminate the 2 Live Crew Sound Recording Copyrights. To ensure the Court is fully informed, per the Bankruptcy Code and Nimmer on Copyright and law cited therein, *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 173 (1985), does not mean that either Luther Campbell or Mark Ross held on to an exercisable termination right after their bankruptcy as the individuals in *Mills Music* holding a termination right never entered bankruptcy and the holding was limited to whether a grantee was still entitled to the royalties from derivative works even after the original copyright holder exercised his renewal right, to which question the Supreme Court answered, yes.

Further, the bankruptcy court’s final orders must be accorded preclusive effect. Where a court

of competent, which a bankruptcy court is, jurisdiction renders a prior final judgment on the merits, as did Judge Mark here, that order is to be given preclusive effect through res judicata. *See Wallis v. Justice Oaks II, Ltd.*, 898 F.2d 1544, 1550–52 (11th Cir. 1990); *CSX Transp., Inc. v. Bhd. of Maint. of Way Emps.*, 327 F.3d 1309, 1317 (11th Cir. 2003). These voluntary transfers by operation of law approved by their respective bankruptcy courts foreclose any challenge to Lil Joe’s ownership of the sound recordings copyrights approved by the respective bankruptcies. *See also* 11 U.S.C. § 363.

Copyrights are included in bankruptcy transfers even if they are not listed on the asset schedule. *See Itofca, Inc. v. Megatrans Logistics, Inc.*, 322 F.3d 928, 932 (7th Cir. 2003). They do not have to be expressly negotiated between the debtor and creditor, but are transferred by operation of law in bankruptcy as 17 U.S.C. § 201 provides. *See 3 Nimmer on Copyright* §§ 10.03 (“The [Copyright] Act permit such transfers to be effectuated, in whole or in part, by means of conveyance or by operation of law.”), 10.04 (“The House Report states that Section 201(e) would not inhibit transfers of ownership pursuant to proceedings in bankruptcy and mortgage foreclosures, because in such cases the author, by his overt conduct in filing in bankruptcy, or hypothecating a copyright, has consented to such a transfer.”). “And in any event the order approving a bankruptcy sale is a judicial order and can be attacked collaterally only within the tight limits that [Fed.R.Civ.P. 60\(b\)](#) imposes on collateral attacks on civil judgments.” *Futuresource LLC v. Reuters Ltd.*, 312 F.3d 281, 286 (7th Cir. 2002); *Pusser’s (2001) Ltd. v. HMX, LLC*, No. 11 C 4659, at *10 (N.D. Ill. Mar. 28, 2012) (same). Thus, Lil Joe’s rights as the owner of the Sound Recording Copyrights under 11 USC §363 are not subject to termination and cannot be affected by the Termination Notice. Judgment as a Matter of Law is correct on these grounds as well. Plaintiff also further incorporates, renews, and does not abandon the arguments it set forth in Plaintiff’s Motion for Summary Judgment filings [ECF30, 31, 32, 32-1 through 32-6, 33, 47] and Motion for Reconsideration filings [ECF220, 220-1 through 220-5, 221].

Conclusion

For any one of the 4 reasons listed above and because of the overwhelming, legally sufficient evidence presented in documents and testimony, the Termination Notice is not effective to terminate the grant of rights made in the 1991 Agreements or to terminate the subsequent grants. Thus, Plaintiff Lil Joe Records, Inc., respectfully requests that the Court grant this Motion for Judgment as a Matter of Law and enter a final order granting Lil Joe Records request for declaratory relief that Lil Joe Records continues to own the sound recording copyrights that it acquired pursuant to the 1996 Order of Judge Robert Mark. Judgment on Lil Joe Records request for declaratory relief should be granted and Defendants' request for declaratory relief should be denied.

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CERTIFICATE OF SERVICE

I hereby certify that on October 17, 2024, I electronically filed the foregoing document with the Clerk of the Court using CM/ECF. I also certify that the foregoing document is being served this day on all counsel of record identified on the attached Service List in the manner specified, either via transmission of Notice of Electronic Filing generated by CM/ECF or in some other authorized manner for those counsel or parties who are not authorized to receive electronically Notice of Electronic Filing.

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EXHIBIT A

5 Nimmer on Copyright § 19A.03

Nimmer on Copyright > *CHAPTER 19A Bankruptcy*

Author

Peter S. Menell*

§ 19A.03 Copyrights In Bankruptcy Courts

Neither the current Copyright Act nor its predecessor 1909 Act at adoption mentioned the word “bankruptcy.”¹ The various amendments to the current Act over the years followed suit. Nonetheless, a portion of the Digital Millennium Copyright Act addressed a wrinkle of this domain relating to actors, writers and directors losing residual payments after production companies go bankrupt.² The law included a direction to Comptroller General, in consultation with the Register of Copyrights, to prepare a study within two years evaluating the “impact of this section on the motion picture industry.”^{2.1} When that report duly issued, it revealed “no observable impact on the industry to date.”^{2.2} More specifically, 2% of owed residuals went unpaid during the previous three-year window, most of the noncompliance tracing back to low-budget films that do not generate much revenue anyway.^{2.3}

In any event, the term “bankruptcy” is almost completely absent from the legislative history as well.³ Likewise, Copyright Office regulations all but ignore it.⁴

*This chapter derives from a paper written by Peter S. Menell, Professor of Law and Executive Director, Berkeley Center for Law & Technology (Boalt Hall), for a presentation to the Federal Judicial Center’s National Bankruptcy Judge Workshop in August 2004. Kenneth N. Klee and Howard J. Steinberg provided valuable comments on the chapter.

¹ But note a 1978 amendment that explicitly references Title 11. See § 10.04 *supra*.

² This aspect appeared in Title IV of the Digital Millennium Copyright Act. The Manager’s Report explained the impetus behind that provision:

The writers, screen actors, and directors guilds have expressed concern about their inability to obtain residual payments that are due to their members in situations where the producer of the motion picture fails to make these payments, for example where the producer/company no longer exists or is bankrupt. The guilds may be unable to seek recourse against the exclusive distributors, the transferees of rights in the motion picture, because those parties are not subject to the collective bargaining agreement or otherwise in privity with the guilds. Although the collective bargaining agreements generally require the production company to obtain assumption agreements from distributors that would effectively create such privity, some production companies apparently do not always do so.

Section-by-Section Analysis of H.R. 2281, Serial No. 6, 105th Cong., 2d Sess. 62 (1998). See § 12A.15[D] *supra*.

^{2.1} 28 U.S.C. § 4001(h).

^{2.2} *Motion Pictures: Legislation Affecting Payments for Reuse Likely to Have Small Impact on Industry 5* (GAO Report Jan. 2001).

^{2.3} “Of the more than \$1.7 billion in residuals owed in the years 1996 through 1998 by the three guilds, we estimate that unpaid residuals accounted for, at most, \$35.2 million.” *Id.* at 4. “Although the legislation’s impact on the overall motion picture industry may be small, certain individuals working on low-budget films, such as producers, union actors, writers, and directors, could experience substantial losses, according to industry representatives.” *Id.* at 2.

³ The one exception comes in the excerpt quoted in § 6A.03[C][2][b] *supra*.

§ 19A.03 Copyrights In Bankruptcy Courts

It would be erroneous, however, to construe silence as insignificance. Because debtors often have an interest in copyrights, the full panoply of copyright issues can arise in bankruptcy courts. Moreover, because the debtor's interest can be on the plaintiff's or the defendant's side of the ledger, those issues can arise in a myriad of postures. Among the extant cases, implicated issues have ranged across the following:

- the effectiveness of an oral copyright license;⁵
- construction of the work for hire doctrine;⁶
- self-execution of the Berne Convention;⁷
 - the respective rights in computer software in the underlying work and a debugged derivative work;⁸ and
- the scope of copyright protection for computer software.⁹

Most commonly, however, the issues arise in a few recurring postures, which are discussed below.

[A] Adjudication of Infringement and Entitlements

The debtor in a bankruptcy case might have a copyright claim against a third party. In that instance, the bankruptcy court needs to hold a trial to determine the question of infringement.¹⁰ Conversely, the debtor could be a copyright defendant—in which case the full panoply of copyright defenses apply.¹¹ Often implicated in the

⁴ Here, the single exception arises in the context of the phonorecord compulsory license. See § 8.25[F] *supra*. The pertinent regulation states that

in any case where, within three years before the phonorecord was relinquished from possession, the compulsory licensee has had final judgment entered against it for failure to pay royalties for the reproduction of copyrighted music on phonorecords, or within such period has been definitively found in any proceeding involving bankruptcy, insolvency, receivership, assignment for the benefit of creditors, or similar action, to have failed to pay such royalties, that compulsory licensee shall be considered to have "Permanently parted with possession" of a phonorecord made under the license at the time at which that licensee actually first parts with possession.

37 C.F.R. § 201.19(d).

⁵ *In re Superior Toy & Mfg. Co., Inc.*, 183 B.R. 826, 833–834 (Bankr. N.D. Ill. 1995) (Treatise cited as "the leading treatise on copyright law"). See § 10.03[A][7] *supra*.

⁶ *In re Marvel Entm't Group, Inc.*, 254 B.R. 817, 832–834 (D. Del. 2000); *In re Simplified Information Systems, Inc.*, 89 B.R. 538, 542–543 (Bankr. W.D. Pa. 1988) (Treatise cited). See § 5.03 *supra*.

⁷ *In re AEG Acquisition Corp.*, 127 B.R. 34, 42 (Bankr. C.D. Cal. 1991), *aff'd*, 161 B.R. 50, 52 (9th Cir. 1993). See § 1.12[A] *supra*.

⁸ *In re C Tek Software, Inc.*, 127 B.R. 501, 502, 506 (Bankr. D.N.H. 1991) (Treatise cited). See § 3.04 *supra*. In that case, there was a security interest in the underlying source code. In order to foreclose on that material, the court ordered surrender of version 3.7.2B to the creditor, allowing retention of corrections through version 4.1.8. *Id.* at 507.

⁹ *In re InSITE Servs. Corp., LLC*, 287 B.R. 79, 90–91 (Bankr. S.D.N.Y. 2002). See § 13.03[F] *supra*.

¹⁰ See, e.g., *In re InSITE Servs. Corp., LLC*, 287 B.R. 79, 90 (Bankr. S.D.N.Y. 2002). In this case, one defendant claimed that the debtor was judicially estopped from pursuing its copyright claim, given an antecedent failure to list it among the Schedule of Assets filed with the court. *Id.* at 91. The court allowed the debtor to amend, noting that "it would be the Debtor's general creditors who would be harmed by summary dismissal of its complaints." *Id.* Another court found judicial estoppel in this posture. *Leventhal v. Schenberg*, 917 F. Supp. 2d 837, 849 (N.D. Ill. 2013). See § 13.07[C] *supra*.

¹¹ See, e.g., *In re Amica, Inc.*, 135 B.R. 534 (Bankr. N.D. Ill. 1992). The claim in that case might have been not for infringement, but for contractual damages for use of the copyrighted program. See *id.* at 538. In any event, the debtor was able to establish fraudulent inducement, and thus was allowed to rescind the contract. *Id.* at 550.

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latter context is whether, notwithstanding infringement, the policies underlying bankruptcy law should discharge liability and allow the debtor to start afresh.¹²

One case posed the question whether the right to a jury trial attaches in bankruptcy proceedings. In *Pearson Educ., Inc. v. Almgren*,^{12.1} defendant impersonated a professor to obtain from publishers their instructors' manuals, which he turned around and sold to fellow students. Rather than serving him with a cease and desist letter, Pearson decided "to make an example of him" by filing suit for copyright infringement.^{12.2} His \$5,000 in gross profits soon dissipated, defendant was forced into bankruptcy.^{12.3} After he perjured himself and was found culpable of willful infringement, Pearson and its fellow publishers wanted a jury to determine his appropriate level of statutory damages.^{12.4} But the bankruptcy court struck that demand, and thereupon awarded the minimum amount,^{12.5} which it deemed non-dischargeable in bankruptcy.^{12.6}

The Eighth Circuit affirmed. The legal right to trial by jury gives way to equity in the context of bankruptcy proceedings.^{12.7} The court also affirmed the discretionary denial of any attorneys' fees to the publishers.^{12.8}

[B] Transfer of Ownership

A previous chapter has explored the various ways in which copyrights can be transferred.¹³ The common denominator in those scenarios is voluntary action by the copyright owner.

Bankruptcy cases afford a separate vehicle by which copyrights can be transferred. In this scenario, however, copyright owners, even in the event of involuntary bankruptcy, can be separated from rights over their works.¹⁴

Two cases presented to the Seventh Circuit in October 2002 illustrate the contours of this arena. In each, Judge Posner ruled that copyright exploitation must follow disposition by the pertinent bankruptcy court. In the first, company F entered into a contract to pay company B for continuously updated financial-markets data.¹⁵ After B went bankrupt, company R bought some of B's assets—but not including the contractual rights with F, and R did not assume B's obligations.¹⁶ F participated as a "party in interest," meaning that it had a right during the bankruptcy proceedings to raise and be heard on issues in the case.¹⁷ Later, B's contractual rights with F

¹² See § 19A.03[D][1] *infra*.

^{12.1} *685 F.3d 691 (8th Cir. 2012)*.

^{12.2} *Id.* at 693.

^{12.3} *Id.* at 693.

^{12.4} See § 14.04[C] *supra*.

^{12.5} On each of 19 counts it awarded the minimum of \$750, for an aggregate of \$14,250. *685 F.3d at 693*. See § 14.04[B][1][a] *supra*.

^{12.6} *685 F.3d at 693*. See § 19A.03[D][1] *infra*.

^{12.7} *685 F.3d at 694* ("a claim of debt or damages against the bankrupt is investigated by chancery means"). On intermediate appeal from the bankruptcy judge, the district court had held that the publishers "waived any right to a jury trial on copyright liability and damages by filing proofs of claim in the bankruptcy proceedings." *Id.* at 694.

^{12.8} *Id.* at 696. See the discussion of this case in § 14.10[D][5][a][i] *supra*.

¹³ See *Chap. 10 supra*.

¹⁴ See § 10.04 *supra*.

¹⁵ *FutureSource LLC v. Reuters Ltd.*, *312 F.3d 281, 283 (7th Cir. 2002)*.

¹⁶ *Id.* at 283–84.

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passed to company M; despite M's assurances to the bankruptcy court that it would honor its obligations to F, it failed to do so.¹⁸ F responded by suing R, arguing that it had a license from B "and that an intellectual-property license, like a tenancy in real estate, is not extinguished by the sale of the underlying property."¹⁹

The Seventh Circuit rejected that argument as nonsensical.²⁰ F wanted to benefit without paying anything to R, with which it had no contract, and also without paying M, from which it was receiving no services.²¹ The court further rejected the analogy to real property, holding that the bankruptcy court's sale order extinguished all conflicting interests in the assets that R acquired.²²

In the second case, ITOFCA sued MegaTrans for copyright infringement.²³ The latter responded that it had obtained the copyright in a previous bankruptcy sale; ITOFCA had participated in the bankruptcy proceedings and failed to object to the sale.²⁴ The Seventh Circuit accordingly rebuffed ITOFCA's claim. "When a bankruptcy court approves the sale of an asset of the debtor, a person who has notice of the sale cannot later void it on the ground that he is the asset's real owner."²⁵

Other cases likewise align copyright ownership in accordance with the dictates of prior bankruptcy cases.²⁶ The party who claims to have acquired ownership through bankruptcy bears the burden of proving that the copyright was included in the bankruptcy court's disposition of assets.

In addition, a bankruptcy court may transfer a cause of action for copyright infringement. As has been canvassed above, the substantive law of copyright permits such assignment, if made explicit.²⁷ Accordingly, it has been held that a bankruptcy trustee has power to transfer a copyright claim.²⁸

¹⁷ *Id.* at 284.

¹⁸ *Id.*

¹⁹ *Id.* at 285.

²⁰ *Id.* at 284.

²¹ *Id.* at 285.

²² *Id.* at 285. In that context, F's lack of objection to the bankruptcy court, after having received notice, proved fatal. *Id.*

²³ *ITOFCA, Inc. v. MegaTrans Logistics, Inc.*, 322 F.3d 928 (7th Cir. 2003).

²⁴ *Id.* at 929.

²⁵ *Id.* at 930. The situation was actually more complicated, given ambiguity in the bankruptcy court's order.

It is true that [the purchaser] did not list a copyright among its assets on the asset schedule that it submitted to the bankruptcy court; true, too, that ordinarily persons who might have an interest in property being sold at a bankruptcy auction have a right to rely on the fact that the debtor's schedule of assets does not list the property in which they are interested. But it was apparent on the face of the bankruptcy judge's order that it was conveying the right to sell copies of the modified program—which is precisely the right that ITOFCA claims to have retained for itself. Its failure to object to the bankruptcy court's order is compelling evidence that its claim of right is an afterthought. It knew it had no basis for objecting to the sale order.

Id. at 930–931. A lengthy concurrence investigates the *res judicata* effects of the prior bankruptcy court determination. *Id.* at 932–942 (Ripple, J., concurring) (Treatise cited). See § 12.07 *supra*.

²⁶ See, e.g., *AGV Prods., Inc. v. Metro-Goldwyn-Mayer, Inc.*, 115 F. Supp. 2d 378, 388–392 (S.D.N.Y. 2000) (disposing of sequel rights in *The Terminator* pursuant to Orion bankruptcy plan); *Rosen v. E. Rosen Co.*, 818 A.2d 695, 698 (R.I. 2003) (allowing receiver to engage in *nunc pro tunc* assignment of copyright).

²⁷ See § 12.02[C] *supra*.

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[C] Disposition of Copyrighted Goods

Of course, bankruptcy courts have the power to dispose of the debtor's physical assets. Given that ownership of material goods is distinct from ownership over the copyright,²⁹ that power extends to goods such as books and phonorecords. Thus, a California court ordered the sheriff to seize a film negative until liens in it had been worked out on appeal.³⁰

Nonetheless, the courts are not blind to the consequences of their disposition of goods that could, if wrongfully distributed, infringe copyrights.³¹ In *In re Audiofidelity Enterprises, Inc.*, for instance, the defendant in a copyright infringement suit entered into a consent judgment, and subsequently declared bankruptcy.³² The plaintiffs from that earlier case participated as defendants in the later *Audiofidelity* bankruptcy hearing. The court accepted their assertion

that should this Court authorize a sale in the context of a bankruptcy liquidation of the offending tapes and records, we would be putting back into the stream of commerce, into the hand of the public at large, the very offending tapes and records which [the earlier] order specifically and permanently enjoined the public from ever hearing.³³

It thereupon ordered the subject inventory destroyed.³⁴

In a later case, the debtor also had possession of infringing inventory,³⁵ consisting of some 2 million unlicensed compact discs.³⁶ Because the trustee believed it impossible to work out the appropriate licensing arrangements with the Harry Fox Agency (HFA) and considered the discs' continued storage a drain on the bankruptcy estate, he wished to abandon those materials. HFA at that point objected that such abandonment would constitute an infringing distribution of the copyrighted material, and maintained that the trustee was obligated to destroy the inventory.³⁷ The court concluded that "the trustee's abandonment of unsaleable inventory would not constitute a 'distribution' of unlicensed phonorecords within the meaning of the federal copyright law."³⁸ HFA continued to

²⁸ *Integrated Solutions, Inc. v. Service Support Specialties, Inc.*, 193 B.R. 722, 727 (D.N.J. 1996) (reaching opposite conclusion as to plaintiff's coordinate state law claims, given New Jersey public policy against assignment of tort claims).

²⁹ See § 10.09 *supra*.

³⁰ *LeFlore v. Glass Harp Prods., Inc.*, 57 Cal. App. 4th 824, 67 Cal. Rptr. 2d 340, 342 (1997). See § 19A.04[C][3][b] *infra*.

³¹ See § 8.11[A] *supra*. The issue arose when songwriter Emmylou Harris sued for copyright infringement, based on exploitation of a master recording that her record company had sold in bankruptcy. See *Harris v. Emus Records Corp.*, 734 F.2d 1329, 1332 (9th Cir. 1984).

Amicus Recording Industry of America argues that the purchase of master recordings at bankruptcy sales is a common practice of the recording industry. It urges that whether or not a copyright license is otherwise transferable, it does pass to the bankruptcy trustee under the provisions of the Bankruptcy Act.

Id. at 1334. The court disagreed, upholding judgment in plaintiff's favor. See § 19A.07[D][2][a] *infra*.

³² 103 B.R. 544, 546 (Bankr. D.N.J. 1989).

³³ *Id.* at 547.

³⁴ *Id.* at 548 ("I realize this remedy is radical").

³⁵ *In re Pitz Compact Disc, Inc.*, 229 B.R. 630, 633 (E.D. Pa. 1999).

³⁶ *Id.* at 634. The warehouse containing the phonorecords was determined to hold about 25% public domain material, which the trustee sold without objection. *Id.* at 634.

³⁷ *Id.* at 636-37.

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object that abandonment of the material to the debtor would allow the debtor to flout the copyright laws and asked the court to follow the *Audiofidelity* ruling of ordering destruction. But the court limited *Audiofidelity* to its facts, in which there had been a previous adjudication of copyright infringement.³⁹ In the end, it directed "the trustee to abandon the property to any entity other than the debtor."⁴⁰

Yet another case consisted of a debtor who was in possession of various rehearsal tapes from famous groups.⁴¹ The court found his possession of the tapes to be lawful, thus denying a conversion claim.⁴² It allowed ownership of the tapes to remain with the debtor.⁴³ But to protect the common law copyright in these pre-1972 sound recordings,⁴⁴ the court entered a permanent injunction against "copying or distributing copies of the tapes in question."⁴⁵

The most elaborate discussion of this issue occurs in *In re Valley Media, Inc.*⁴⁶ The debtor in that case was "the largest full-line supplier of entertainment software products (primarily CDs, DVDs, and VHS tapes) in the United States."⁴⁷ As of filing of the bankruptcy petition, it had inventory valued at \$108 million,⁴⁸ including products on behalf of all the major record labels and hundreds of independents.⁴⁹ Vendors had placed product with the debtor under either a terms relationship based on purchase invoices, whereby the distributor purchased the inventory outright, or a consignment relationship, whereby title to the inventory remained with the vendor and the distributor did not pay for the goods until they were sold.⁵⁰ In any event, all the inventory was commingled,⁵¹

³⁸ *Id.* at 640.

³⁹ "The injunctive relief entered by the *Audiofidelity* bankruptcy court—to destroy the inventory—was simply an enforcement of the infringement judgment that could not be avoided." *Id.* at 645.

⁴⁰ *Id.* at 644. Other conditions also applied to the abandonment. See *id.* at 645.

⁴¹ *Sony Music Entertainment v. Clark Entertainment Group (In re Clark Entertainment Group)*, 183 B.R. 73, 75 (Bankr. D.N.J. 1995).

⁴² *Id.* at 76–78.

⁴³ *Id.* at 81.

⁴⁴ *Id.* at 79 (Treatise cited). See § 8C.03 *supra*.

⁴⁵ *Id.* at 82.

⁴⁶ 279 B.R. 105 (Bankr. D. Del. 2002).

⁴⁷ *Id.* at 114.

⁴⁸ *Id.* at 118.

⁴⁹ *Id.* at 114, 117 n.15.

⁵⁰ *Id.* at 115.

The Consignment Vendors, made a number of representations and warranties in connection with the Distribution Agreements to ensure that DNA, as their distribution agent, would pass clear title to the Product when the consigned inventory was sold, including that such sale was also with permission from the third party copyright holders so that no copyright would be infringed. Specifically, the Consignment Vendors represented and warranted that they held "good, clear, and marketable title" to the Product, that the DNA Vendors had obtained all necessary rights and consents to allow Valley to distribute the Product such that Valley need not obtain third party authority to sell the Product and that the Products and their distribution would not violate the copyright of any third party.

Id. at 119.

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the 15% consisting of consigned goods and the 85% consisting of terms goods.⁵² The case arose on the debtor's motion to sell its inventory at auction, to which the consignment vendors objected,⁵³ contending (1) that they had superior rights under applicable state law and (2) that the auction would constitute a "first sale" in derogation of copyright law.⁵⁴

On the first issue, the court engaged in a searching analysis of the Uniform Commercial Code as implemented under California law.⁵⁵ It held that denominating a relationship as a "consignment," by itself, "does not necessarily allow a consignor's ownership interests in the consigned goods to prevail over the claims of the consignee's creditors."⁵⁶ Rather, the consignors must perfect their interest by filing a UCC-1 financing statement, which they did not do under the operative facts.⁵⁷ Note that, in construing these provisions, the court was not concerned with the rights between the consignor-copyright owners and their consignee-distributor; instead, it was acting solely to benefit the consignee's third party creditors.⁵⁸ The court concluded that the debtor could sell the inventory under state law, as the debtor's interest therein was superior to the consignors'.⁵⁹

Turning to the copyright question,⁶⁰ the court construed copyright law's first sale doctrine⁶¹ to render liable a consignee or bailee who sells the subject goods, and by contrast to immunize an exclusive licensee who has been granted permission from the copyright owner to distribute those goods.⁶² On consignment in this case were goods incorporating three distinct types of copyrights, those belonging to composers, to sound recording artists, and to record companies.⁶³ As to all three, the consignors warranted that they conveyed all necessary rights to the consignee-debtor so as to make the debtor an exclusive licensee; accordingly, the "entities purchasing from [the debtor] obtained title to lawfully made phonorecords and became 17 U.S.C. [§] 109(a) owners who could make subsequent sales without infringement."⁶⁴ Thus, after resolving one more nuance of

⁵¹ *Id. at 116.*

⁵² *Id. at 118.*

⁵³ *Id. at 111.*

⁵⁴ *Id. at 120–121.*

⁵⁵ *Id. at 121–133.*

⁵⁶ *Id. at 121.*

⁵⁷ *Id. at 123–124.* As an alternative, the consignors could prevail if they could "prove that the deliverer is generally known by his creditors to be substantially engaged in selling the goods of others." *Id. at 123.* The consignors failed to make that proof, as well. *Id. at 131–32.*

⁵⁸ *Id. at 125.* "Case law also suggests that the Consignment Vendors are not the creditors who should be protected under the applicable U.C.C. provisions and thus should be excluded from the calculation." *Id. at 132.*

⁵⁹ *Id. at 133.* "Therefore, I must conclude that the Objecting Vendors' [sic] may not obtain relief from the stay to recover the Contested Inventory. The Objecting Vendors will have a pre-petition unsecured claim against the estate for the invoice price of the Contested Inventory." *Id.* (citations and footnotes omitted).

⁶⁰ The parties raised a welter of points, not all of which the court needed to resolve. *Id. at 133–134.*

⁶¹ *Id. at 134–135 (Treatise cited).* See § 8.12[B][1] *supra.*

⁶² *279 B.R. at 135.*

⁶³ *Id. at 136.*

⁶⁴ *Id. at 136.*

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bankruptcy law,⁶⁵ the court allowed the auction to proceed⁶⁶ as to consignors still in a contractual relationship with debtor on the date it filed for bankruptcy.⁶⁷

[D] Limitations on Escaping Liability in Bankruptcy

The very essence of bankruptcy, of course, is to discharge debts.⁶⁸ Among those debts, in appropriate circumstances, might lie a judgment for copyright infringement, whether antecedent or prospective. The question therefore arises whether the defendant's judicious invocation of bankruptcy laws can defeat the plaintiff copyright owner's entitlement to damages.

[1] Discharge of Infringement Judgment.

Let us first imagine that an infringement case has proceeded through trial and appeal, resulting in a judgment against defendant in a fixed amount. To the extent that defendant later becomes bankrupt, a plan of reorganization may emerge whereby some or all of that debt could be extinguished.

But not always. Pursuant to the Bankruptcy Code, some debts are non-dischargeable,⁶⁹ notably those of individuals in Chapter 7 and Chapter 11 cases⁷⁰ that arise "for willful and malicious injury by the debtor ... to the property of another ..."⁷¹ Within the copyright sphere, the issue typically arises in ASCAP or BMI enforcement actions.⁷² After judgment is rendered and the defendant files bankruptcy, the performing rights society will seek, in the enforcement action, to characterize the underlying offense as willful and malicious injury to property, thereby rendering the amounts due them non-dischargeable.⁷³

⁶⁵ "The question before me is whether Valley's authority to sell the Contested Inventory still exists in bankruptcy under the executory, non-exclusive licenses in the Distribution Agreements." *Id. at 136-137*. As set forth below, the court answered that question in the affirmative. See § 19A.07[B][3] *infra*. It therefore concluded that

the Debtor in Possession has the requisite authority to sell the Contested Inventory rather than mere authorized possession. The Auction Sale will qualify as a "first sale" where the owner of the copyrights or exclusive licensee of those Copyright Owners authorized another to sell the copies or phonorecords embodying the copyrighted work.

Id. at 139 (footnote omitted).

⁶⁶ *Id. at 140* ("as long as the auction sale is to purchasers within the United States").

⁶⁷ Some vendors claimed that their licensing relationship with the debtor terminated before the bankruptcy petition. The court held that MCI successfully invoked the 15-day cure provision of its contract with debtor, and therefore ruled in its favor. *Id. at 143*. It likewise ruled in favor of one other consignor, but found the evidence equivocal as to a third. *Id. at 143-144*.

⁶⁸ "The general policy of bankruptcy law favors allowing the honest debtor to discharge debts and to make a fresh start free from the burden of past indebtedness." *In the Matter of Elms*, 112 B.R. 148, 151 (Bankr. E.D. La. 1990). See § 19A.02 *supra*.

⁶⁹ 11 U.S.C. § 523.

⁷⁰ See text accompanying § 19A.02[A][2] N. 30 *supra*. In the event of a Chapter 13 case, most of those same debts are dischargeable. See 11 U.S.C. § 1328.

⁷¹ 11 U.S.C. § 523(a)(6).

⁷² See § 8.19 *supra*.

⁷³ One can trace the line through successive reported decisions in some instances. A good example is *Broadcast Music, Inc. v. Xanthas, Inc.*, 674 F. Supp. 553 (E.D. La. 1987), *aff'd*, 855 F.2d 233 (5th Cir. 1988), assessing \$320,000 against the owner of unregistered jukeboxes. See § 8.17[B][3] *supra*. When the owner later declared bankruptcy, the court reviewed his status, to determine the debt non-dischargeable. *In the Matter of Elms*, 112 B.R. 148 (Bankr. E.D. La. 1990).

Some courts refuse to apply *res judicata*⁷⁴ when considering dischargeability under the Bankruptcy Code, particularly as to a default⁷⁵ judgment.⁷⁶ Under an older view that the bankruptcy standard requires "clear and convincing" evidence, of the "willful and malicious injury," an underlying civil judgment based on a "preponderance of the evidence" is inadequate to ever justify non-dischargeability, thus requiring a new trial.⁷⁷ But that heightened measurement has been discarded as the appropriate standard of proof for Bankruptcy Code dischargeability exceptions.⁷⁸ The recent trend is exemplified by a ruling in ASCAP's favor, providing little analysis beyond verifying that the underlying verdict was for willful infringement.⁷⁹ Thus, when one bankruptcy court held that something extra beyond willful copyright infringement must be demonstrated to prove malice,⁸⁰ the district court reversed.⁸¹ Another court held a debt non-dischargeable only after such time as ASCAP has given unambiguous notification to the offending party about his commission of copyright infringement, and only as to the person actually notified, not his business partner or wife.⁸²

In a different case against a husband and wife, the court ruled the former's willful infringement, as found by the jury in its special verdict, non-dischargeable;⁸³ simultaneously, however, it discharged the wife from that debt, given her lack of involvement in the infringement.⁸⁴ The court then had to confront the effect of non-dischargeable debt on the wife's community property.⁸⁵ It ruled her separate property beyond reach, but allowed the plaintiff to collect from the couple's post-petition community property.⁸⁶

The law took a different direction in yet another case, in which a jury found a husband and wife culpable of willful copyright infringement. In subsequent proceedings, a bankruptcy court, on summary judgment, held that initial judgment nondischargeable as a "willful and malicious injury,"^{86.1} based on the earlier jury's

⁷⁴ See, e.g., *In re Hibbs*, 161 B.R. 259, 265 (C.D. Cal. 1993), *aff'd mem.*, 122 F.3d 1071 (9th Cir. 1997). See § 12.07 *supra*.

⁷⁵ It should be added that, if the time to cure a default has not expired before the date of the filing of the bankruptcy, the time period for curing the default is extended to the later of the time period within which to cure the default or 60 days after the bankruptcy petition was filed. See 11 U.S.C. § 108(b).

⁷⁶ *In re Watson*, 117 B.R. 291, 293 (Bankr. W.D. Mo. 1990) (case brought by ASCAP); *In re Walker*, 477 B.R. 111, 118 (Bankr. E.D. Mo. 2012) (same).

⁷⁷ *In re Watson*, 117 B.R. 291, 296 (Bankr. W.D. Mo. 1990).

⁷⁸ See *Grogan v. Garner*, 498 U.S. 279, 111 S. Ct. 654, 112 L. Ed. 2d 755 (1991).

⁷⁹ See, e.g., *Jubilee Communications Inc. v. Lynch*, 16 U.S.P.Q.2d (BNA) 1971 (Bankr. W.D. Okla. 1990) (for willful violation of ASCAP's rights, defendant had to pay 4 awards of statutory damages at \$10,000 apiece, which were held non-dischargeable); *In the Matter of Elms*, 112 B.R. 148 (Bankr. E.D. La. 1990).

⁸⁰ *In re Pineau*, 141 B.R. 522, 531 (Bankr. D. Me. 1992).

⁸¹ *In re Pineau*, 149 B.R. 239, 245 (D. Me. 1993) ("Pineau's voluntary willingness to disregard ASCAP's rights by playing the songs without paying, warrants a finding of implied malice").

⁸² *In re Remick*, 96 B.R. 935, 941–942 (Bankr. W.D. Mo. 1986).

⁸³ *Sophos v. Hibbs (In re Hibbs)*, 161 B.R. 259, 266–268 (C.D. Cal. 1993), *aff'd mem.*, 122 F.3d 1071 (9th Cir. 1997). The verdict was for \$200,000, onto which the court added \$60,000 in post-judgment interest. *Id.* at 266.

⁸⁴ *Id.* at 269.

⁸⁵ See *Chap. 6A supra*.

⁸⁶ 161 B.R. at 269.

^{86.1} 11 U.S.C. § 523(a)(6).

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finding of willful infringement, as well as uncontroverted evidence that defendants knew of the copyright interest at stake; the Bankruptcy Appellate Panel affirmed.^{86.2}

But the Ninth Circuit reversed, based on both willfulness and malice.^{86.3} As to the former, it held that the term “willful” may have a meaning for copyright infringement cases different from the same term’s usage in determining whether a debt is nondischargeable in bankruptcy.^{86.4} In the former context, reckless disregard of the truth may render an infringer willful,^{86.5} by contrast, “the Supreme Court has clearly held that injuries resulting from recklessness are not sufficient to be considered willful injuries under § 523(a)(6) of the *Bankruptcy Code* and are therefore insufficient to merit an exemption to dischargeability.”^{86.6} Given the facts, the jury in the underlying copyright infringement case could have determined that the actual “bad actor” was the wife’s brother, but that the husband and wife defendants acted recklessly in failing to supervise him, thereby rendering them culpable of “willful” infringement.^{86.7}

Turning to the other prong, “malice” forms no element of copyright infringement, so the jury in the underlying case plainly made no finding with respect to whether defendants behaved maliciously.^{86.8} When the matter proceeded into bankruptcy adjudications, the conclusion that the defendants acted with malice “rested entirely on its conclusion” that they acted willfully.⁸⁷ The Ninth Circuit remanded on that score as well, based on its requirement that there be “a separate analysis for each of the ‘willful’ and ‘malicious’ prongs.”⁸⁸

A subsequent decision by a bankruptcy court awarded \$100,000 in statutory damages⁸⁹ against a copyright infringer of software.⁹⁰ The court determined the debt to be nondischargeable in bankruptcy,⁹¹ as both willful and malicious.⁹² The Eighth Circuit ruled to the same effect with respect to a debtor who stiff-armed

^{86.2} *In re Albarran*, 347 B.R. 369 (B.A.P. 9th Cir. 2006).

^{86.3} *In re Barboza*, 545 F.3d 702 (9th Cir. 2008).

^{86.4} *Id.* at 707.

^{86.5} See § 14.04[B][3][a] *supra*.

^{86.6} 545 F.3d at 708, citing *Kawaauhau v. Geiger*, 523 U.S. 57, 60–61, 118 S. Ct. 974, 140 L. Ed. 2d 90 (1998).

^{86.7} 545 F.3d at 709. The court distinguished a prior case in which the bankruptcy judge, likewise on summary judgment, found that defendant “committed a willful injury within the meaning of § 523(a)(6) because he did not install certain measures to prevent the unauthorized copying of copyrighted material.” *Id.* at 710, citing *In re Chin-Liang Chan*, 325 B.R. 432, 448–449 (Bankr. N.D. Cal. 2005). In that earlier case, the evidence was uncontroverted and evidently did not leave room for the bankruptcy defense of copyright infringement willfulness via reckless supervision.

^{86.8} See § 13D.02 *supra*.

⁸⁷ 545 F.3d at 712.

⁸⁸ *Id.* at 711. Turning to substance, the opinion holds as follows:

A “malicious” injury involves (1) a wrongful act, (2) done intentionally, (3) which necessarily causes injury, and (4) is done without just cause or excuse.

Id. at 706, quoting *In re Jercich*, 238 F.3d 1202, 1209 (9th Cir. 2001).

⁸⁹ See § 14.04 *supra*.

⁹⁰ *In re Mann*, 410 B.R. 43 (Bkrcty. C.D. Cal. 2009). Note that the court separately awarded much more in trademark damages. *Id.* at 50.

⁹¹ *Id.* at 51.

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ASCAP “an astounding 44 times.”^{92.1} It held his actions “malicious because he intended to harm”^{92.2} the copyright owners by his failure to obtain a public performance license for the music performed at his saloon.^{92.3}

In one unusual case, the debtor was not the infringer, but rather the erstwhile plaintiff in a failed copyright infringement action.^{92.4} The bankruptcy court determined that her filing of a complaint was a willful action by which she intended the resulting injury occasioned by the defense of her meritless claim.^{92.5} But, rather than showing malice, her initiation of a baseless claim reflected only recklessness.^{92.6} As such, the frustrated defendant from the infringement case was unable to get around the discharge of plaintiff's debt in bankruptcy.^{92.7}

In one case, plaintiff broadcasters of Chinese-language television obtained a judgment of \$6.8 million in statutory damages^{92.8} for defendant's sale of “TVpads” offering access to that programming.^{92.9} That initial judgment included a finding of willful infringement.^{92.10} After defendant declared bankruptcy, the question of dischargeability arose.^{92.11} The debtor argued that “he was merely one of many sellers of TVpad devices,

⁹² *Id.*, at 47.

^{92.1} *In re Walker*, 514 B.R. 585, 590 (B.A.P., 8th Cir. 2014).

^{92.2} *Id.*, at 591.

At trial, the debtor admitted that he had some general knowledge of Federal copyright law and royalties. With this general knowledge, the debtor knew or should have known that the natural consequence of a failure to obtain a license is financial harm to the appellees. Considering the district court's finding and the debtor's admitted knowledge of Federal copyright law, we agree with the bankruptcy court and conclude that the debtor intended to bring about the loss that the appellees suffered.

Id.

^{92.3} See § 8.19[B] *supra*.

^{92.4} See *In re Pearman*, 432 B.R. 495, 500 (Bankr. D.N.J., 2010). Ms. Pearman allegedly wrote a poem to commemorate her grandparents' death, which she later discovered to be exploited by Kay Berry at gift shops called The Comfort Company. During discovery of Pearman's infringement claim, defendant Berry determined that portions of the poem in fact were composed when Pearman was a toddler. *Id.* at 497–99. Berry then sought its fees as prevailing party. See § 14.10 *infra*.

^{92.5} 432 B.R. at 500.

^{92.6} *Id.* at 502. “Ms. Pearman harbored a genuine, albeit mistaken, belief that she was the author of the Poem and had a right to copyright it. All of Ms. Pearman's actions follow a plausible progression from her mistaken belief that she wrote the Poem. Ms. Pearman's actions simply do not meet the ‘heightened level of culpability’ standard necessary to find malice.” *Id.* at 501.

^{92.7}

Kay Berry is understandably frustrated that it was forced to incur costs defending a copyright infringement action that was not based in reality. Many judgment creditors are frustrated when validly incurred debts are discharged by a bankruptcy filing. Nonetheless, the standards for non-dischargeability require more than a showing that the debt was legitimately incurred or that the creditor is frustrated. Kay Berry has not sustained its burden; it has demonstrated that Ms. Pearman's actions were willful, but not that they were malicious

Id. at 503.

^{92.8} See § 14.04 *supra*.

^{92.9} See *In re Bhalla*, 573 B.R. 265, 270 (Bankr. M.D. Fla. 2017).

^{92.10} *Id.* at 274. Note that those proceedings took place in the Central District of California. *Id.*

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which also included several big name retailers and internet distributors, such as Sears, Amazon, Ebay, and others."^{92.12} The bankruptcy court concluded that defendant did more than merely selling electronic boxes; "he actively promoted use of the TVpad as a means of viewing Plaintiffs' protected content," including by use of a pseudonym to falsely claim the legality of the TVpads (and even after receipt of plaintiff's cease and desist letters.)^{92.13} As such, it refused to allow discharge,^{92.14} although it did exercise its discretion to cut the statutory damages by two-thirds.^{92.15}

The Sixth Circuit reviewed the law in this arena to conclude that "a deep circuit split" divided courts that collapsed the two terms into a unitary test *versus* those that gave separate content to each.^{92.16} Adopting the latter stance, it concluded that non-discharge requires proof both that the debtor acted *willfully*, meaning with "actual intent to cause injury, not merely a deliberate or intentional *act* that leads to injury," as well as being *malicious*, meaning "in conscious disregard of one's duties or without just cause or excuse."^{92.17} Although the underlying copyright infringement case against the debtor in this case included a finding of willfulness, the circuit held open the possibility that "a debtor may act willfully, but not maliciously"^{92.18}— which is exactly what the bankruptcy court below concluded.^{92.19} The Sixth Circuit affirmed that holding, based on the thinness of the record in that initial infringement proceeding.^{92.20}

[2] Other Considerations.

^{92.11} *Id.* at 275.

^{92.12} *Id.* at 275.

^{92.13} *Id.* at 277–78.

^{92.14} *Id.* at 283–84.

Debtor's actions to remove channel listings from the website, his use of a pseudonym, and his solicitation of advice from SEO as to how to reduce the appearance of his own involvement, demonstrate that Debtor was conscious at all times of the risks inherent to this business. Because the Debtor directed and facilitated others' infringement of Plaintiffs' copyrights and trademarks, the Court finds that his conduct was malicious, as well as willful ...

Id. at 279.

^{92.15} The initial award was "based on \$15,000 for each of the 459 episodes of infringing content." *Id.* at 281. The bankruptcy court considered that amount excessive, and instead awarded \$5,000 for each episode, totaling \$2,295,000. *Id.* at 282.

^{92.16} *In re Berge*, 953 F.3d 907, 914 (6th Cir. 2020).

^{92.17} *Id.* at 915 (emphasis original, internal quote omitted).

^{92.18} *Id.* at 916.

^{92.19} *Id.* at 912. Given an interim reversal by the district court, it actually reached that conclusion under two different standards. *Id.* at 913.

^{92.20}

At day's end, then, the finding that David was liable for willful copyright infringement ... does not support the application of issue preclusion in this proceeding. Nothing in those findings or the proceeding more broadly reflects resolution of the question of David's subjective intent to injure. As we cannot say with conviction that subjective intent was "actually litigated and decided previously," we cannot give the underlying judgment preclusive effect for purposes of discharging MarketGraphics's claim under § 523(a)(6).

Id. at 921.

Apart from the posture noted above of discharging prior judgments, the effects of bankruptcy on ongoing proceedings must also be considered. For instance, can a defendant, in anticipation of an adverse judgment, file bankruptcy and then invoke the "automatic stay" to prevent the jury from returning its verdict?⁹³ Although district court jurisdiction over copyright infringement claims is exclusive,⁹⁴ elsewhere the United States Code provides,

Notwithstanding any Act of Congress that confers exclusive jurisdiction on a court or courts other than the district courts, the district courts shall have original but not exclusive jurisdiction of all civil proceedings arising under title 11, or arising in or related to cases under title 11.⁹⁵

The stage is thus set for a potential clash of regular district courts and their bankruptcy court adjuncts, and thus between an infringement action pending in a district court and another involving the same party in a bankruptcy court. Potentially resolving the tension here is yet another provision: "The district court shall, on timely motion of a party, so withdraw a proceeding if the court determines that resolution of the proceeding requires consideration of both title 11 and other laws of the United States regulating organizations or activities affecting interstate commerce."⁹⁶ That language in turn raises the question whether the Copyright Act affects interstate commerce.⁹⁷ Exactly how to apply that provision in the copyright context remains uncertain.⁹⁸

Note that cases cited above stand for the proposition that a federal court's copyright jurisdiction is unaffected by the defendant's entry into bankruptcy.⁹⁹ The details of any potential tug-of-war between district courts adjudicating infringement actions and bankruptcy courts handling the affairs of the infringement defendant lie beyond the scope of this treatise—but must still be borne in mind by careful copyright practitioners.¹⁰⁰ It is to be noted that district courts may sever claims against bankrupt co-defendants,¹⁰¹ in order to allow the balance of the proceedings to move forward.¹⁰²

⁹³ See § 19A.02[A][1] *supra*.

According to the legislative history, the purpose of the automatic stay is to give the debtor a breathing spell from creditors, to stop all collection efforts, and to permit the debtor to attempt repayment or reorganization. Congress intended the scope of the stay to be broad. "All proceedings are stayed, including arbitration, license revocation, administrative, and judicial proceedings. Proceeding in this sense encompasses civil actions as well, and all proceedings even if they are not before governmental tribunals."

In re Computer Comms., 824 F.2d 725, 729 (9th Cir. 1987).

⁹⁴ 28 U.S.C. § 1338(a). See § 12.01[A][1] *supra*.

⁹⁵ 28 U.S.C. § 1334(b).

⁹⁶ 28 U.S.C. § 157(d).

⁹⁷ See § 1.09[A][1][a] *supra*.

⁹⁸ One court confronted the converse posture of jurisdiction by a debtor who was a copyright infringement plaintiff. See *In re Table Talk, Inc.*, 49 B.R. 485, 487 (Bankr. D. Mass. 1985). In terms of a case involving a copyright infringement defendant who files bankruptcy, it has been held that 28 U.S.C. § 157(d) should be narrowly construed: "The fact that resolution of the matters in question calls merely for consideration or application of both bankruptcy law and other federal laws is plainly insufficient, in that mandatory withdrawal should only be made where substantial and material consideration of non-bankruptcy statutes is necessary in the case." *John Hine Studios v. Wasserman (In re Merryweather Importers)*, 179 B.R. 61, 62 (D. Md. 1995).

⁹⁹ See § 12.01[A][1] N. 18 *supra*.

¹⁰⁰ See *BMI v. Game Operators Corp.*, 107 B.R. 326, 327–328 (D. Kan. 1989) (automatic stay does not apply to "post-petition claims that could not have been commenced before the petition was filed.").

¹⁰¹ The district court is powerless to adjudicate the rights of that bankrupt co-defendant on account of the automatic stay. See § 19A.02[A][1] *supra*. Severance therefore allows it to continue to proceed against the non-bankrupt defendant(s) who remain.

In addition, care must be taken lest defendants squander or secret their assets to render any infringement judgment ultimately rendered uncollectible. In one case, in which a defendant who was sued for copyright infringement transferred to his sister five tracts of land worth \$500,000,¹⁰³ the Fifth Circuit set aside that transaction under Texas' version of the Uniform Fraudulent Transfer Act.¹⁰⁴

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¹⁰² See *Broadcast Music, Inc. v. Northern Lights, Inc.*, 555 F. Supp. 2d 328, 332 (N.D.N.Y. 2008). This ruling applies only when the bankrupt fails to qualify as an indispensable party. *Id.* at 332. See § 12.03 *supra*. Under the facts presented, the court found the bankrupt not to be an indispensable party, despite its joint and several liability with the remaining defendants.

¹⁰³ *BMG Music v. Martinez*, 74 F.3d 87, 88 (5th Cir. 1996).

¹⁰⁴ *Id.* at 89. Looking through the opposite end of the telescope, one court acknowledged that "an exclusive copyright license *can* be the basis for a fraudulent transfer claim," but denied relief on the basis that "a trademark license *cannot* be the basis for a fraudulent transfer claim based on transferred rights, because no ownership rights are transferred under a trademark license." *In re KG Winddown, LLC*, 632 B.R. 448, 490 (S.D.N.Y. 2021) (emphases original).

EXHIBIT B

3 Nimmer on Copyright § 10.03

Nimmer on Copyright > **CHAPTER 10 Assignments, Licenses, and Other Transfers of Rights**

§ 10.03 Transfer Formalities

[A] Grants Executed on or after January 1, 1978

The Copyright Act defines a “transfer of copyright ownership” to consist of “an assignment, mortgage, exclusive license,¹ or any other conveyance, alienation, or hypothecation of a copyright or of any of the exclusive rights comprised in a copyright ... but not including a nonexclusive license.”² The Act permits such transfers to be effectuated, in whole or in part, by means of conveyance or by operation of law.³

[1] Requirement of Signed Writing for Transfers

[a] In General.

Any transfer other than one by operation of law⁴ “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.”⁵ This requirement of the current Act^{5.1} carries forward the parallel requirement of the 1909 Act,⁶ albeit with several differences.⁷ For instance, former law applied the writing requirement solely to assignments rather than to exclusive licenses.⁸ The current Act’s broadening of “transfers” to include “exclusive licenses” thus increases the breadth of conveyances subject to the writing requirement.⁹

The statute sets forth separate requirements regarding the instrument of conveyance: it must be “[1] in writing and [2] signed by [3] the owner of the rights conveyed.”^{9.1} As those aspects are cumulative, the

¹ Nonexclusive licenses may also be granted, as discussed below.

² 17 U.S.C. § 101.

³ 17 U.S.C. § 201(d)(1).

⁴ See § 10.03[A][6] infra.

⁵ 17 U.S.C. § 204(a). See, e.g., Saenger Org., Inc. v. Nationwide Ins. Lic. Assocs., Inc., 864 F. Supp. 246, 250 (D. Mass. 1994); Techniques, Inc. v. Rohn, 592 F. Supp. 1195 (S.D.N.Y. 1984).

^{5.1} Weinstein Co. v. Smokewood Entm’t Group, LLC, 664 F. Supp. 2d 332, 339 (S.D.N.Y. 2009) (Treatise cited).

⁶ Roddenberry v. Roddenberry, 44 Cal. App. 4th 634, 662, 51 Cal. Rptr. 2d 907 (1996) (Treatise quoted). See 17 U.S.C. § 28 (1909 Act). See also § 10.03[B][1] infra.

⁷ Besides those described in the text, another example is that the 1909 Act provision did not contemplate signatures by the owner’s duly authorized agent. 17 U.S.C. § 28 (1909 Act). See § 10.03[A][4] infra.

⁸ 17 U.S.C. § 28 (1909 Act) (“assigned, granted, or mortgaged”).

⁹ See § 10.02[A] supra.

^{9.1} 17 U.S.C. § 204(a).

§ 10.03 Transfer Formalities

presence of only two is insufficient.^{9.1a} Thus, a grantee's own internal "deal memorandum" may be in writing and could even be signed; nonetheless, it fails to emanate from the owner of the rights conveyed, and hence cannot qualify to memorialize the transfer of copyright ownership.^{9.2} By the same token, even if the requisite grantor prepares a writing memorializing the grant, it still fails to qualify, unless she actually signs it.

In the decades immediately following enactment of the current Act, the mechanism for signing was relatively straightforward. Many documents were prepared during that interval bearing the copyright owner's name; they could be letters, draft contracts, or other memorializations. Nonetheless, they would not fulfill the statutory requirements unless they were actually "signed."

To flesh out that status, let us imagine litigation between a putative grantee plaintiff and putative grantor defendant over who owns rights in a given work. Let us further imagine that discovery produces an unsigned document, which both parties acknowledge to be genuine, that provides,

On this 3d day of September 1991, for \$10 and other good consideration, receipt of which is hereby acknowledged, Daphne Defendant hereby assigns to Pontius Plaintiff all right, title, and interest, in and to the novel *Disputed Title*, authored by Daphne Defendant and registered in the records of the United States Copyright Office as certificate TX123456, dated January 20, 1988.

By: _____
Daphne Defendant

By: _____
Pontius Plaintiff

Finally, let us imagine that both parties have governed their relationship in consonance with that document, ever since its formulation on September 3, 1991, even though neither signed it.

As a matter of *state* law, the foregoing may indeed create a binding contract, even though unsigned. The operative question in most states is whether the parties had a meeting of the minds, with sufficiently specific terms. Under those schemes, the absence of signature may not preclude the conclusion that a contract was duly formulated.

By contrast, when we consider binding *federal* law, different considerations govern. Although the instrument of conveyance is indeed in writing and acknowledged by the owner of the rights conveyed, it lacks the statutory requisite of having been "signed." For that reason, plaintiff should lose the above case.^{9.2a} Even if we further imagine that Pontius sent Daphne the above unsigned instrument amidst a sheaf of 500 pages by registered mail in 1993, her signature on the postal receipt would in no way satisfy the statutory requirements.^{9.3}

^{9.1a} One case quotes the statutory requirement for a writing, but omits with ellipses the portion of the statute requiring the grantor's signature. See *Craiglist Inc. v. 3Taps Inc.*, 942 F. Supp. 2d 962, 973 (N.D. Cal. 2013). The opinion concludes that a famous website's Terms of Use sufficed during one period to convey an exclusive license, but failed during a different time period. *Id.* at 973–74. It is submitted that the former conclusion could stand, if at all, only by reference to the E-SIGN Act—which this opinion pointedly ignores. See § 10.03[A][1][b] *infra*.

^{9.2} *PMC, Inc. v. Saban Entertainment, Inc.*, 45 Cal. App. 4th 579, 592, 52 Cal. Rptr. 2d 877 (1996) (*Treatise cited*). See *Snook v. Blank*, 92 F. Supp. 518 (D. Mont. 1948) (affidavit signed by alleged assignee attesting to the fact of assignment insufficient).

^{9.2a} See *Conway v. Licata*, 104 F. Supp. 3d 104, 123 (D. Mass. 2015) (unsigned agreement "could not serve to transfer ownership of the copyrights"). That unsigned piece of paper may nevertheless constitute evidence of an implied license. *Id.* See § 10.03[A][7] *infra*. Plaintiff ultimately won this case—but that victory was so small that her litigation "bordered on the frivolous." *Conway v. Licata*, 144 F. Supp. 3d 212, 215–16 (D. Mass. 2015).

^{9.3} Granted, there would then be a written memorialization of the transfer, as well as the signature of the copyright owner. But the statute is more particular: "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.*" 17 U.S.C. § 204(a) (emphasis added). In the postal hypothetical, Daphne's signature fails to attach to the instrument of conveyance and is, for that reason, a nullity insofar as the statutory language is concerned.

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By contrast, let us imagine that the same document contemplated above instead were to bear the last line as follows.

By: *Daphne Defendant* Daphne Defendant By: *Pontius Plaintiff* Pontius Plaintiff

Under these newly assumed facts, the instrument is signed. Accordingly, the opposite considerations would pertain, meaning that plaintiff should win this variant case.

Now, for the sake of completeness, let us imagine that the document in the files appears with its last line in the following format.

By: *Daphne Defendant* Daphne Defendant By: _____ Pontius Plaintiff

We can further postulate that the law of the state in question contains a special contract law provision, disallowing the validity of agreements signed by only one of two parties. Under these newly assumed facts, a contract claim founded on *state* law would fail. Nonetheless, *federal* law requires only three elements for a valid instrument of conveyance, all of which are present.^{9.4} Accordingly, plaintiff would prevail in this case, as well.

The difference among the various levels contemplated above relate to the solemnity of the various instruments. An oral agreement may reflect a meeting of the minds, and some people do indeed comport themselves according to the dictate that “my word is my bond.” But Congress does not recognize oral agreements as valid transfers of copyright ownership.^{9.5} At a more formal level, a writing reflects a more solemn undertaking; more people accede to the terms reflected on paper than are likely to remember (or admit) having orally bound themselves to the same commitment. Going further still, the act of picking up a pen and affixing a handwritten signature reflects an additional layer of commitment. It is both of those ingredients that Congress requires in order for a transfer of copyright ownership to become legally binding. The final level is to require that attestation to take place under oath. That level is *not* mandated as an element of a valid copyright transfer.

In the early years after enactment of the current Act, little litigation resulted to test the foregoing circumstances. Perhaps the clear statutory requirement of a “signature” dissuaded those lacking one from filing suit to validate unsigned instruments. Nonetheless, two decades into the pendency of the current Act, the world became more complicated. The advent of email in that interim had transferred much commerce to electronic realms. Thus, when Congress enacted the Digital Millennium Copyright Act,^{9.6} it took cognizance of new domains. Leaving the instant feature undisturbed, Congress provided in that new domain for something called a notification of claimed infringement, to be served on online service providers whose facilities were suspected of hosting infringing material.^{9.7} The new language added to the Copyright Act in that context references the “physical or electronic signature of a person authorized to act on behalf of the owner of an exclusive right that is allegedly infringed.”^{9.8} In addition,

^{9.4} The statute quoted above requires the signature of the copyright owner; it does not require a signature by both parties. This aspect of the Copyright Act differs markedly from its regulation of specially commissioned works for hire, which indeed require both parties to sign, in order to be valid. See § 5.03[B][2][b] *supra*.

^{9.5} Nonetheless, they may suffice to create nonexclusive licenses. See § 10.03[A][7] *infra*.

^{9.6} See § 12A.02 *infra*.

^{9.7} See § 12B.04[B][2] *infra*. The reference to “hosting” subsumes other forms of suspected infringement, including caching and linking. See generally *Chap. 12B infra*.

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that filing achieves the highest level of solemnity, through the requirement that it be sworn "under penalty of perjury."^{9,9}

As of that 1998 amendment, it was unclear what the prerequisites were for an "electronic signature." But Congress turned to this domain two years later, in the E-SIGN Act. The content of this type of signature accordingly finds elucidation in that enactment.¹⁰

[b] E-SIGN Act.

As more communications occur via e-mail, the question arises as to the status of cryptographic or other authentication to serve as an electronic "signature" sufficient to comply with these standards.^{10.1} Under traditional notions, the lack of signatures in e-mail places that medium outside the sphere of effective copyright grants.^{10.2} But, given that "the law of contracts has traditionally been within the province of State law" rather than federal regulation,^{10.3} it becomes relevant to note that almost all the states have adopted the Uniform Electronic Transactions Act.^{10.4} "No two states have enacted identical legislation, however, leading to a patchwork of inconsistent and conflicting State laws governing electronic signatures and records."^{10.5}

To bring uniformity to the field, Congress enacted the Electronic Signatures in Global and National Commerce Act,^{10.6} which took effect on October 1, 2000.^{10.7} Though it is beyond the scope of this treatise to fully treat either that enactment^{10.8} or the various state laws on the subject, it is germane to note that the E-SIGN Act mandates that no signature be denied legal effect simply because it is in electronic form.^{10.9} The law, in turn, defines "electronic signature" as "an electronic sound, symbol, or process, attached to or logically associated with a contract or other record and executed or adopted by a person with the intent to sign the record."^{10.10}

^{9.8} 17 U.S.C. § 512(c)(3)(A)(i).

^{9.9} 17 U.S.C. § 512(c)(3)(A)(vi).

¹⁰ See § 10.03[A][1][b] infra.

^{10.1} See generally Boss, *Electronic Commerce And The Symbiotic Relationship Between International And Domestic Law Reform*, 72 Tul. L. Rev. 1931, 1968–1975 (1998).

^{10.2} Cf. Ballas v. Tedesco, 41 F. Supp. 2d 531, 541 (D.N.J. 1999) (exchange of e-mails insufficient).

^{10.3} H.R. Rep. No. 106-341, Part 2, 106th Cong., 1st Sess. 8 (1999).

^{10.4} *Id.* at 8. In a forum on that enactment, one commentator denounces the "urban legend" that electronic signatures will prove significant. See Jane K. Winn, *The Emperor's New Clothes: The Shocking Truth About Digital Signatures and Internet Commerce*, 37 Idaho L. Rev. 353, 358, 360 (2001) ("The specific application of asymmetric cryptography to create the functional analog of an old fashioned manual signature on a contract may prove to be an illusion").

^{10.5} H.R. Rep. No. 106-341, Part 1, 106th Cong., 1st Sess. 7 (1999) (44 States have adopted some variant).

^{10.6} Act of June 30, 2000, Pub. L. 106-229, Sec. 1, 114 Stat. 464.

^{10.7} Act of June 30, 2000, Pub. L. 106-229, Sec. 107(a), 114 Stat. 464.

^{10.8} Most of E-SIGN is geared at consumer transactions, to facilitate the growth of Internet commerce. See H.R. Rep. No. 106-341, Part 1, 106th Cong., 1st Sess. 6 (1999).

^{10.9} 15 U.S.C. § 7001(a)(1).

^{10.10} 15 U.S.C. § 7006(5). For the definition of "electronic," see § 7006(2); for "record," see § 7006(9).

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How do these features apply to the copyright sphere?^{10.11} Nothing about the ESIGN Act overtly mentions copyrights in particular or other federal enactments in general.^{10.12} But it does purport to apply "to any transaction in or affecting interstate or foreign commerce."^{10.13} That formulation immediately raises the imputation that it applies to some copyright grants, and not to others. For instance, Eminem's grant of his rap music implicates commerce in a significant way.^{10.14} But a ditty composed by an anonymous songwriter could be one of many copyrights that, if granted, would seem not to exert any meaningful impact on interstate or foreign commerce.^{10.15} By itself, that disparity creates an open issue whether e-mails and like devices may serve as vehicles to grant copyright interests.^{10.16}

Before proceeding in depth to the ESIGN Act, it is useful to take a step backwards to inquire in general about the footing of clickwraps (without specific reference either to the Copyright Act or to its amendment via the ESIGN Act). Judge Jack B. Weinstein explored this domain in the context of a class action against in-flight Wi-Fi provider Gogo for selling one-month subscriptions to Internet users and then wrongfully charging automatic renewal fees to their credit cards.^{10.17} Opening his comprehensive opinion with the observation that a huge percentage of the United States population is using the Internet for purchases, he added,

In many instances, these consumers are accepting important contracts of adhesion when they order a product or service through a computer. With convenience has come much widened opportunities for consumer fraud and overreaching by merchants, as claimed in the present case.^{10.18}

Applying general principles, he concluded that Gogo did not give effective notice to put plaintiffs on inquiry notice regarding such matters as venue and arbitration.^{10.19} Confronting hybrid "browsewrap" and "clickwrap" electronic contracts, he concluded that those "sign-in wraps"^{10.20} failed to provide

^{10.11} Note the significance of notarization in copyright doctrine. See § 10.03[C] infra. The ESIGN Act considers the notarization requirement satisfied "if the electronic signature of the person authorized to perform those acts, together with all other information required to be included by other applicable statute, regulation, or rule of law, is attached to or logically associated with the signature or record." 15 U.S.C. § 7001(g).

^{10.12} When applicable, the Electronic Signatures in Global and National Commerce Act pre-empts contrary state laws. See 15 U.S.C. § 7002(a). It also explicitly applies to federal regulatory agencies. See 15 U.S.C. § 7004(a).

^{10.13} 15 U.S.C. § 7001(a).

^{10.14} See F.B.T. Prods., LLC v. Aftermath Records, 621 F.3d 958 (9th Cir. 2010).

^{10.15} See § 1.09 supra.

^{10.16} To focus on but one provision, the ESIGN Act states that "the legal effect, validity, or enforceability of an electronic record of such contract or other record may be denied if such electronic record is not in a form that is capable of being retained and accurately reproduced for later reference by all parties or persons who are entitled to retain the contract or other record." 15 U.S.C. § 7001(e). On the definition of "electronic record," see 15 U.S.C. § 7006(4). How all these features translate to the copyright sphere is not evident.

^{10.17} See Berkson v. Gogo LLC, 97 F. Supp. 3d 359, 365 (E.D.N.Y. 2015).

^{10.18} Id. at 365. See generally Note, *The Electronic "Sign-in-Wrap" Contract: Issues of Notice and Assent, the Average Internet User Standard, and Unconscionability*, 50 U.C. Davis L. Rev. 535 (2016).

^{10.19} 97 F. Supp. 3d at 366.

^{10.20} Judge Weinstein uses that general term to encompass both prior terms. Id. at 366. Elsewhere, the opinion also identifies "scroll-wrap." Id. at 394. The opinion contains comprehensive descriptions of *browsewrap*, which is typically enforceable "only against knowledgeable accessors, such as corporations, not against individual," id. at 395–97; *clickwrap*, which courts enforce when an online user clicks "I agree" to standard terms, id. at 397–98; *scrollwrap*, which sets forth an online agreement "that a

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Internet users with a compelling reason to examine terms favoring defendant.^{10.21} Not even figures as august as the Chief Justice of the United States plow through that type of computer jargon.^{10.22} Absent thereby is the essential element of contract formation, even in the Internet Age—mutual manifestation of assent.^{10.23} The opinion abstracts general principles applicable to the ubiquitous contracts of adhesion populating the Internet.

First, "terms of use" will not be enforced where there is no evidence that the website user had notice of the agreement; "the validity of the [internet] agreement turns on whether the website puts a reasonably prudent user on inquiry notice of the terms of the contract."

Second, "terms of use" will be enforced when a user is encouraged by the design and content of the website and the agreement's webpage to examine the terms clearly available through hyperlinkage.

Third, "terms of use" will not be enforced where the link to a website's terms is buried at the bottom of a webpage or tucked away in obscure corners of the website where users are unlikely to see it.^{10.24}

Notwithstanding the desirability of "hard-edged rules of adhesion that apply no matter what the consumer's background," the venerable jurist concluded that, "until useful consumer studies demonstrate that average consumers using the computer understand what contract terms are being accepted when a purchase is made, preemptive rules in favor of vendors who do not forcefully draw purchasers' attention to terms disadvantageous to them should be rejected."^{10.25} Other courts likewise reject the existence of a contract under state law, based on hyperlinked Terms of Use that are not prominently brought to users' attention.^{10.26} In particular, the Second Circuit overturned a ruling

user must view because of the the website's construction and design" and therefore can be enforced, *id. at 398–99*; and the final form, *sign-in wrap*, condemned as a "questionable form of internet contract [that] has been used in recent years, *id. at 399*. More particularly,

These internet consumer contracts do not require the user to click on a box showing acceptance of the "terms of use" in order to continue. Rather, the website is designed so that a user is notified of the existence and applicability of the site's "terms of use" when proceeding through the website's sign-in or login process.

Id.

^{10.21} *Id. at 366*. Defendant failed to show "special circumstances indicating that the plaintiffs were aware, or should have been aware, of such clauses because of their special knowledge." *Id. at 367*.

^{10.22} *Id. at 381*.

^{10.23} *Id. at 383*.

^{10.24} *Id. at 401–02* (citations omitted). One commentator would take this same rule, which is being examined here in the context of the validity of a grant from a copyright owner, and apply it as well to test the validity of a contractual term that a copyright owner seeks to impose on licensees. See BJ Ard, *Notice and Remedies in Copyright Licensing*, 80 *Mo. L. Rev.* 313 (2015). That device is designed to prevent copyright owners from exercising the ability to sue users for copyright infringement, with the concomitant of major awards of statutory damages, every time any provision has been violated, no matter how minor. See § 10.15[A][2] *infra*.

^{10.25} 97 *F. Supp. 3d at 402*. Later, Judge Weinstein approved a class action settlement in this case, whereby customers with promo codes were given free passes to use Gogo in the future. *Berkson v. Gogo LLC*, 147 *F. Supp. 3d 123 (E.D.N.Y. 2015)*. He later returned to this domain in another non-copyright case. See *Bynum v. Maplebear Inc.*, 160 *F. Supp. 3d 527 (E.D.N.Y. 2016)* (severing unconscionable portions of arbitration agreement with respect to venue and to legal fees in case against technology company for failing to pay overtime wages; ordering arbitration under agreement as purged).

^{10.26} See *Vitacost.com, Inc. v. McCants*, 210 *So. 3d 761, 765 (Fla. 4th DCA 2017)*; *Resorb Networks, Inc. v. YouNow.com*, 51 *Misc. 3d 975, 30 N.Y.S.3d 506, 511 (Sup. Ct. 2016)*. By contrast, courts validate contracts when the website's structure provides "reasonable notice" of its terms, including an arbitration agreement. See *Fagerstrom v. Amazon.com, Inc.*, 141 *F. Supp. 3d*

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upholding Amazon.com's arbitration provision.^{10.27} It ruled that the company's decision to streamline customer purchases by not adopting a clickwrap to convey the arbitration provision^{10.28} meant that it failed to place those customers on adequate notice as a matter of law.^{10.29} A similar rule pertains in the Ninth Circuit.^{10.30}

With those general considerations in mind, we can now move to specific copyright concerns. One of the first published decisions to consider application of the ESIGN Act arose in the context of a website hosting a real estate multiple listing service of properties for sale. In *Metropolitan Regional Information Systems, Inc. v. American Home Realty Network, Inc.*, homeowners could upload their own photographs to the site. The process included clicking a button assenting to the applicable Terms of Use (TOU), which included the following provision:

All images submitted to the MRIS Service become the *exclusive property* of [MRIS]. By submitting an image, you hereby *irrevocably assign* (and agree to assign) to MRIS, free and clear of any restrictions or encumbrances, all of your rights, title and interest in and to the image submitted. This assignment includes, without limitation, all worldwide copyrights in and to the image, and the right to sue for past and future infringements.^{10.31}

The district court entered a preliminary injunction in favor of the assignee, which the Fourth Circuit affirmed based on its likelihood of being able to establish its ownership at trial of copyright interests^{10.31a} in the affected photos.^{10.32}

The appellate opinion separately italicized the requirements that a transfer be "*in writing and signed by the owner*" in order to be valid.^{10.33} It concluded that a subscriber, who clicks Yes prior to uploading his copyrighted photographs "has *signed a written* transfer of the exclusive rights of copyright ownership in those photographs consistent with Section 204(a)."^{10.34} The analysis of *writings* bolsters the court's

1051, 1069 (S.D. Cal. 2015) (checkout page entitled "Review your order" itself contained indication that "you agree to Amazon.com's ... conditions of use" without need "to scroll to another part of the checkout page or click on any additional link"). Alternatively, a contract may be enforced for reasons independent of the browsewrap. See *Citizens Telecomms. Co. of W. Va. v. Sheridan*, 239 W. Va. 67, 799 S.E.2d 144, 149 (2017) (terms indisputably distributed with paper billing statement).

^{10.27} See *Nicosia v. Amazon.com, Inc.*, 84 F. Supp. 3d 142 (E.D.N.Y. 2015).

^{10.28} 834 F.3d 220, 237 (2d Cir. 2016).

^{10.29} *Id.* at 238. Key to its decision in this case, in which the agreement itself was "a hybrid between a clickwrap and a browsewrap," *id.* at 236, was the manner in which the supposed agreement was presented to customers: "The message itself—'By placing your order, you agree to Amazon.com's ... conditions of use'—is not bold, capitalized, or conspicuous in light of the whole webpage." *Id.* at 237.

^{10.30} Likewise voiding an arbitration agreement, that court ruled that "where a website makes its terms of use available via a conspicuous hyperlink on every page of the website but otherwise provides no notice to users nor prompts them to take any affirmative action to demonstrate assent, even close proximity of the hyperlink to relevant buttons users must click on—without more—is insufficient to give rise to constructive notice." *Nguyen v. Barnes & Noble Inc.*, 763 F.3d 1171, 1178–79 (9th Cir. 2014).

^{10.31} 888 F. Supp. 2d 691, 708 (D. Md. 2012), *recons. denied*, 904 F. Supp. 2d 530, 538 n.7 (D. Md. 2012), *aff'd*, 722 F.3d 591, 593 (4th Cir. 2013) (emphasis added by Court of Appeals).

^{10.31a} By contrast, another plaintiff lost his case for infringement of 1,800 of his architectural photographs. See *Stross v. Redfin Corp.*, 204 F. Supp. 3d 915 (W.D. Tex. 2016), *rev'd unpub.* 730 Fed. Appx. 198 (5th Cir. 2018). The defect in that case is that plaintiff granted to a consortium "a broad license to use his photographs in conjunction with the 'sale, lease and valuation of real estate,'" and thus could not complain about defendant's exploitation. *Id.* at 923.

^{10.32} 722 F.3d at 603.

^{10.33} *Id.* at 600 (emphasis original) (Treatise cited).

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conclusion. Although there is little authority regarding e-signatures in the copyright context,^{10.35} “[t]o invalidate copyright transfer agreements solely because they were made electronically would thwart the clear congressional intent embodied in the E-Sign Act.”^{10.36}

What of the coordinate requirement of *signing*? The opinion offered no discussion of that aspect when validating the transfer in question. It is therefore necessary to investigate the circumstances by which copyright owners purportedly assented to the TOU, to determine whether that methodology bore the requisite solemnity.^{10.37} On this score, the opinion conceded that the record did not reveal the manner in which the TOU appeared to subscribers.^{10.38} In other words, the circumstances could have been along the following lines:

Would you like to proudly show a photograph of your home to over 50,000 eager buyers? If so, click here.



Possibly, though not necessarily, another sentence appeared thereafter: “Note that terms and conditions apply. See http://mris.com/houses/residential/legal/formalities/terms_of_use.”

Under those circumstances, can it be fairly said that the erstwhile transferor “signed” over exclusive rights? The conditions are little different from the above hypothetical in which Pontius Plaintiff sent Daphne Defendant, via registered mail, a sheaf of 500 pages, buried in the middle of which is the unsigned transfer quoted above.^{10.39} For the same reasons that a lack of signature in the physical world prevents that piece of paper from conveying legal force under the Copyright Act (even if Pontius had cleverly orchestrated events such that Daphne signed a postal receipt applying to the full 500 pages), the absence of an electronic equivalent should have led *Metropolitan Regional* to reject the sufficiency of the TOU. For the copyright owner may have been wholly unaware of any terms contained in the TOU, much less its purported transfer of copyright ownership.^{10.40} In other words, it cannot fairly be concluded that an electronic signature existed in that instance, to validate the transfer of copyright ownership.^{10.41}

^{10.34} *Id.* at 601 (emphasis original).

^{10.35} *Id.* at 602.

^{10.36} *Id.* at 602.

^{10.37} See § 10.03[A][1][a] *supra*.

^{10.38} 722 F.3d at 593 n.2.

^{10.39} See § 10.03[A][1][a] *supra*.


^{10.40} Pursuant to the E-SIGN Act, Daphne’s assent to the TOU can validly act as her *signature*. But the question is what she was signing. In the physical world, signing a green card presented by the mailman signals receipt of a 500-page package, not assent to the terms of the sheet buried within as page 276. By the same token, Daphne’s pushing of the *Submit* button can act as her signature, but does not convey assent to terms referenced on a different website about the purported legal consequences.

^{10.41} In subsequent proceedings, defendant unsuccessfully counterclaimed against plaintiff for violation of the *Lanham Act and of the Sherman Act*. *Metropolitan Reg’l Info. Sys., Inc. v. American Home Realty Network, Inc.*, 948 F. Supp. 2d 538, 553 (D. Md. 2013). See §§ 8D.05[C][2] *supra*, 13.09[A][1][c] *infra*. Had the substantive copyright claim properly folded on its own merits, those counterclaims might have been unnecessary. See § 13.09[A][1][c] N. 19.4 *infra* (noting that court rejected later claim that MRIS made false statements about validity of click wrap, based on its earlier erroneous finding on that score).

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Particularly when recalling the wisdom of Judge Weinstein's general characteristics of Internet contracts of adhesion as discussed above, this holding cannot be defended. Regardless of the specific requirements applicable to the copyright context, the terms of use of this case cannot even be defended generally without proof (absent in this case) that the copyright owner who used the website had notice of the subject agreement, was encouraged "by the design and content of the website and the agreement's webpage to examine the terms clearly available through hyperlinkage, and that the subject terms were not simply buried at the bottom of the webpage or otherwise obscurely tucked away."^{10.42} Indeed, even if all those circumstances had been present in this case, it would follow only that those terms should generally be subject to enforcement—but not that they satisfy the heightened requirements of the "statute of frauds" incorporated into the Copyright Act.

Nonetheless, the ESIGN Act does allow for those electronic signatures to subsist; they simply must demonstrate the same sort of solemnity that hoisting a pen and affixing one's John Hancock conveys in the physical world.^{10.43} A large body of scholarship focuses on the need for electronic signatures to embody the principles of *authentication*, *integrity*, and *non-repudiation*.^{10.44} For example, Adobe Acrobat includes a certificate-based digital "signature" that identifies the signer and also contains unique encrypted identifying information. Before digitally "signing" documents, a user must first create a digital ID or obtain one from a trusted third-party certificate authority. This digital ID contains a private key and a certificate with a public key. A digital signature thus functions as a timestamp, embedding verification that the document has not been altered in transit, as well as granting or denying permission for others to print, edit or copy a document, whether the image of a signature is visible or not. The example from Adobe's documentation is as follows:

Credit Card	Number	ExpDate
Your Signature	 <small>Digitally signed by Peter Plouffe DN: cn=Peter Plouffe, o=John Doe, ou=John Doe, email=Peter.Plouffe@JohnDoe.com</small>	
Please keep a copy for your records.		

Moreover, in a different case against the same defendant on the same theory, plaintiff initially obtained contempt sanctions against American Home for copying photos from the multiple listing services. See *Regional Multiple Listing Serv. of Minn., Inc. v. American Home Realty Network, Inc.*, 960 F. Supp. 2d 958 (D. Minn. 2013). Subsequently, though, plaintiff conceded that it could not comply with the court's order to watermark the subject photos. 960 F. Supp. 2d 988 (D. Minn. 2013). American Home thereupon pointed out "that RMLS's claims of copyright ownership are overstated because hired photographers, rather than brokers, likely hold the copyright to most photos uploaded to NorthstarMLS such that any assignment by the broker to RMLS assigns no valid copyright ownership." *Id.* at 993. But the court was largely unsympathetic to that claim, as well.

^{10.42} See text accompanying N. 10.25 *supra*.

^{10.43} Outside the realm of both copyright law and the ESIGN Act, various courts have recognized that electronic signatures can be valid, if the party actually goes through the protocol for "signing" in the electronic world. See *In re Tri-State Ethanol Co., LLC*, 369 B.R. 481, 489 (D.S.D. 2007) (allowing electronic signing of pleadings only by following correct procedure, which yields "s/" in court records to prove that signing took place). In one case, for instance, the email at issue was "unquestionably sent by defendant and bearing her name and contact information," including a signature block. Absent, however, was any "symbol or mark that unequivocally indicates signature," thus dooming its efficacy. *Cunningham v. Zurich Am. Ins. Co.*, 352 S.W.3d 519, 530 (Tex.App. 2011).

^{10.44} See generally Jean-François Blanchette, *Burdens of Proof: Cryptographic Culture and Evidence Law in the Age of Electronic Documents* (2012). Chapter 4 of that book, entitled "The Equivalent of a Written Signature," canvasses the literature and analyzes the challenges of developing a system that is purely digital, unforgeable, message-dependent, and protects against disputes. Although that author draws largely upon his experience under French law, the basic lessons are equally applicable to the ESIGN Act.

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When a digital signature is applied, Acrobat uses a hashing algorithm to generate a message digest, which it encrypts using the digital ID's private key. Acrobat embeds the encrypted message digest in the PDF, certificate details, a signature image, and a version of the document when it was signed.

In the physical world, a piece of paper bearing ink containing the handwritten signature of the copyright owner suffices to memorialize a transfer. In the electronic world, devices such as the one reproduced above serve the same role.^{10.44a} Because the gulf separating those deliberate devices from the type of blanket assent validated by *Metropolitan Regional* is so vast,^{10.45} it is respectfully submitted that the Fourth Circuit's ruling should not be followed.^{10.46} Indeed, it is to be doubted whether the standards here satisfy even the general standards applicable to Internet contracts of adhesion.^{10.47} That gap only highlights how deficient they are when measured by the heightened requirements that are supposed to govern valid instruments of transfer as specifically mandated by the Copyright Act.^{10.48}

One case arose in a complicated posture—Client hired Lawyer, and later posted a critical comment about him online at the RipoffReport, one of whose Terms and Conditions grants that website "an irrevocable, perpetual, fully-paid, worldwide exclusive license" in the posted material.^{10.49} In response, Lawyer sued Client for libel; as part of the resulting default judgment, the state court purported to transfer to Lawyer "all rights in and to the ownership of the copyright"^{10.49a} in the postings.^{10.50} Afterwards, Lawyer filed suit in federal court for copyright infringement against the website.^{10.51}

The district court initially concluded that a checkbox, regardless whether the user engaged in scrolling, sufficed to transfer ownership.^{10.52} That ruling is invalid to satisfy the *signature* requirement of the Copyright Act's statute of frauds as set forth above; but the court immediately qualified it—"even if the browwrap were somehow invalid, a user's assent by means of the checkbox granted to Xcentric, at the very least, a non-exclusive license ..."^{10.53} Subsequently, the district court appended a footnote to

^{10.44a} Physical letters, even if they bear a printed name at the bottom, still do not suffice to transfer ownership unless "signed." The same logic should apply to emails—the mere presence of a printed name at the end cannot validate a transfer based on its being "signed," contrary to the holding of *Sisyphus Touring, Inc. v. TMZ Prods., Inc.*, 208 F. Supp. 3d 1105, 1113 (C.D. Cal. 2016).

^{10.45} The opinion adverts not at all to secure systems such as Adobe's, to scholarship such as that cited in the Blanchette book from M.I.T. press, nor to the precise circumstances of the Metropolitan Regional's website that purportedly resulted in an electronic signature. Future cases will need to fill in those lacunae.

^{10.46} One case rejects the back and forth of email correspondence as the necessary writing. See *Tjeknavorian v. Mardirossian*, 56 F. Supp. 3d 561, 566–68 (S.D.N.Y. 2014). (It obliquely cites to the above ruling by referencing what "the Fourth Circuit has held," without actually citing that earlier case. *Id.* at 567.) The parties in this case had an oral agreement to collaborate on a documentary about the Armenian Genocide; after plaintiff's three years of work, defendant refused to sign the draft Producer Agreement. *Id.* at 564. Regardless of the equities, the court construed the statutory writing requirement not to have been satisfied. *Id.* at 567. But it held open the possibility of an implied license. *Id.* at 568 n.34. See § 10.03[A][7] *infra*.

^{10.47} See text accompanying N. 10.25 *supra*.

^{10.48} See § 10.03[A][1][a] *supra*.

^{10.49} *Small Justice LLC v. Xcentric Ventures LLC*, 873 F.3d 313, 316 (1st Cir. 2017).

^{10.49a} *Id.* at 317. The decision did not confront the question whether that state court ruling was valid. See § 10.04 *infra*.

^{10.50} *Conwell v. Gray Loon Outdoor Mktg. Group, Inc.*, 906 N.E.2d 805, 815 (Ind. 2009) (*Treatise cited*).

^{10.51} 873 F.3d at 317. The parties' identities have been simplified in the above recitation.

^{10.52} See *Small Justice LLC v. Xcentric Ventures LLC*, 99 F. Supp. 3d 190, 198 (D. Mass. 2015).

its ruling withdrawing the initial stance, on the basis that the Client's "checking of the box on the 'Submit your Report' page did not suffice to effect the transfer of the copyright in the postings" to the website.^{10.54} That ruling is correct. At this point, the sole basis for its ruling was the alternative non-exclusive license.^{10.55}

On appeal, the Lawyer contended that the website exceeded the scope of its nonexclusive license. The First Circuit affirmed,^{10.56} in the process deeming that the Lawyer waived any objection to the conclusion below regarding lack of transfer.^{10.57} It likewise affirmed a large fee award to the victorious website.^{10.58}

[2] Level of Specificity.

What degree of specificity is required of the signed writing that the Act requires? As with all matters of contract law, the essence of the inquiry here is to effectuate the intent of the parties.^{10.59} Accordingly, even though a written instrument^{10.59a} may lack the terms "transfer" and "copyright," it still may suffice to evidence their mutual intent to transfer the copyright interest.^{10.60} For example, the reference may be to "all assets."^{10.60a} As another example, the lyricist to the Theme Song for Barney the Dinosaur was held to have granted away her interest in exchange for one complimentary copy of the songbook in which it was to be published, plus credit therein.^{10.61} A district court held that a graphic artist assigned away his copyright interest in signage through a settlement agreement,^{10.62} even though that agreement did not use the terms

^{10.53} *Id.* at 198. That alternative basis is valid, inasmuch as those formalities are unnecessary for this lesser device. See § 10.03[A][7] *infra*.

^{10.54} 873 F.3d at 320.

^{10.55} *Id.* at 320.

^{10.56} *Id.* at 323–24 (Treatise quoted as to § 10.03[A][8] *infra*).

^{10.57} *Id.* at 324–25.

^{10.58} *Id.* at 328–29. See § 14.10[D][6][a] *infra*.

^{10.59} *Radio Television Espanola S.A. v. New World Entertainment, Ltd.*, 183 F.3d 922, 926 (9th Cir. 1999) (Treatise quoted).

^{10.59a} In one case, plaintiff claimed that he had a signed contract, the sole copy of which he lost after abandoning his New York apartment and moving to Atlanta. See *Walker v. Carter*, 210 F. Supp. 3d 487, 496 (S.D.N.Y. 2016). The question arose, as a matter of New York state law, whether he complied with its statute of frauds. *Id.* at 499. Rejecting his contradictory, self-serving testimony, the court rule against that count. *Id.* at 501, 503.

^{10.60} *Durkin v. Platz*, 920 F. Supp. 2d 1316, 1343 (N.D. Ga. 2013) (Treatise quoted); *John G. Danielson, Inc. v. Winchester-Conant Props., Inc.*, 186 F. Supp. 2d 1, 11 (D. Mass. 2002) (Treatise quoted), *aff'd*, but *vacated as to fees*, 322 F.3d 26 (1st Cir. 2003); *Glovaroma, Inc. v. Maljack Prods., Inc.*, 71 F. Supp. 2d 846, 855 (N.D. Ill. 1999) (Treatise quoted); *Armento v. Laser Image, Inc.*, 950 F. Supp. 719 (W.D.N.C. 1996). See *Playboy Enterprises, Inc. v. Dumas*, 53 F.3d 549, 564 (2d Cir. 1995), *cert. denied*, 516 U.S. 1010 (1995). Cf. *Urantia Found. v. Maaherra*, 114 F.3d 955, 960 (9th Cir. 1997) (language of trust instrument may convey common law copyright even absent words such as "transfer" or "assign").

^{10.60a} *Empire Med. Review Servs., Inc. v. CompuClaim, Inc.*, 326 F. Supp. 3d 685, 696 (E.D. Wis. 2018) (Treatise cited). See *Schiller & Schmidt, Inc. v. Nordisco Corp.*, 969 F.2d 410, 413 (7th Cir. 1992).

^{10.61} *Bernstein v. Glavin*, 725 N.E.2d 455, 456, 460 (Ind. App. 2000) (legal malpractice case). The court declined to inquire into adequacy of consideration. *Id.* at 461. But given plaintiff's status as "an aspiring writer," publication plus credit seemed entirely on the mark. *Id.*

^{10.62} See § 10.08[D] *infra*.

§ 10.03 Transfer Formalities

assignment or transfer,^{10.63} and also did not specify any consideration.^{10.64} The Eighth Circuit affirmed based on its *de novo* determination that the agreement in question unambiguously assigned ownership of the copyrights in question.^{10.65}

The case just summarized concluded that copyright ownership was transferred by the instrument in question. Such an interpretation can follow when the subject writing is reasonably construed as referring to the domain of copyright ownership, rather than to other interests.^{10.66} That writing must also rise above vagueness to clue the reader into its desired intent.^{10.67} But it is not necessary to dot all the i's and cross all the t's; such exactitude would render almost every grant deficient.^{10.68}

Likewise, it is not necessary that the written instrument include phrases of present intent (along the lines of "I hereby transfer"). One case held the agreement under scrutiny ambiguous whether it intended to "describe a present transfer" or instead "confirms a previous transfer of rights."^{10.69} Though the Court of Appeals reversed on other grounds, it could not determine that ruling to be erroneous on the facts presented.^{10.70} Nonetheless, other decisions validate transfers even though they lack such language of present intent.^{10.71}

In one case, the defendant motion picture company evidently viewed even a simple writing as unduly bothersome; Judge Kozinski tartly summarized its defense as, "Moviemakers do lunch, not contracts."¹¹

^{10.63} See *Thomsen v. Famous Dave's of Am., Inc.*, 640 F. Supp. 2d 1072, 1077–1078 (D. Minn. 2009) (Treatise cited). It did, however, incorporate the terms "release" of "all copyright, proprietary design, and sign work," which sufficed. *Id.* at 1079.

^{10.64} The Settlement Agreement gave plaintiff \$15,000 for being "squeezed out of design fees," even though it allocated nothing specifically to the copyright. *Id.* at 1080.

^{10.65} 606 F.3d 905, 908 (8th Cir. 2010). The court rejected plaintiff's contention that the provision instead could be reasonably interpreted to "liberate" defendant from infringement liability. "Even though the agreement was written without the assistance of counsel, the parties knew how to employ words reflecting a release from liability when they so intended." *Id.* at 909. In terms of benefits to plaintiff, including cash for the settlement, see *id.* at 910.

^{10.66} See *Bieg v. Hovnanian Enters., Inc.*, 157 F. Supp. 2d 475, 480–482 (E.D. Pa. 2001).

^{10.67} Note the alternative holding in one case, rejecting a university policy as sufficient to transfer copyright ownership, given that "the Policy fails to make any reference at all to the subject matter of the rights to be transferred, the recipient of the transferred rights, the timing of the transfer, or any other particulars of the deal." *Forasté v. Brown Univ.*, 290 F. Supp. 2d 234, 240 (D.R.I. 2003).

^{10.68} An outlier in this regard is *Getty Images (US) Inc. v. Advernet, Inc.*, 797 F. Supp. 2d 399, 413 (S.D.N.Y. 2011) (Treatise cited), which applied unbelievably strict standards to reject almost all the claims in suit. The opinion faulted plaintiff for relying on such matters as a grant from "Bill Losh" to prove that it had obtained rights from copyright claimant "William A. Losh"; a grant from "Gary & Vivian Chapman" to prove a transfer from "Gary S. Chapman"; and a grant from "David Noton Photography" to prove a transfer from "David Noton" *Id.* at 419, 424, 426. Moreover, those purported defects arose not by virtue of any defense challenge about the correct identity of the transferor, but instead to conclude that plaintiff lacked standing to bring the subject claims. *Id.* at 413 (Treatise cited as to § 12.02 *infra*). It would seem that the court's antipathy must have stemmed from other sources, given how out of kilter this hyperformalism stands from the vast bulk of copyright cases. See § 7.18[F] *supra*.

^{10.69} *Playboy Enters., Inc. v. Dumas*, 831 F. Supp. 295, 309 (S.D.N.Y. 1993).

^{10.70} 53 F.3d 549, 564 (2d Cir. 1995), *cert. denied*, 516 U.S. 1010 (1995).

^{10.71} "With respect to the present transfer argument, the phrase 'will become' unambiguously indicates that the lyrics would not become the property of Warren Publishing unless and until Bernstein accepted the terms of the agreement." *Bernstein v. Glavin*, 725 N.E.2d 455, 461 (Ind. App. 2000). Another court likewise construes "All recordings ... shall be entirely the Record Company's property." *Silvester v. Time Warner, Inc.*, 1 Misc. 3d 250, 763 N.Y.S.2d 912, 916 (Sup. Ct. N.Y. County 2003), *aff'd*, 14 A.D.3d 430, 787 N.Y.S.2d 870 (1st Dep't 2005).

¹¹ *Effects Assocs., Inc. v. Cohen*, 908 F.2d 555, 556 (9th Cir. 1990), *cert. denied*, 498 U.S. 1103 (1991).

The Ninth Circuit, which has made much of the law in this arena, concluded that as the statute “makes no special allowance for the movie industry, neither do we.”¹² As to the level of detail required for the instrument of conveyance, it added that the subject writing “doesn’t have to be the Magna Charta; a one-line pro forma statement will do.”¹³ Although the absence of even that minimal writing precluded the defendant from establishing any type of exclusive rights over the copyright there at issue, the court nonetheless concluded that defendant should prevail on the basis of a nonexclusive license implied from conduct.¹⁴ Such a resolution, which is far from rare, recognizes a middle ground between all-or-nothing copyright interests.

The foregoing requirement for a writing resembles state statutes of frauds, which likewise condition the enforceability of certain contracts on an underlying writing.¹⁵ Nonetheless, the Ninth Circuit differentiated it from those counterparts, observing in *Konigsberg Int’l Inc. v. Rice*¹⁶ that those state law statutes of frauds “may be satisfied by a writing not intended as a memorandum of contract, not communicated to the other party, and even made in pleadings or testimony years after the alleged agreement”¹⁷ Under the peculiar facts of *Konigsberg*, author Anne Rice—after prevailing as a defendant based on the absence of a written contract—wrote an indignant letter to plaintiff’s counsel, proclaiming that “these contracts, though never signed, were honored to the letter.”¹⁸ Plaintiffs seized upon that letter as “the missing link to their argument—a writing signed by the author.”^{18.1} Because the letter was not a product of the parties’ negotiations, was not substantially contemporaneous with the oral agreement, and indeed came after the alleged term would already have expired and in the midst of a contentious lawsuit, the Ninth Circuit concluded that the parties “did lunch, not contracts,” and accordingly rejected the letter as a writing sufficient to comply with the statute.^{18.2} A later opinion embroidered on that ruling to specify that it applies even if “the parties acted as if they had a deal for several years” before suit commenced.^{18.3}

The Third Circuit, by contrast, rejected that Ninth Circuit ruling as “unconvincing.”^{18.4} *Konigsberg* had posited that state statutes of fraud serve a “purely evidentiary function,” in contrast to the Copyright Act’s goal of “enhancing predictability and certainty of ownership.”^{18.5} The Third Circuit remonstrated that

it is not clear that this second goal is anything more than a rewording of the purpose of ordinary statutes of frauds. Just as requiring a written contract prevents enforcement of a nonexistent obligation through the exclusion of fraudulent, perjured, or misremembered evidence, requiring a writing for

¹² *Id.*

¹³ *Id.* at 557.

¹⁴ See § 10.03[A][7] *infra*.

¹⁵ See *Friedman v. Stacey Data Processing Servs. Inc.*, 17 U.S.P.Q.2d 1858 (N.D. Ill. 1990) (in context of copyright dispute, invoking parol evidence rules applicable to statutes of frauds).

¹⁶ 16 F.3d 355 (9th Cir. 1994).

¹⁷ *Id.* at 357.

¹⁸ *Id.* at 356.

^{18.1} *Id.*

^{18.2} *Id.* at 358.

^{18.3} *Lyrick Studios, Inc. v. Big Idea Prods., Inc.*, 420 F.3d 388, 396 (5th Cir. 2005), cert. denied, 547 U.S. 1054 (2006).

^{18.4} *Barefoot Architect, Inc. v. Bunge*, 632 F.3d 822, 828 (3d Cir. 2011).

^{18.5} *Id.* at 828, quoting *Konigsberg*, 16 F.3d at 357.

enforcement of a copyright assignment “enhances predictability and certainty of ownership” by preventing litigants from enforcing fictitious “agreements” through perjury or the testimony of someone with a faulty memory. That is, the two statutes serve essentially identical purposes, even if some courts may have phrased those purposes so as to make them sound different.^{18.6}

The case concluded that, absent any dispute between transferor and transferee regarding copyright ownership, “there is little reason to demand that a validating written instrument be drafted and signed contemporaneously with the transferring event.”^{18.7} The opinion therefore was willing to validate a memorandum signed nine years after the alleged oral assignment took place—and more than four years after suit was filed.^{18.8} But it would validate the memo only if there truly were a previous oral assignment.^{18.9} Under the facts presented, lacking was “evidence of this crucial historical fact extrinsic to the writing.”^{18.10} The court refused to let a memorandum of transfer give effect to a previously ineffective oral transfer and simultaneously serve as the evidence that such previous transfer had actually taken place.¹⁹ Refusing to allow “a perjured or misremembered writing to override actual historical events,”^{19.1} the decision therefore reached the same result as *Konigsberg* of refusing to accept the proffered memorandum.^{19.2}

^{18.6} 632 F.3d at 828–829 (citations omitted).

^{18.7} Id. at 830.

^{18.8} Id. at 827.

^{18.9} No formality is required for such an oral grant. See § 10.03[A][7] infra.

Thus, anyone with authority to convey Village's property to another could have orally assigned the copyright to Barefoot by saying, “Through me, Village hereby assigns you its copyright in the Bunge project design,” or other words to the same effect (provided that Village later backed up the oral statement with a writing).

632 F.3d at 831 (footnote omitted).

^{18.10} Id. at 832.

¹⁹ Id. at 832. By contrast, another court had no hesitation accepting a 2011 notarized letter that attested to a previous grant in 2005, even though neither party had retained a copy of the earlier agreement. See Ranieri v. Adirondack Dev. Grp., LLC, 164 F. Supp. 3d 305, 326 (N.D.N.Y. 2016).

^{19.1}

Suppose, for instance, that O gave A a written document conveying his copyright in 2005. Later, out of spite or faulty memory, O drafts a document purporting to validate a 2004 oral transfer of the same copyright to B, even though there is no evidence that this assignment actually took place. If the memorandum to B were enough to prove that the event occurred, then for practical purposes A never owned the copyright despite holding an instrument of conveyance: B holds a document showing that he took ownership in 2004 and that O therefore did not have any copyright to assign in 2005. If B's document is enough on its own to prove that the oral transfer happened, A has no recourse, as there is in all likelihood no way for him to prove that such an event did not transpire. Thus B would be able to sue A for infringement despite the fact that O never actually said anything to him about the copyright until after he had already given the transferring instrument to A. This is the kind of result that the writing requirement is intended to avoid.

632 F.3d at 832.

^{19.2} A footnote held open two possibilities for future cases. Id. at 833 n.4. (1) Given appropriate evidence, a copyright transfer could be implied from conduct and then later validated in writing. See § 10.03[A][7] infra. (2) There might be equitable exceptions to the writing requirement. See Victor H. Polk, Jr. & Joshua M. Dalton, *Equitable Defenses to the Invocation of the Copyright Act's Statute of Frauds Provision*, 46 J. Copr. Soc'y 603 (1999).

Analogizing to the statute of frauds, *Pamfiloff v. Giant Records, Inc.*^{19.3} holds inadequate, as a memorandum of the transfer, a signed contract that makes no reference to copyright ownership and lacks essential terms.^{19.4} A later case refused to apply *Pamfiloff* to a contract that failed to mention the trophy at issue in the copyright dispute; given that the contract identified the larger project at issue, the fact that it did not specifically enumerate the trophy was held irrelevant.^{19.5} Then, the Tenth Circuit rejected *Pamfiloff* as imposing “an onerous restraint on the alienability of copyrights.”^{19.6} So long as it is clear that the parties were contemplating transfer of copyrights, “we do not think that a linguistic ambiguity concerning which particular copyrights transferred creates an insuperable barrier invalidating the transaction.”^{19.7}

[3] Memorandum of Transfer.

Notwithstanding the above decision on unusual facts, the statute itself validates, as an alternative to an instrument of conveyance, “a note or memorandum of the transfer.”²⁰ That provision apparently codifies the judge-made rule under the 1909 Act that, if a prior oral grant is subsequently confirmed in writing, it validates the grant *ab initio* as of the time of the oral grant.²¹ The writing may take place after registration,^{21.1} or even after litigation commenced^{21.2} (subject to some dissension).^{21.3}

^{19.3} *794 F. Supp. 933 (N.D. Cal. 1992)*. *Pamfiloff* also holds that equitable estoppel cannot substitute for a written contract. *Id.* at 937. See § 13.07[A] *infra*. A pair of commentators takes issue with that ruling: in their view, the failure to recognize equitable defenses, such as estoppel, to copyright’s statute of frauds “is unsound both as a matter of policy and statutory interpretation.” Victor H. Polk, Jr. & Joshua M. Dalton, *Equitable Defenses to the Invocation of the Copyright Act’s Statute of Frauds Provision*, 46 J. Copr. Soc’y 603, 603 (1999).

^{19.4} *794 F. Supp. at 936*. See *Saenger Org., Inc. v. Nationwide Ins. Lic. Assocs., Inc.*, 864 F. Supp. 246, 250 (D. Mass. 1994).

^{19.5} *National Ass’n for Stock Car Auto Racing, Inc. v. Scharle*, 356 F. Supp. 2d 515, 524–525 (E.D. Pa. 2005), *aff’d unpub.*, 184 Fed. Appx. 270 (3d Cir. 2006).

^{19.6} *SCO Group, Inc. v. Novell, Inc.*, 578 F.3d 1201, 1212 (10th Cir. 2009). Much of the court’s rationale stems from other portions of this chapter. *Id.* (Treatise quoted).

^{19.7} *Id.* at 1213. It reversed the district court’s ruling that the complex instruments at issue failed to transfer copyright ownership. *Id.* The parties’ original agreement excluded copyrights from the assets transferred; an amendment excised certain enumerated copyrights from the exclusion. The Court of Appeals rejected a challenge rooted in the Copyright Act’s writing requirement. *Id.* at 1214.

²⁰ 17 U.S.C. § 204(a). See *Roddenberry v. Roddenberry*, 44 Cal. App. 4th 634, 662, 51 Cal. Rptr. 2d 907 (1996) (Treatise cited).

²¹ *Barefoot Architect, Inc. v. Bunge*, 632 F.3d 822, 827 (3d Cir. 2011) (Treatise cited); *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27 (2d Cir. 1982) (Treatise cited); *Mason v. Jamie Music Publ’g Co.*, 658 F. Supp. 2d 571, 580 & n.23 (S.D.N.Y. 2009) (Treatise cited); *X-IT Prods., L.L.C. v. Walter Kidde Portable Equip., Inc.*, 155 F. Supp. 2d 577, 604 (E.D. Va. 2001) (Treatise quoted); *Great S. Homes, Inc. v. Johnson & Thompson Realtors*, 797 F. Supp. 609, 612 (M.D. Tenn. 1992) (Treatise quoted); *Dan-Dee Imports, Inc. v. Well-Made Toy Mfg. Corp.*, 524 F. Supp. 615 (E.D.N.Y. 1981) (Treatise cited). See *Billy-Bob Teeth, Inc. v. Novelty, Inc.*, 329 F.3d 586, 591 (7th Cir. 2003); *Imperial Residential Design, Inc. v. Palms Dev. Group, Inc.*, 70 F.3d 96, 99 (11th Cir. 1995); *Balsamo/Olson Group, Inc. v. Bradley Place Ltd. Partnership*, 966 F. Supp. 757, 762–763 (C.D. Ill. 1996); *Khan v. Leo Feist, Inc.*, 70 F. Supp. 450 (S.D.N.Y. 1947), *aff’d*, 165 F.2d 188 (2d Cir. 1947).

^{21.1} *Arthur Rutenberg Homes, Inc. v. Drew Homes, Inc.*, 29 F.3d 1529, 1532 (11th Cir. 1994) (Treatise cited).

^{21.2} See *Barefoot Architect, Inc. v. Bunge*, 632 F.3d 822, 828 (3d Cir. 2011); *KMMentor, LLC v. Knowledge Mgmt. Prof’l Soc’y, Inc.*, 712 F. Supp. 2d 1222, 1254–1255 (D. Kan. 2010); *Great S. Homes, Inc. v. Johnson & Thompson Realtors*, 797 F. Supp. 609, 612 (M.D. Tenn. 1992).

The policy rationale underlying this rule is not hard to ascertain. As numerous courts reason, when there is no dispute between the copyright owner and his exclusive licensee, "it would be anomalous to permit a third party infringer to invoke this provision [requiring a writing] against the licensee."²² As that ruling is limited to "this provision,"^{22.1} it applies solely to the context of which writings qualify as a transfer—it cannot confer standing^{22.2} absent proof of the requisite writing altogether.^{22.3} As Judge Buchwald aptly observed, "where defendants seek to raise a meaningful challenge to the plaintiff's infringement claim by positing ownership in a third party, the seeming absence of a dispute between the putative owners should not forestall such a challenge."^{22.4} Similar logic proved fatal to the claimant of copyright to "Happy Birthday to You"^{22.5} and in other instances.^{22.6}

^{21.3} Note that *Barefoot Architect* disagreed with a Ninth Circuit case that rejected a writing signed, *inter alia*, "6 months into a contentious lawsuit." 632 F.3d at 828, quoting *Konigsberg Int'l Inc. v. Rice*, 16 F.3d 355, 357 (9th Cir. 1994). See § 10.03[A][2] *supra*.

²² *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27, 36 (2d Cir. 1982); *Imperial Residential Design, Inc. v. Palms Dev. Group, Inc.*, 70 F.3d 96, 99 (11th Cir. 1995); *Billy-Bob Teeth, Inc. v. Novelty, Inc.*, 329 F.3d 586, 592–593 (7th Cir. 2003); *Brookwood Homebld'g & Remod., LLC v. Landis Reed Homes, LLC*, 267 F. Supp. 3d 685, 690–91 (W.D.N.C. 2017); *Engenium Solutions, Inc. v. Symphonic Techs., Inc.*, 924 F. Supp. 2d 757, 778 (S.D. Tex. 2013); ***Monroig v. RMM Records & Video Corp.*, 194 F.R.D. 388, 391 (D.P.R. 2000)**; *Kenbrooke Fabrics, Inc. v. Soho Fashions, Inc.*, 690 F. Supp. 298, 301 (S.D.N.Y. 1988); *Hart v. Sampley*, 24 U.S.P.Q.2d 1233, 1235 (D.D.C. 1992). See *Great S. Homes, Inc. v. Johnson & Thompson Realtors*, 797 F. Supp. 609, 611 (M.D. Tenn. 1992) (*Treatise quoted*).

^{22.1} *Urbont v. Sony Music Entm't*, 100 F. Supp. 3d 342, 349 (S.D.N.Y. 2015). This aspect was affirmed on appeal, although other aspects were vacated. 831 F.3d 80, 85–88 (2d Cir. 2016).

^{22.2} See § 12.02 *infra*. The reference is to plaintiff's standing to sue for copyright infringement. A separate aspect presented here is whether *defendant* has standing to challenge plaintiff's qualification as owner of the copyright. This case answers that question in the affirmative. The contrary ruling would "lead to the anomalous result of permitting copyright infringement plaintiffs to proceed even where they may lack standing to sue simply because an employer has not challenged the validity of their copyright." 831 F.3d at 88 n.6. A further question remains whether the putative employer should be required to join the litigation as a necessary party—a question not raised in this case. *Id.* at 87 n.5. See § 12.03 *infra*.

^{22.3} 100 F. Supp. 3d at 349. In that case, plaintiff composed the theme for "Iron Man" in 1966, registered (and later renewed it) in the records of the U.S. Copyright Office in his own name, and entered into a settlement agreement in 1995 with a studio that used the composition without his permission. *Id.* at 345–46. He sued Sony Music in 2011 based on use of that theme in a later hip-hop song. *Id.* at 346–47. The language of the settlement agreement was inconclusive. *Id.* at 353–55. See § 10.08[D] *infra*. As to registration, its presumptive validity could be overcome to the extent that the evidence showed that plaintiff failed to qualify as author under the work for hire doctrine. 831 F.3d at 89. See § 12.11[A][3] *infra*. But equivocal evidence on this score required further fact-finding. 831 F.3d at 92–93.

^{22.4} 100 F. Supp. 3d at 349. The composer tried to prevent defendant from challenging his ownership, but the court refused to apply Section 204, "a narrow statute-of-frauds provision," in a way that would relieve plaintiff of his burden of proving the fundamental element of ownership of the copyright. *Id.* See § 13D.02[A] *infra*. The district court concluded that, under the governing features of the 1909 Act, the work was made for hire on behalf of Stan Lee's Marvel, thus overcoming any presumption from the registration. *Id.* at 350–55. The Second Circuit overturned that aspect, remanding for trial. 831 F.3d at 90–92. See § 5.03[B][2][d] *supra*.

^{22.5} *Marya v. Warner/Chappell Music, Inc.*, 131 F. Supp. 3d 975, 1001–02 (C.D. Cal. 2015).

^{22.6} See *Yellowcake, Inc. v. Morena Music, Inc.*, 522 F. Supp. 3d 747, 760–61 (E.D. Cal. 2021).

It should be added that the mere preparation of written proposals back and forth, which never resulted in a final meeting of the minds, does not suffice to confirm a purportedly "oral contract."²³ In that context, even making references to a "deal" is not enough, absent adequate information regarding its terms.^{23.1} Of course, a would-be licensee, by creating and signing letters of confirmation, cannot bootstrap the requirement for the copyright owner to memorialize the grant.^{23.2}

In one case, the jury upheld plaintiff's contract, based on three indicia: plaintiff's proposal, defendant's faxed response, and a subsequent internal memorandum from defendant, acknowledging "that we have an agreement in force."^{23.3} The Fifth Circuit reversed. The proposal explicitly warned that "no contract will exist until both parties have executed a formal agreement" and the faxed response emphasized issues that needed to be resolved "prior to signing a formal document";^{23.4} those two documents accordingly furnished plaintiff with little ammunition. The memorandum caused greater pause, given that it was contemporaneous with the negotiations and evidenced defendant's assent to a contract, which evidently governed both parties' behavior for several years. But that memo was never shown to plaintiff until turned over during discovery. In the end, the court concluded, "Satisfying § 204(a)'s writing requirement with a purely internal memo that was never intended to be provided to [the other party] would not further the copyright goals of predictability of ownership."^{23.5} This case further distinguishes previous rulings validating a post-deal writing against a challenge brought by an outsider to the deal; that line of authority is inapposite when the post-deal writing is adduced by the very party seeking to uphold the deal.^{23.6}

²³ Radio Television Espanola S.A. v. New World Entertainment, Ltd., 183 F.3d 922, 928 (9th Cir. 1999) (Treatise quoted); Valente-Kritzer Video v. Pinckney, 881 F.2d 772 (9th Cir. 1989) (Treatise cited), cert. denied, 493 U.S. 1062 (1990); Weinstein Co. v. Smokewood Entm't Group, LLC, 664 F. Supp. 2d 332, 343 n.7 (S.D.N.Y. 2009) (Treatise quoted).

^{23.1} Radio Television Espanola S.A. v. New World Entertainment, Ltd., 183 F.3d 922 (9th Cir. 1999) (faxes following oral agreement in Cannes).

^{23.2} Weinstein Co. v. Smokewood Entm't Group, LLC, 664 F. Supp. 2d 332, 343 n.7 (S.D.N.Y. 2009). In that case, Weinstein demonstrated a clear intention to become exclusive distributor of the motion picture *Precious* (based on the novel *Push* by Sapphire), sending numerous emails to that effect. It claimed in vain that the copyright owner, Smokewood, should have affirmatively rejected those overtures. "This is precisely contrary to the way copyright law allocates the obligations among the parties to a transfer of copyright ownership." *Id.* at 341. The court was equally unimpressed with Weinstein's proposition that "it is customary in the entertainment industry for parties to negotiate copyright transfers orally and for licensees to follow up with a confirmatory note indicating acceptance of a copyright owner's terms." *Id.* at 343. After all, "virtually every contract negotiation has an oral component before the parties begin committing terms to writing," and no special dispensation applies to movie companies. *Id.* ("the subtext of plaintiff's argument bears some resemblance to ... 'Moviemakers do lunch, not contracts.'").

^{23.3} Lyrick Studios, Inc. v. Big Idea Prods., Inc., 420 F.3d 388, 392–393 (5th Cir. 2005), cert. denied, 547 U.S. 1054 (2006). Based on that contract for VeggieTales, "a computer-animated Christian-themed children's cartoon," the jury awarded plaintiff over \$9 million in lost profits. The district court entered judgment on the verdict, adding an award of \$700,000 in attorney's fees. See § 14.10 *infra*.

^{23.4} 420 F.3d at 393.

^{23.5} *Id.* at 396. "Like the letter in *Konigsberg* and the memo in *Radio Television Espanola*, Haljun's memo is not the kind of memorandum of transfer envisioned by § 204(a)." *Id.*

^{23.6} *Id.* at 394.

We initially note that when courts have found the post-deal writing sufficient, the party challenging the writing has been an alleged infringer who is an outsider to the deal. In that situation, courts are hesitant to allow an outside infringer to challenge the timing or technicalities of the copyright transfer. That situation is different from the situation here, where the parties to the alleged contract disagree about whether a valid agreement actually exists. Thus, the analysis in these cases does not apply here, and the cases themselves are not relevant.

Id. (citations omitted).

Similar issues divided one panel of the Ninth Circuit adjudicating rights in an old Lenny Bruce film.²⁴ The district court in *Magnuson v. Video Yesteryear* held that Bruce orally transferred his common law copyright therein to a corporation that later suspended its operations.²⁵ The company's principal testified that, at the time of dissolution, the corporation orally assigned copyright interest in the film to him; defendant contested the validity of a written memorandum, dated fourteen years later, documenting the transfer.²⁶ On appeal, the majority followed the logic of the Second Circuit case quoted above.²⁷

The dissent decried that ruling as benefiting "the goals of those who 'do lunch, not contracts.'"²⁸

Under [plaintiff]'s theory, third parties cannot know who really owns a copyright. They can be dragged through litigation by a person who does not have any apparent ownership rights, but who might eventually be able to obtain some kind of memorandum which may confirm an earlier transfer. For that matter, they might deal with an apparent owner, who later writes something that might be called a memorandum of an earlier agreement. They might be plunged into litigation, and it might turn out that the apparent owner, to his surprise, had no rights at all.²⁹

Although the *Magnuson* majority's ruling protected the copyright owner under the unusual facts presented, the dissent concluded that the contrary ruling would benefit authors more in the long run. So as not to "create copyright's cockatrice,"³⁰ he therefore urged adherence to the Ninth Circuit's earlier case involving Anne Rice (discussed above)³¹ instead of to the Second Circuit's validation of later writings relating back to earlier oral grants.³²

These considerations later returned to the fore in the famous *Napster* litigation.^{32.1} The record company plaintiffs there claimed to own sound recordings as commissioning party,^{32.2} or alternatively as assignee of the recording artists.^{32.3} They relied on *Magnuson* to deflect Napster's challenge to their copyright ownership. Given the distinct facts presented, the court rebuffed that reliance. Noting that Napster was

²⁴ *Magnuson v. Video Yesteryear*, 85 F.3d 1424 (9th Cir. 1996).

²⁵ *Id.* at 1428.

²⁶ *Id.*

²⁷ *Id.* at 1428 (*Treatise cited*). The majority found the *Eden Toys* logic particularly compelling on the facts before it, in which the person acting as grantor of the defunct corporation, and the grantee asserting rights in court, were one and same individual. *Id.* at 1429.

²⁸ *Id.* at 1432 (Fernandez, J., dissenting). For the "lunch" reference, see § 10.03[A][2] *supra*.

²⁹ *Id.*

³⁰ *Id.* at 1433. Under his reasoning, the plaintiff would not be left remediless; it simply would need to observe the niceties of corporate law regarding revitalization of a dissolved entity. *Id.*

³¹ See § 10.03[A][2] *supra*, discussing *Konigsberg Int'l Inc. v. Rice*, 16 F.3d 355 (9th Cir. 1994). The majority follows *Eden Toys*, explaining away as *dicta* any language in *Konigsberg* that "might be interpreted as requiring a contemporaneous writing"; the problem with the writing in *Konigsberg* is that it was not the type of writing required by the statute. 85 F.3d at 1429 n.1.

³² "I agree with *Konigsberg's* doubts about *Eden Toys, Inc. v. Florelee Undergarment Co., Inc.*, 697 F.2d 27, 36 (2d Cir. 1982), and similar cases. Those cases point the way toward destabilization of this area of the law. *Konigsberg* was right and should be followed." 85 F.3d at 1433 (Fernandez, J., dissenting). See N. 22 *supra*. For more about *Eden Toys*, see § 6.10[A][3][c] *supra*.

^{32.1} See § 12B.05[C][3] *infra*.

^{32.2} See § 5.03[B][2][a][ii][iii] *supra*.

^{32.3} *In re Napster, Inc. Copyright Litig.*, 191 F. Supp. 2d 1087, 1099 (N.D. Cal. 2002).

arguing “that plaintiffs cannot simultaneously hide behind *Magnuson* to argue that Napster has no standing and continue to maintain that the works are ‘works for hire,’” the court concluded that “for plaintiffs to establish ownership, the works must be, as a matter of logic, either ‘works for hire’ or assigned to plaintiffs.”^{32.4}

* * * * *

One court has held that an endorsed check may comply with the statutory requirement of being a written “memorandum of the transfer.”³³ Another, advertent to the ambiguities of both the subject endorsement legend and the surrounding circumstances, accepted the trial court’s contrary determination.³⁴ The case law is divided—some authority rejects^{34.1} check endorsements as written instruments to transfer copyright ownership, other cases allow them.^{34.2} Likewise, some cases advert to terms placed on invoices,³⁵ and others discount that language.³⁶

What if an initial contract is unsigned, but the party to be bound later signs an “addendum” to that contract? The Second Circuit holds under those circumstances that “there is no risk whatever that an unsuspecting copyright owner has been induced to sign a document that does not clearly indicate an assignment of copyright interests.”³⁷ It therefore validates the subject writing under the statute.³⁸ Obviously, absent the requisite signed written instrument, physical transfer of a registration certificate cannot work an assignment of the copyright referred to therein.³⁹

^{32.4} *Id.* at 1099. See *Marya v. Warner/Chappell Music, Inc.*, 131 F. Supp. 3d 975, 1002 (C.D. Cal. 2015) (“*Eden Toys and Magnuson* cannot be stretched to suggest that ... Plaintiffs are somehow barred from challenging the existence of a transfer, especially where Defendants bear the burden to prove they received rights from the author of the lyrics”).

³³ *Dean v. Burrows*, 732 F. Supp. 816, 823 (E.D. Tenn. 1989).

³⁴ *Playboy Enters., Inc. v. Dumas*, 53 F.3d 549, 564 (2d Cir.), cert. denied, 516 U.S. 1010 (1995).

^{34.1} *Museum Boutique Intercontinental, Ltd. v. Picasso*, 880 F. Supp. 153, n.11 (S.D.N.Y. 1995) (checks “are not convincing proof”). See *Crispin v. Christian Audigier, Inc.*, 839 F. Supp. 2d 1086, 1091 (C.D. Cal. 2011); *Papa’s-June Music, Inc. v. McLean*, 921 F. Supp. 1154, 1159 (S.D.N.Y. 1996).

^{34.2} See *Gary Friedrich Enters., LLC v. Marvel Enters., Inc.*, 837 F. Supp. 2d 337, 343 (S.D.N.Y. 2011). On appeal, the court reversed, given that the record failed to reveal the exact language of the check legends. *716 F.3d 302, 311 n.8* (2d Cir. 2013).

³⁵ See *Virtual Studios, Inc. v. Hagaman Indus., Inc.*, 984 F. Supp. 2d 830, 836, 837–38 (E.D. Tenn. 2013) (one-year license limitations on invoices, based on which other party paid, created at least disputed issue of material fact whether that provision governed).

³⁶ A district court ruled in favor of defendant based on an implied license orally granted. See § 13.03[A][7] *infra*. That ruling was reversed for having been issued *sua sponte*. *Karlson v. Red Door Homes, LLC*, 553 Fed. Appx. 875 (11th Cir. 2014). On remand, the result was “unsurprisingly, unchanged.” *18 F. Supp. 3d 1301, 1303* (N.D. Ala. 2014). Defendant hired plaintiff on a “per design” basis to produce home renderings for marketing purposes, which plaintiff knew would be further disseminated. *Id.* at 1303–04, 1309. After being paid for every rendering, *id.* at 1305 n.5, plaintiff claimed that he had added language to his invoices reserving copyright, *id.* at 1303, 1309. The court discounted those invoices, which were sent only after the subject renderings had already been furnished to defendants. *Id.* at 1310 & n.8. It determined that the “contention that defendants agreed to be bound by plaintiff’s added language defies logic.” *Id.* at 1311, 1314 n.11. This time, the court of appeals affirmed. *611 Fed. Appx. 566* (11th Cir. 2015).

³⁷ *Jasper v. Bovina Music, Inc.*, 314 F.3d 42, 47 (2d Cir. 2002). Note that by signing the addendum in question, the party “agreed to the terms of the contract ...” *Id.*

³⁸ *Id.*, construing 17 U.S.C. § 204(a).

³⁹ *Kingsrow Enters., Inc. v. Metromedia, Inc.*, 397 F. Supp. 879 (S.D.N.Y. 1975).

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[4] Signing By Agents.

The statute recognizes transfers signed not only by the owner personally, but also by "such owner's duly authorized agent."⁴⁰ Accordingly, a license duly executed by the copyright owner's exclusive licensing agent^{40.1} can be treated as the owner's "contract as much as if he had executed it in person."⁴¹ It is worth noting in this context that the performing rights societies⁴² engage in large-scale licensing on behalf of composers.⁴³

The question arises whether the owner's appointment of the agent must itself be evidenced in writing before the writings signed by the agent may be held to bind the owner. In the context of restored copyrights, Congress explicitly provided that that "equal dignity rule" would pertain.⁴⁴ In the much larger context of transfers generally under the current Act, the issue remains unaddressed.^{44.1} Presumably, being "duly authorized" requires something much more than casual oral permission.⁴⁵

One old case holds that if the grantor is a partnership or corporation, the assignment will be duly "signed," if it bears the firm name, although not the name of the individual acting on behalf of the firm.⁴⁶ For these purposes, reference should probably be made to the general corporate law of the state of incorporation or of execution of the contract in question.⁴⁷

A state court analyzed this provision of the federal Copyright Act at length.^{47.1} The attorney for an author negotiated sale of the work to a third party; after several rounds back and forth, he sent the erstwhile transferee an email that read: "done ... thanks."^{47.2} A formal agreement was thereafter prepared but not signed.^{47.3} Given that the author never authorized his attorney to transfer rights in intellectual property,^{47.4}

⁴⁰ 17 U.S.C. § 204(a). In Kenbrooke Fabrics, Inc. v. Soho Fashions, Inc., 690 F. Supp. 298, 301 (S.D.N.Y. 1988), the only writing was signed by a party other than the copyright owner. Given plaintiff's allegation of common ownership between the signing party and the copyright owner, the court held that a material issue of fact precluded summary judgment. Subsequently, the court granted the motion. 13 U.S.P.Q.2d 1472 (S.D.N.Y. 1989).

^{40.1} Stockfood Am., Inc. v. Adagio Teas, Inc., 475 F. Supp. 3d 394 (D.N.J. 2020) (Treatise quoted).

⁴¹ Original Appalachian Artworks, Inc. v. S. Diamond Assocs., Inc., 911 F.2d 1548, 1549 & n.1 (11th Cir. 1990), See Latin Am. Music Co. v. Archdiocese of San Juan of Roman Catholic & Apostolic Church, 499 F.3d 32, 42 (1st Cir. 2007), cert. denied, **552 U.S. 1182 (2008)**.

⁴² See § 8.19 *supra*.

⁴³ See Hulex Music v. Santy, 698 F. Supp. 1024, 1027 (D.N.H. 1988). Nonetheless, that licensing is typically nonexclusive. See § 8.19 *supra*. For that reason, it need not be documented in writing. See § 10.03[A][7] *infra*.

⁴⁴ See §§ 9A.04[C][2][b] N. 325; 9A.04[C][2][d] N. 339 *infra*.

^{44.1} Cf. Playboy Enterprises, Inc. v. Dumas, 960 F. Supp. 710, 720 n.7 (S.D.N.Y. 1997) (declining to reach issue in context of writing required for specially commissioned works for hire, see § 5.03[B][2][b] *supra*).

⁴⁵ Luar Music Corp. v. Universal Music Grp., Inc., 861 F. Supp. 2d 30, 36 (D.P.R. 2012) (Treatise quoted as "leading treatise"). Cf. § 11.06[B] N. 27 *infra* (defining "duly authorized agent" in termination context).

⁴⁶ Houghton Mifflin Co. v. Stackpole Sons, Inc., 104 F.2d 306 (2d Cir. 1939).

⁴⁷ "The corporate form is one upon which much of our economy rests. I see nothing bad about requiring [the plaintiff who alleges he acquired a copyright by transfer] to follow state corporation principles as he goes about his business." Magnuson v. Video Yesteryear, 85 F.3d 1424, 1433 (9th Cir. 1996) (Fernandez, J., dissenting).

^{47.1} See MVP Entm't, Inc. v. Frost, 210 Cal. App. 4th 1333, 149 Cal. Rptr. 3d 162 (2012).

^{47.2} *Id.* at 163.

^{47.3} *Id.* at 163.

the latter's lack of actual authority was straightforward.^{47.5} Even assuming that he had ostensible authority, the court ruled it insufficient to effectuate a transfer of copyright ownership, and further characterized the transferee's belief that the lawyer was the author's duly authorized agent, "whether or not reasonable," as irrelevant.^{47.6}

[5] Limited Admissibility of Oral Testimony.

As previously noted, the current Act's requirement of a writing carries forward prior law on the subject.⁴⁸ It is therefore relevant to note that cases under the 1909 Act held that if all written copies of the instrument of transfer have been lost, oral evidence as to the fact of a written conveyance will be admissible.⁴⁹ One case arising under the current Act even extends that doctrine to circumstantial evidence.⁵⁰ Another rules that, absent any dispute that an original signed version exists, an unsigned draft may be admitted as a duplicate after efforts to unearth the original have failed.^{50.1}

It has further been held that if a plaintiff has assigned his copyright in writing, but claims title by reason of an oral reconveyance, oral evidence of the reconveyance is admissible, if no one in the plaintiff's chain of title is claiming adversely to the plaintiff in the instant action.⁵¹ However, a written contract purporting to sell an "assignment of copyright" was held ineffective to convey the copyright until the assignment itself is actually executed.⁵² Moreover, a contemporaneous oral license purporting to vary the terms of a written license is inadmissible under the parol evidence rule.⁵³

Given the writing requirement, courts have rejected various claims premised on oral agreements. The unavailing arguments in those cases have ranged from characterizing the oral agreement as an "agreement to transfer" as opposed to an oral transfer;⁵⁴ characterizing the oral agreement as a transfer "by operation of law" (and as such exempt from the writing requirement);⁵⁵ or characterizing the claim as one for breach of an oral contract rather than for infringement of the copyright orally transferred.⁵⁶ Those rulings

^{47.4} Id. at 164.

^{47.5} Id. at 165.

^{47.6} Id. at 166.

⁴⁸ See § 10.03[A][1] *supra*.

⁴⁹ See Klasmer v. Baltimore Football, Inc., 200 F. Supp. 255 (D. Md. 1961); Law v. National Broadcasting Co., 51 F. Supp. 798 (S.D.N.Y. 1943).

⁵⁰ Love v. Spector, 215 A.D.2d 733, 627 N.Y.S.2d 87, 88 (2d Dep't 1995).

^{50.1} Elliott v. Cartagena, 578 F. Supp. 3d 421, 428–32 (S.D.N.Y. 2022) (many unsuccessful subpoenas for that item).

⁵¹ Arnstein v. Porter, 154 F.2d 464 (2d Cir. 1946). See Law v. National Broadcasting Co., 51 F. Supp. 798 (S.D.N.Y. 1943); Kingsrow Enters., Inc. v. Metromedia, Inc., 203 U.S.P.Q. 489 (S.D.N.Y. 1978).

⁵² Group Publishers, Inc. v. Winchell, 86 F. Supp. 573 (S.D.N.Y. 1949).

⁵³ Local Trademarks, Inc. v. Grantham, 166 F. Supp. 494 (D. Neb. 1957).

⁵⁴ Mellencamp v. Riva Music Ltd., 698 F. Supp. 1154 (S.D.N.Y. 1988) (Treatise cited); A. Brod, Inc. v. SK & I Co., L.L.C., 998 F. Supp. 314, 324 (S.D.N.Y. 1998) (Treatise cited).

⁵⁵ Brooks v. Bates, 781 F. Supp. 202, 206 (S.D.N.Y. 1991). See § 10.03[A][6] *infra*.

⁵⁶ Radio Television Espanola S.A. v. New World Entertainment, Ltd., 183 F.3d 922, 929 n.7 (9th Cir. 1999) (Treatise quoted); Marshall v. New Kids On The Block Partnership, 780 F. Supp. 1005, 1009 (S.D.N.Y. 1991); Library Publications, Inc. v. Medical

appropriately safeguard the statute's insistence on a signed writing in order to effectuate a transfer of copyright ownership. Given their thrust, care must be exercised in evaluating the continued viability of the foregoing cases that allow oral testimony about writings that cannot be produced in court; the safeguards of the Act's requirement that the owner sign any transfer could be set at naught if grantees' unsubstantiated claims that they had obtained (but subsequently "lost") the requisite instrument were widely credited. Perhaps holding such oral evidence to a "clear and convincing" standard would go part of the way towards ameliorating that risk.^{56.1}

[6] When No Writing is Required.

It has already been noted that the Act's requirement for transfers to be memorialized in writing is inapplicable to those that arise "by operation of law."⁵⁷ The statute leaves the contours of that exception undefined. Presumably, the intent is to refer to such matters as disposition by courts in bankruptcy,⁵⁸ probate,⁵⁹ and the like.⁶⁰

No written conveyance is required from an employee in order to vest copyright in the employer.⁶¹ In such cases, the employer instead is automatically vested with copyright ownership in the absence of a contrary agreement between the parties.⁶² Moreover, for the employer to transfer copyright ownership of the work for hire to the employee requires compliance with the specialized provisions of the Act^{62.1} applicable to works for hire^{62.2} rather than the general provisions currently under discussion.^{62.3}

By the same token, no written conveyance is required for joint authors to share copyright ownership. Joint authorship takes effect also automatically, irrespective of writings signed by the parties.⁶³ Conversely, to the extent that the elements of joint authorship are lacking, it is unavailing to argue that an author orally agreed

Economics Co., 548 F. Supp. 1231 (E.D. Pa. 1982), *aff'd mem.*, 714 F.2d 123 (3d Cir. 1983) (breach of a contract to grant exclusive distribution rights in copyrighted work fails if such contract was not in writing). See § 1.17[A] *supra*.

^{56.1} *Archie Comic Publ'ns, Inc. v. DeCarlo*, 258 F. Supp. 2d 315, 329 n.90 (S.D.N.Y. 2003) (*Treatise quoted*).

⁵⁷ See 17 U.S.C. § 204(a).

⁵⁸ *Disenos Artisticos E Industriales S.A. v. Costco Wholesale Corp.*, 97 F.3d 377, 381 (9th Cir. 1996). See § 10.04 *infra*. See generally *Chap. 19A infra*.

⁵⁹ See § 9.04[A][2] *supra*.

⁶⁰ *John G. Danielson, Inc. v. Winchester-Conant Props., Inc.*, 186 F. Supp. 2d 1, 11 n.1 (D. Mass. 2002) (*Treatise quoted*), *aff'd*, (but vacated as to fees), 322 F.3d 26 (1st Cir. 2003). On dispositions of copyrights pursuant to state community property laws, see *Chap. 6A supra*.

⁶¹ *Lawrence v. Dana*, 15 F. Cas. 26, No. 8136 (C.C. Mass. 1869). It has been noted earlier that an employer's failure to pay wages may vitiate the for-hire status of the copyrighted work. See § 5.03[E] *supra*. Contrast that result with failure of consideration in the case of implied licenses, discussed in § 10.03[A][7] *infra*.

⁶² See § 5.03[D] *supra*.

^{62.1} 17 U.S.C. § 201(b). See § 5.03[D] *supra*.

^{62.2} *Forasté v. Brown Univ.*, 290 F. Supp. 2d 234, 237–239 (D.R.I. 2003). As an alternative, the court ruled the subject language inadequate to qualify as an instrument of transfer even under Section 204(a). *Id.* at 239–241.

^{62.3} See 17 U.S.C. § 204(a), discussed in § 10.03[A] *et seq. supra*. One could argue the opposite—that the employer acquires ownership of the copyright only in the absence of a contrary agreement between the parties, as suggested previously. See § 1.06[C] *supra*. The argument would then conclude that such a contrary agreement is not in the nature of an assignment back from the employer, but rather a reservation of rights, which therefore need not be in writing. That argument would work, but only in the absence of the Congressional determination to the contrary contained in 17 U.S.C. § 201(b). See § 5.03[D] *supra*.

⁶³ See § 6.03 *supra*.

to transfer her copyright interest to a partnership.⁶⁴ That latter circumstance would require a writing; given a signed instrument, an author of course can validly contribute his work to a partnership.⁶⁵

When a grant is silent as to term, many states allow the grantor to end it upon reasonable notice, once a reasonable time has elapsed.^{65.1} In one case,^{65.2} the grantor exercised its rights under New York law to end the previous grant^{65.3}—only to be met by the grantee's protest that such cessation reverts ownership in the original grantor, meaning that it amounts to a transfer, so that a writing is required (and must be signed by the erstwhile grantee whose rights are being eliminated!) in order to be legally valid.^{65.4} The First Circuit rejected that construction as untenable.^{65.5}

The most important species of grants to which the requirement of a written instrument is inapplicable is the category of nonexclusive licenses, treated next.

[7] Grants of Nonexclusive Licenses.

It will be recalled that the requirement of a written instrument applies solely to a "transfer of copyright ownership," which by definition does not include nonexclusive licenses.⁶⁶ By negative implication,⁶⁷ nonexclusive licenses may therefore be granted orally, or may even be implied from conduct.^{67.1} When the

⁶⁴ *Konigsberg Int'l Inc. v. Rice*, 16 F.3d 355, 357–358 (9th Cir. 1994); *Time, Inc. v. Kastner*, 972 F. Supp. 236, 239 (S.D.N.Y. 1997).

⁶⁵ See *Oddo v. Ries*, 743 F.2d 630 (9th Cir. 1984).

^{65.1} See § 11.01[B] *infra*.

^{65.2} See *Latin Am. Music Co. v. ASCAP*, 593 F.3d 95 (1st Cir. 2010). Note that this case represents further proceedings from *Latin Am. Music Co. v. Archdiocese of San Juan of Roman Catholic & Apostolic Church*, 499 F.3d 32, 46–47 (1st Cir. 2007), cert. denied, 552 U.S. 1182 (2008). See 593 F.3d at 98 n.4.

^{65.3} The decision refers throughout to "termination" of the contract as a matter of state law. To avoid confusion, this treatise reserves that nomenclature to statutory termination under Sections 203 or 304. See § 11.01[B] *infra*.

^{65.4} 593 F.3d at 100.

^{65.5}

Section 204, which requires a writing signed by the transferor, however, applies to the transfer or grant of copyright ownership, *not* to the termination of such a transfer or grant. *** [E]xtending § 204 to the termination of copyright interests would lead to untenable results. A transferee of a copyright interest could effectively veto a lawful termination of that interest by refusing to reconvey that interest to the terminating party under § 204.

Id. at 100–101 (emphasis original).

⁶⁶ See 17 U.S.C. § 101. "At the core of a copyright holder's bundle of rights is the concept of exclusivity." Brian T. Yeh, Cong. Research Serv., RL33631, *CRS Report for Congress—Copyright Licensing in Music Distribution, Reproduction, and Public Performance* 3 (Apr. 15, 2015).

⁶⁷ *I.A.E., Inc. v. Shaver*, 74 F.3d 768, 775 (7th Cir. 1996) (Treatise quoted). See 17 U.S.C. § 204(a).

^{67.1} *Conwell v. Gray Loon Outdoor Mktg. Group, Inc.*, 906 N.E.2d 805, 816 (Ind. 2009) (Treatise cited); *Kennedy v. National Juvenile Detention Ass'n*, 187 F.3d 690, 694 (7th Cir. 1999) (Treatise cited), cert. denied, 528 U.S. 1159 (2000); *Johnson v. Jones*, 149 F.3d 494, 500 (6th Cir. 1998) (Treatise quoted); *Graham v. James*, 144 F.3d 229, 235 (2d Cir. 1998) (Treatise quoted); *Lulirama Ltd., Inc. v. Axxess Broadcast Services, Inc.*, 128 F.3d 872, 879 (5th Cir. 1997) (Treatise quoted); *Foad Consulting Group, Inc. v. Azzalino*, 270 F.3d 821, 826 n.9 (9th Cir. 2001) (Treatise cited); *Effects Assocs., Inc. v. Cohen*, 908 F.2d 555, 558 (9th Cir. 1990) (Treatise quoted), cert. denied, 498 U.S. 1103 (1991); *Teter v. Glass Onion, Inc.*, 723 F. Supp. 2d 1138, 1147 (W.D. Mo. 2010) (Treatise cited); *Beholder Prods., Inc. v. Catona*, 629 F. Supp. 2d 490, 494 (E.D. Pa. 2009) (Treatise cited); *RT Computer Graphics, Inc. v. United States*, 44 Fed. Cl. 747, 754 (1999) (Treatise cited); *Ladas v. Potpourri*

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totality of the parties' conduct indicates an intent to grant such permission,^{67.2} the result is a nonexclusive license.⁶⁸ This principle continues the provisions of the 1909 Act, which similarly validated licenses even if oral or implied.^{68.1}

In general, "the existence of an express contract precludes the existence of an implied-in-fact contract dealing with the same subject matter, unless the implied contract is entirely unrelated to the express contract."^{68.2} But various circumstances can give rise to exceptions to that rule.^{68.3}

Turning to some concrete cases, one circuit^{68.4} held that handing over preliminary drawings for use in a construction project created an implied license therein.^{68.5} Another circuit^{68.6} ruled to the same effect when

Press. Inc., 846 F. Supp. 221, 225 (E.D.N.Y. 1994) (Treatise quoted); *Apple Computer, Inc. v. Microsoft Corp.*, 821 F. Supp. 616, 627 (N.D. Cal. 1993) (Treatise quoted), *aff'd*, (rev'd only as to fees) 35 F.3d 1435 (9th Cir. 1994), cert. denied, 513 U.S. 1184 (1995); *Systems XIX, Inc. v. Parker*, 30 F. Supp. 2d 1225, 1230 (N.D. Cal. 1998) (Treatise cited); *Data Gen. Corp. v. Grumman Sys. Support Corp.*, 36 F.3d 1147, 1167 (1st Cir. 1994) (Treatise cited), disapproved on other grounds, *Reed Elsevier, Inc. v. Muchnick*, 559 U.S. 154, 130 S. Ct. 1237, 1243 n.2, 176 L. Ed. 2d 18 (2010); *Herbert v. U.S.*, 32 Fed. Cl. 293, 298 (Fed. Cl. 1994) (Treatise cited); *Herbert v. U.S.*, 36 Fed. Cl. 299, 310 (Fed. Cl. 1996) (Treatise cited); *Pamfiloff v. Giant Records, Inc.*, 794 F. Supp. 933, 939 (N.D. Cal. 1992) (Treatise cited); *Silva v. MacLaine*, 697 F. Supp. 1423, 1430 (E.D. Mich. 1988) (Treatise cited), *aff'd mem.*, 888 F.2d 1392 (6th Cir. 1989), cert. denied, 495 U.S. 905 (1990); *MacLean Assocs., Inc. v. Wm. M. Mercer-Meidinger-Hansen, Inc.*, 952 F.2d 769, 779 (3d Cir. 1991) (Treatise cited) (but licensee who exceeds scope of implied license may be held infringing). See *Gracen v. Bradford Exch.*, 698 F.2d 300 (7th Cir. 1983) (Treatise cited); *Library Publications, Inc. v. Medical Economics Co.*, 548 F. Supp. 1231 (E.D. Pa. 1982), *aff'd mem.*, 714 F.2d 123 (3d Cir. 1983); *Love v. Kwitny*, 706 F. Supp. 1123, 1131 (S.D.N.Y. 1989).

^{67.2} *Estate of Hevia v. Portrio Corp.*, 602 F.3d 34, 41 (1st Cir. 2010) (Treatise quoted); *Foad Consulting Group, Inc. v. Azzalino*, 270 F.3d 821, 826 n.9 (9th Cir. 2001) (Treatise quoted); *id.* at 837 (Treatise quoted) (Kozinski, J., concurring); *Karlson v. Red Door Homes, LLC*, 18 F. Supp. 3d 1301, 1307 (N.D. Ala. 2014) (Treatise quoted), *aff'd unpub.*, 611 Fed. Appx. 566 (11th Cir. 2015); *John G. Danielson, Inc. v. Winchester-Conant Props., Inc.*, 186 F. Supp. 2d 1, 18 (D. Mass. 2002) (Treatise quoted), *aff'd on point*, vacated as to fees, 322 F.3d 26 (1st Cir. 2003); *Johnson v. Jones*, 921 F. Supp. 1573 (E.D. Mich. 1996) (Treatise cited) (finding no such intent). See *Johnson v. Jones*, 885 F. Supp. 1008, 1013 (E.D. Mich. 1995) (Treatise quoted), later appeal, 149 F.3d 494, 500 (6th Cir. 1998) ("every objective fact ... points away from the existence of an implied license").

⁶⁸ *LimeCoral, Ltd. v. CareerBuilder, LLC*, 889 F.3d 847, 851 (7th Cir. 2018) (Treatise cited); *Lulirama Ltd., Inc. v. Access Broadcast Services, Inc.*, 128 F.3d 872, 879 (5th Cir. 1997) (Treatise cited); *Garcia-Goyco v. Law Envtl. Consultants, Inc.*, 428 F.3d 14, 22 (1st Cir. 2005) (Treatise cited); *Latour v. Columbia Univ.*, 12 F. Supp. 3d 658, 662 (S.D.N.Y. 2014) (Treatise quoted); *Coach, Inc. v. Kmart Corps.*, 756 F. Supp. 2d 421, 427 (S.D.N.Y. 2010) (Treatise quoted); *Montwillo v. Tull*, 632 F. Supp. 2d 917, 924 (N.D. Cal. 2008) (Treatise quoted); *Field v. Google Inc.*, 412 F. Supp. 2d 1106, 1115–1116 (D. Nev. 2006) (Treatise cited); *Michaels v. Internet Entertainment Group, Inc.*, 5 F. Supp. 2d 823, 831 (C.D. Cal. 1998) (Treatise quoted); *In re Valley Media, Inc.*, 279 B.R. 105, 144 (Bankr. D. Del. 2002) (Treatise quoted).

^{68.1} See § 10.03[B][1] *infra*. The difference is that no writing was required under the 1909 Act for licenses of any kind; its statute of frauds was limited to assignments. As a result, even an exclusive license could be implied by conduct under the 1909 Act. Given abolition of the doctrine of indivisibility, at present the acceptance of nonwritten grants applies solely to nonexclusive licenses. See § 10.02 *supra*.

^{68.2} *Bitmanagement Software GmbH v. United States*, 989 F.3d 938, 949 (Fed. Cir. 2021), quoting *Seh Ahn Lee v. United States*, 895 F.3d 1363, 1370 (Fed. Cir. 2018).

^{68.3} An example is *Bitmanagement* itself. As summarized by a later case that applied the general rule rather than the exception, the Federal Circuit deviated from its general rule in that instance

for three reasons. First, the parties there did not have a contractual relationship, instead using an intermediary which could not bind Bitmanagement. Second, the issue in the case was not expressly dealt with by the contract. Finally, the contract was ambiguous with respect to how the parties understood that the software would be used.

4DD *Holdings, LLC v. United States*, 159 Fed. Cl. 337, 347 (2022).

^{68.4} See *I.A.E., Inc. v. Shaver*, 74 F.3d 768, 776–77 (7th Cir. 1996).

an architectural firm delivered plans for custom homes without conveying any written or oral limits on their usage.^{68.7}

Outside the architecture context, it has been held that an implied license exists to do market testing, when defendant paid a substantial fee for a mockup to be used for that purpose.^{68.8} Conversely, the totality of circumstances indicated no license to the extent that the evidence showed that the copyright owner turned down a \$1 million offer, but was claimed to have agreed to accept \$31,500 six months later.^{68.9} A freelance musician who helped procure marijuana for a recording session, spontaneously singing a hook about a “weedman” in the process,⁶⁹ was held to have implicitly licensed his contribution to *The Weedman* album^{69.1} that sold two million copies,^{69.2} in exchange^{69.3} for his name being listed in the album credits.^{69.4} Sometimes,

^{68.5} The opinion added that “we cannot accept the contention that there are factual issues concerning custom and usage in the architecture profession or public policy issues forbidding the use of implied nonexclusive licenses for architects’ contracts that preclude summary judgment.” *Id. at 777 n.13*.

^{68.6} See *Hunn v. Dan Wilson Homes, Inc.*, 789 F.3d 573 (5th Cir. 2015), cert. denied, 136 S. Ct. 592 (2016). Only two judges served on this panel. *Id. at 576 & n.**

^{68.7} *Id. at 587*. The case rejected wrong-doing when a client who came up with a plan for a custom home hired the employee who had worked on that client’s account, after he resigned from the architectural firm that filed suit as plaintiff. Given that the employee worked on an at-will basis and the client was unaware of any non-compete clause, both the client and the former employee escaped all liability for breach of contract, breach of fiduciary duties, computer fraud, and violation of the Lanham Act, as well as copyright infringement. In addition, the prevailing defendants recovered their attorney’s fees. *Id. at 588–89*. See § 14.10[D][3][d] *infra*.

^{68.8} See *Carano v. Vina Concha y Toro*, 288 F. Supp. 2d 397, 401 (S.D.N.Y. 2003). Under different facts, the sale of photos was held to convey no implied copyright license. See *SHL Imaging, Inc. v. Artisan House, Inc.*, 117 F. Supp. 2d 301, 317–318 (S.D.N.Y. 2000).

^{68.9} See *Michaels v. Internet Entertainment Group, Inc.*, 5 F. Supp. 2d 823, 831 (C.D. Cal. 1998).

⁶⁹ *Wilchcombe v. Teevee Toons, Inc.*, 515 F. Supp. 2d 1297, 1299 (N.D. Ga. 2007), *aff’d*, 555 F.3d 949 (11th Cir. 2009). In light of the case’s *outré* facts, the only missing element was an allegation that plaintiff’s contribution of weed made the product into a “joint” work!

^{69.1}

Wilchcombe does not dispute that he created the song for the album at Lil Jon’s request and that he instructed Taylor to send it to Lil Jon for final mixing and inclusion on the album. Wilchcombe testified in his deposition that he understood Lil Jon would use the song on the album. In addition, Wilchcombe does not dispute that when he handed over the song, he never discussed with Taylor or any of the Appellees that using the song would constitute copyright infringement.

555 F.3d at 956.

^{69.2} Plaintiff attempted to overcome the implied license by alleging its later rescission. Because he raised the issue untimely, neither trial nor appellate court would consider it. *Id. at 957*. See § 10.15[A][3] *infra*.

^{69.3} Plaintiff could have claimed a share of profits as a co-author. See § 6.12 *supra*. But because he failed to plead that theory—or even that his grant of an implied license was contingent upon payment—he properly suffered entry of adverse summary judgment. *555 F.3d at 961* (Hinkle, J., concurring).

^{69.4} The district court rejected any imputation that false advertising arose as a result. See § 8D.03[A][2][b] *supra*. For later authority applying *Wilchcombe*, see *McElroy v. Courtney Ajiña Events LLC*, 512 F. Supp. 3d 1328, 1336 (N.D. Ga. 2021).

factual questions about the scope of an implied license preclude summary determination whether defendant exceeded its authority.^{69.5}

It has been held that an implied license requires more than a general intent of the author regarding disposition of his work.^{69.6} As with any other license, the terms—including identity of the licensee—should be reasonably clear.^{69.7} Courts have tried to lay down the various factors that determine when an implied nonexclusive license has been granted. Some circuits hold that an implied nonexclusive license applies “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.”^{69.8} Although those three factors, when they exist, may lead to the conclusion that there is a valid implied license, the other tests discussed in this section reveal how questionable^{69.9} it is for other courts to transmute those three factors into the only applicable test^{69.10}—and to hold that there can be no implied license when one of those factors is absent.^{69.11}

Various circuit courts have quoted the previous sentence and adopted the broader view. The Eleventh Circuit, for instance, encapsulates the matter, “Creating material at another’s request is not the essence of a license; an owner’s *grant of permission* to use the material is.”^{69.12} The Federal Circuit agreed with the Claims Court that “the Navy’s entire course of conduct [with plaintiff created] an implied in-fact-license”^{69.13} but reversed^{69.14} on the basis that the Navy violated the terms of that license.^{69.15} The Fifth Circuit likewise

^{69.5} See *Rivera v. Mendez & Compañía*, 988 F. Supp. 2d 159, 169 (D.P.R. 2013). In this case, defendant paid plaintiff annually for his artwork to promote a jazz festival; after a dozen years, plaintiff turned elsewhere, but used previous designs in a collage of past programs. *Id.* at 164–65. Although plaintiff unquestionably intended to convey permission to reproduce the artwork that he turned over, the question arose over scope of the implied license—did each grant expire at the end of the year? *Id.* at 167–68. That aspect could not be resolved on summary judgment.

^{69.6} *Worldwide Church of God v. Philadelphia Church of God, Inc.*, 227 F.3d 1110, 1114 (9th Cir. 2000), cert. denied, 532 U.S. 958 (2001). In that case, defendant was not able to maintain that the author granted it a license; instead, it maintained that it was effectuating his intent that his work “have the largest audience possible.” *Id.* The court rejected that argument.

^{69.7} *Comerica Bank & Tr., N.A. v. Habib*, 433 F. Supp. 3d 79, 100 (D. Mass. 2020) (Treatise quoted); *Furie v. Infowars, LLC*, 401 F. Supp. 3d 952, 969 (C.D. Cal. 2019) (Treatise quoted); *Malibu Media, LLC v. Doe*, 381 F. Supp. 3d 343, 356 (M.D. Pa. 2018) (Treatise quoted).

^{69.8} *I.A.E., Inc. v. Shaver*, 74 F.3d 768, 776 (7th Cir. 1996); *Atkins v. Fischer*, 331 F.3d 988, 992 (D.C. Cir. 2003). See *Estate of Hevia v. Portrio Corp.*, 602 F.3d 34, 41 (1st Cir. 2010); *Beholder Prods., Inc. v. Catona*, 629 F. Supp. 2d 490, 494 (E.D. Pa. 2009) (citing non-precedential Third Circuit opinion as well).

^{69.9} *Kid Stuff Mktg., Inc. v. Creative Consumer Concepts, Inc.*, 223 F. Supp. 3d 1168, 1182 n.8 (D. Kan. 2016) (Treatise quoted).

^{69.10} In other words, the confluence of those three factors may be a sufficient condition to prove an implied license—but should not be taken as a necessary condition.

^{69.11} *Photographic Illustrators Corp. v. Orgill, Inc.*, 370 F. Supp. 3d 232, 246 (D. Mass. 2019) (Treatise quoted), *aff’d*, 953 F.3d 56, 62 (1st Cir. 2020) (Treatise cited). See *Bangkok Broad. & T.V. Co., Ltd. v. IPTV Corp.*, 742 F. Supp. 2d 1101, 1113 (C.D. Cal. 2010).

^{69.12} *MidlevelU, Inc. v. ACI Info. Grp.*, 989 F.3d 1205, 1216 (11th Cir. 2021) (Treatise quoted; emphasis original), cert. denied, 141 S. Ct. 2863 (2021). Defendant failed to prove that plaintiff granted implied permission to use its copyrighted content via search-engine web crawlers and coding standards. *Id.* at 1217.

^{69.13} *Bitmanagement Software GmbH v. United States*, 989 F.3d 938, 947 (Fed. Cir. 2021) (Treatise quoted). That license “may be found only ‘upon a meeting of the minds’ that is ‘inferred, as a fact, from conduct of the parties showing, in the light of the surrounding circumstances, their tacit understanding.’” *Id.* at 948.

^{69.14} The opinion below is *Bitmanagement Software GmbH v. United States*, 144 Fed. Cl. 646, 655–56 (2019) (Treatise quoted). The appellate majority held that the “Claims Court ended its analysis of the case prematurely ... by failing to consider whether

has held that those factors are not all-encompassing; what matters is whether the totality of the parties' conduct supports the existence of a non-exclusive license.^{69.16}

To illustrate, different decisions adduce a host of different factors. One circuit court, for example,

suggests that the existence of an implied nonexclusive license in a particular situation turns on at least three factors: (1) whether the parties were engaged in a short-term discrete transaction as opposed to an ongoing relationship;^{69.17} (2) whether the creator utilized written contracts, such as the standard AIA [architectural] contract [there at issue], 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.^{69.18}

Other courts have also followed this non-exhaustive "list of factors to be considered."^{69.19} In canvassing the rules followed across the country, the First Circuit characterized the law followed in two sister circuits as being that "the three elements (request, delivery, and intent) seem to be absolute requirements for establishing an implied license between the owner and a licensee,"^{69.20} but then went on to favorably cite this treatise's criticism that that test is too rigid, meaning "that implied licenses can sometimes be found if one or more of these elements is lacking."^{69.21} It rejected inflexible application of prior elements in the matter before it,⁷⁰ a case dealing with sublicensees rather than licensees.^{70.1}

One author resisted the existence of an implied license on the basis that his direct communications were all with an intermediary rather than with the putative licensee. The court rejected any requirement of direct contact.^{70.2}

the Navy complied with the terms of the implied license." 989 F.3d at 940–41. See § 10.15[A][2] *infra*. One judge denied the existence of that implied license (although agreeing that, if it did exist, the Navy breached it). 989 F.3d at 952 (Newman, J., concurring).

^{69.15} The existence of an express contract normally precludes the existence of an implied contract; this case nonetheless declined to apply the preclusion rule, given that separate agreements with a third party were at issue here. *Id.* at 949 (majority).

^{69.16} Baisden v. I'm Ready Prods., Inc., 693 F.3d 491, 501 (5th Cir. 2012) (*Treatise cited*), cert. denied, 558 U.S. 1229 (2013). This case also rejected an argument arising out of the parties' previous exclusive license, which purportedly provided that extensions to it had to be in writing. As a matter of logic, the terms of that expired contract could not prevent the parties from reaching a new agreement orally, structured on the same provisions as its predecessor. *Id.* at 502.

^{69.17} Although an ongoing relationship typically weighs against implication of a license, it has been said that those cases usually reflect an arms-length relationship. "That framework does not fit this case, in which the protagonists were partners" Estate of Hevia v. Portrio Corp., 602 F.3d 34, 42 (1st Cir. 2010).

^{69.18} Nelson-Salabes, Inc. v. Morningside Dev., LLC, 284 F.3d 505, 516 (4th Cir. 2002). See Estate of Hevia v. Portrio Corp., 602 F.3d 34, 41 (1st Cir. 2010); Thomas M. Gilbert Architects, P.C. v. Accent Builders & Developers, LLC, 629 F. Supp. 2d 526, 532 (E.D. Va. 2008), *aff'd unpub.*, 377 Fed. Appx. 303 (4th Cir. 2010) (no implied license under those factors).

^{69.19} John G. Danielson, Inc. v. Winchester-Conant Proprs., Inc., 322 F.3d 26, 41 (1st Cir. 2003) (no implied license, although factor (3) inclined in that direction). See Meisner Brem Corp. v. Mitchell, 313 F. Supp. 2d 13, 17–20 (D.N.H. 2004) (granting defendant summary judgment based on implied license under Danielson framework); Pertzsch Design, Inc. v. Gundersen Lutheran Health Sys., Inc., 647 F. Supp. 2d 1064, 1066, 1068 (W.D. Wis. 2009) (granting summary judgment against plaintiff who was paid \$41,000 for manual, and delivered same to defendant without reserving any rights therein).

^{69.20} Photographic Illustrators Corp. v. Orgill, Inc., 953 F.3d 56, 62 (1st Cir. 2020).

^{69.21} *Id.* at 62 (*Treatise cited*).

⁷⁰ *Id.* at 62.

^{70.1} See § 10.02[B][4][a] *supra*.

What if the oral contract between the parties itself provides unambiguously for the transfer to be exclusive? In that event, the statutory bar on exclusive grants being executed orally invalidates the subject contract from taking effect.^{70.3} But the further question arises: May a court accord partial significance to the attempted grant by construing it as an effective, albeit nonexclusive, license?^{70.4} To do so would raise serious questions under contract law,^{70.5} as the enterprise would plainly contravene the mutual intent of the parties.^{70.6} Yet the Eleventh Circuit has answered that question in the affirmative, without paying much heed to those aspects of contract law.^{70.7} The Fifth Circuit has agreed, citing the proposition that courts should “sever the illegal portion of the agreement and enforce the remainder if the parties would have entered the agreement absent the illegal portion of the original bargain.”^{70.8}

Effects Associates, Inc. v. Cohen holds that such implied licenses are legal, rather than equitable.^{70.9} On the facts of that case, the court rejected the equitable argument that full payment was a condition precedent for the license to be effective, given that such condition was not spelled out in “plain, unambiguous terms.”^{70.10} This reasoning is peculiar, inasmuch as oral and implied licenses, by their very nature, can

^{70.2} “This court can find no case that injects a privity requirement into the implied license doctrine, and it declines to be the first to do so.” *National Ass’n for Stock Car Auto Racing, Inc. v. Scharle*, 356 F. Supp. 2d 515, 526–527 (E.D. Pa. 2005), *aff’d unpub.*, 184 Fed. Appx. 270 (3d Cir. 2006).

^{70.3} *Crispin v. Christian Audigier, Inc.*, 839 F. Supp. 2d 1086, 1092 n.2 (C.D. Cal. 2011) (Treatise quoted). See § 10.03[A][1] *supra*.

^{70.4} A patent case has held that courts must “determine the substance of the rights conferred on that party, not the characterization of those rights as exclusive licenses or otherwise.” *Textile Prods. v. Mead Corp.*, 134 F.3d 1481, 1484 (Fed. Cir. 1998) (ellipsis omitted). One court declined to import that ruling into copyright law. See *Bangkok Broad. & T.V. Co., Ltd. v. IPTV Corp.*, 742 F. Supp. 2d 1101, 1112 (C.D. Cal. 2010).

^{70.5} As stated in *Barris Indus., Inc. v. Worldvision Enters., Inc.*, 875 F.2d 1446, 1449 (9th Cir. 1989), “the question of entitlement must ultimately turn on what the parties intended when they entered into the contract.” See § 10.08[B] *infra*.

^{70.6} *Crispin v. Christian Audigier, Inc.*, 839 F. Supp. 2d 1086, 1092 n.2 (C.D. Cal. 2011) (Treatise quoted, albeit court bound to follow contrary circuit law). *Weinstein Co. v. Smokewood Entm’t Group, LLC*, 664 F. Supp. 2d 332, 345 n.9 (S.D.N.Y. 2009) (Treatise quoted). The court derided Weinstein’s position as “that a nonexclusive license should function as a sort of consolation prize for [its] failure to successfully secure an exclusive license,” which is what its own communications indicated that it wished to acquire from Smokewood. *Id.* Unremarked by the opinion is an even more fundamental flaw that tainted Weinstein’s cause of action for breach of a purported nonexclusive license. That aspect is discussed below.

^{70.7} *Jacob Maxwell, Inc. v. Veeck*, 110 F.3d 749, 752 (11th Cir. 1997) (Treatise cited). Among other factors, the court grounded its determination in the fact that the plaintiff copyright owner—who wrote the subject work as an anthem for the defendant sports team—continually attended games at which his song was performed, wrote letters urging continuation of that course of conduct, and failed to withdraw permission for its continuing exploitation. *Id.* at 753. See *Korman v. HBC Fla., Inc.*, 182 F.3d 1291, 1293 (11th Cir. 1999) (jingle writer who allowed radio station to air her tunes for 7 years “cannot reasonably deny” having granted nonexclusive license).

^{70.8} *Lulirama Ltd., Inc. v. Axxcess Broadcast Services, Inc.*, 128 F.3d 872, 880 (5th Cir. 1997). In that case, the plaintiff intended to convey all rights via a work for hire agreement, which failed as a matter of law because the subject work fell outside the statutory enumeration. See § 5.03[B][2][a] *supra*. “It would be quite anomalous to allow [plaintiff], which admittedly intended by the Jingle Writing Agreement to convey to [defendant] a bundle of rights including all of the exclusive rights of copyright ownership, to complain that the intent of the parties to the agreement was frustrated by the district court’s conclusion that [plaintiff] conveyed by implication a smaller bundle of rights.” *Id.*

^{70.9} 908 F.2d 555, 559 n.7 (9th Cir. 1990), *cert. denied*, 498 U.S. 1103 (1991).

^{70.10} *Id.* at 559 n.7. Another case arose regarding a contract that spelled out, in express terms, that no copyright “will be transferred” until plaintiff was paid in full. *Beholder Prods., Inc. v. Catona*, 629 F. Supp. 2d 490, 494–495 (E.D. Pa. 2009). But an implied license is not a transfer. *Id.* (Treatise cited). Therefore, this decision also vindicated the existence of an implied license.

seldom specify unambiguously the pertinent payment obligations.^{70.11} (Nonetheless, in a society whose members increasingly tote video cameras everywhere to record their quotidian experiences, exceptions may become more and more frequent.)

It remains to add several points about *Effects Associates, Inc. v. Cohen*. First, its author, in a later concurrence, largely agreed with the above critique.^{70.12} Second, *Effects Associates* found an implied license present when the amount in question was \$56,000. A later case cited that figure in commenting that the "\$2,000 in the present case, nothing else appearing, will not support the same sort of reasoning."^{70.13} Third, a later court rejected the characterization of *Effects Associates* as, "if a party is not satisfied with the outcome of a business arrangement and there is a dispute over payment, an infringement action will be barred."⁷¹ It also rejected the existence of an asserted implied license exceeding the scope of the parties' written agreement.⁷² Finally, *Effects Associates* preserves the possibility of concurrent state court jurisdiction to determine the licensing amount.⁷³

In *Asset Marketing Systems v. Gagnon*,^{73.1} AMS paid Gagnon in excess of \$2 million over the course of four years, of which \$250,000 was for software that Gagnon customized for and installed on AMS's system.^{73.2} Upon termination of their relationship, Gagnon registered the works and sued AMS for copyright infringement.^{73.3} The Ninth Circuit affirmed summary judgment in AMS's favor based on "an implied unlimited license for the programs."^{73.4} Gagnon's installation of the programs on AMS's site manifested his objective intent, at the time of creation, to convey to AMS an unlimited license in the software for which it was paying him.^{73.5} "Gagnon delivered the software without any caveats or limitations on AMS's use of the programs."^{73.6} Under those circumstances, his retention of the source code^{73.7} and insertion of a copyright notice on the splash screen in his own name^{73.8} proved of no moment.

^{70.11} See § 10.15[A] *infra*.

^{70.12} See § 10.03[A][8] *infra*, discussing *Foad Consulting Group, Inc. v. Azzalino*, 270 F.3d 821 (9th Cir. 2001) (Kozinski, J., concurring).

^{70.13} *Atkins v. Fischer*, 331 F.3d 988, 993 (D.C. Cir. 2003). Another case held that full payment does not constitute a condition precedent to an implied license under *Effects Assocs.* See *Reinicke v. Creative Empire LLC*, 38 F. Supp. 3d 1192, 1202 (S.D. Cal. 2014). It held that plaintiff granted that license by delivering chapters for an online course teaching German, for which she was paid \$9,000. *Id.* at 1194–98, 1203. Another court held that payment of \$500,000, including \$100,000 for architectural drawings, established an implied license. See *Ahadams & Co. v. Spectrum Health Servs., Inc.*, 40 F. Supp. 3d 456, 465 (E.D. Pa. 2014).

⁷¹ *Greenfield v. Twin Vision Graphics, Inc.*, 268 F. Supp. 2d 358, 378 (D.N.J. 2003).

⁷² *Id.* at 383.

⁷³ See § 10.03[A][8] *infra*.

^{73.1} 542 F.3d 748 (9th Cir. 2008), cert. denied, 556 U.S. 1258 (2009).

^{73.2} *Id.* at 750.

^{73.3} *Id.* at 752–753.

^{73.4} *Id.* at 754.

^{73.5} *Id.* at 755–756.

^{73.6} *Id.* at 757.

§ 10.03 Transfer Formalities

Gagnon had to express an intent to retain control over the programs and limit AMS's license if he intended to do so. A belated statement that the programs could not be used after Gagnon's departure, made after the termination decision and well after the creation and delivery of the programs for which substantial sums were paid, was not sufficient to negate all other objective manifestations of intent to grant AMS an unlimited license.^{73.9}

Unlike the unlimited license there at issue, an implied license can be limited. The Eighth Circuit held that, when plaintiff was working with defendants to eventually publish a book, he impliedly licensed them to send out his materials as part of slideshows meant to promote that book.^{73.10} The fact that defendants desisted after the project disintegrated showed that their conduct fell within the scope of that license.^{73.11}

Notwithstanding the foregoing limitations, it should not be concluded that writings are without consequences in the sphere of nonexclusive licenses. Beyond the greater ease of proving such a license when it is evidenced by a writing rather than through possibly conflicting testimony, written grants of nonexclusive licenses can also exert significance in the event of a conflicting transfer of copyright ownership.⁷⁴

When a nonexclusive license exists, it functions as a bar on suit by the copyright owner for copyright infringement. Unlike an exclusive license, it creates no standing for the licensee to sue others for exploiting the work.^{74.1} In short, there is no such thing as "breach" of a nonexclusive license.^{74.2}

^{73.7} Gagnon argued that he never delivered the source code, so that AMS could not modify the code. *Id. at 755*. But the evidence showed that, whatever material he retained, he also stored the source code on AMS's premises. *Id. at 756*.

^{73.8} "The splash screens speak to Gagnon's intent to retain copyright ownership over the programs, not to his intent to grant or not grant a license as would be his right as the copyright owner." *Id. at 757*. All the more so, when an individual inserted a copyright notice in the company name (112 times, no less), he was held, on the strength of *Gagnon*, to have granted it a non-exclusive license. See *Numbers Licensing, LLC v. bVisual USA, Inc.*, 643 F. Supp. 2d 1245, 1253–1254 (E.D. Wash. 2009).

^{73.9} *542 F.3d at 757*. To the same effect is another case in which defendant paid plaintiff over \$400,000 without a written agreement. *Xtomic, LLC v. Active Release Techniques, LLC*, 340 F. Supp. 3d 1092, 1100, 1102–03 (D. Colo. 2018) (*Treatise cited*); later op., 460 F. Supp. 3d 1147, 1152 (D. Colo. 2020) (*Treatise cited*). By contrast, the payment of \$98,000 in another case did not support the existence of an implied non-exclusive license, given that the parties made an agreement concerning a discrete project, not a new one arising at an undetermined future date. See *McIntosh v. Northern Cal. Universal Enters. Co.*, 670 F. Supp. 2d 1069, 1093 (E.D. Cal. 2009).

^{73.10} See *Beaulieu v. Stockwell*, 46 F.4th 871, 878 (8th Cir. 2022). Plaintiff's "silence, coupled with continued and normal interactions between him and the collaborators, implied his approval of the marketing plan and the corresponding distribution of his images, and thus showed an implied license." *Id.*

^{73.11} *Id. at 878*.

⁷⁴ See § 10.07[B] *infra*.

^{74.1} See § 12.02[B][1] *infra*.

^{74.2} The licensee cannot affirmatively file suit as plaintiff, either against third parties (for want of standing) or against the copyright owner (for putative breach). If the nonexclusive license exists, it is a *defense* for the licensee in an infringement action brought by the copyright owner, so the licensee can exploit the work. It is not the basis for a *cause of action*, so the putative licensee has no business filing suit based on the grant. See Shyamkrishna Balganes, *Demystifying the Right to Exclude: Of Property, Inviolability, and Automatic Injunctions*, 31 *Harv. J.L. & Pub. Pol'y* 593, 604, 609 (2008). For this reason, the cause of action for breach of a nonexclusive license made no sense in *Weinstein Co. v. Smokewood Entm't Group, LLC*, 664 F. Supp. 2d 332, 334 (S.D.N.Y. 2009). The court dismissed the case based on the nonexistence of the license under the facts presented, without taking note of the fact that the claim would still make no sense, even if (contrary to fact) there actually had been such a license.

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At times, intense factual questions arise regarding implied licenses. In the case discussed in a previous chapter about photographs of customized motorcycles used without permission,⁷⁵ the court was able to avoid investigating whether the photos constituted “unauthorized *derivative works*”^{75.1} with all the consequences of non-protection that would thereby arise from that status⁷⁶ on the basis that the photo was not *unauthorized* at all.^{76.1} In short, plaintiff was an implied licensee, thereby allowed to create the photographs on which suit was premised. But the further question arose whether plaintiff was also an implied licensor, sufficient to defeat his claim of infringement against defendants. The district court so concluded.^{76.2} The Eleventh Circuit, although agreeing with that initial determination,^{76.3} reached the subsequent issue whether defendants exceeded the scope of that implied license;^{76.4} holding that disputed issues of fact existed on that point, it reversed summary judgment so that the matter could be presented to a jury.^{76.5}

The issue of implied licenses arose again in *Garcia v. Google, Inc.*^{76.6} the highly tortured case discussed at length above^{76.7} involving an actress who faced a fatwa demanding her death for appearing in *Innocence of Muslims*. Cindy Garcia alleged that filmmaker Mark Basseley Youssef defrauded her by hiring her to appear in a romp called *Desert Warrior*, which he only later converted into the anti-Islamic polemic that was uploaded to YouTube—in the process dubbing the innocuous line that she spoke onscreen into an accusation that Mohammed was a child molester.^{76.8}

The district court denied Garcia an injunction against Google, stating that “by operation of law Garcia necessarily (if impliedly) would have granted the Film’s author a license to distribute her performance as a contribution incorporated into the indivisible whole of the Film.” A divided panel reversed. It initially agreed “with Google that Garcia granted Youssef an implied license.”^{76.9} Though conceding that these licenses must be construed “very broadly”^{76.10} lest actors be permitted to “leverage their individual contributions into

⁷⁵ *Latimer v. Roaring Toyz, Inc.*, 601 F.3d 1224 (11th Cir. 2010). It will be recalled that this is the case that addressed the “gaping hole” threatened by recognizing copyright protection for derivative works such as photographs—which, on inspection, proved to be not so gaping, after all. See § 2A.08[E][3][a][iii] *supra*.

^{75.1} 601 F.3d at 1233 (emphasis added).

⁷⁶ 17 U.S.C. § 103(a). See § 3.06 *infra*.

^{76.1} There was no question that the designer of custom graphics and artwork granted plaintiff an implied license allowing him to photograph the motorcycles thus decorated. 601 F.3d at 1235–36.

^{76.2} 574 F. Supp. 2d 1265, 1276 (M.D. Fla. 2008).

^{76.3} 601 F.3d at 1236–37.

^{76.4} The court below concluded that “a reasonable juror may find that the photographs were used without Latimer’s permission on the Roaring Toyz website yet not be persuaded that Latimer incurred any damages as a result.” 574 F. Supp. 2d at 1277. By contrast, the appellate court concluded that the facts were disputed whether Kawasaki’s distribution of Latimer’s photographs in digital format may have enabled its co-defendants and third parties to infringe Latimer’s copyright. 601 F.3d at 1238.

^{76.5} *Id.* at 1238. The court of appeals specified that judges cannot make credibility determinations; therefore, even though plaintiff’s explanation “may be a stretch, a reasonable person” could still believe it. *Id.* at 1237.

^{76.6} 743 F.3d 1258 (9th Cir. 2014), amended, 766 F.3d 929 (9th Cir. 2014), vacated, 771 F.3d 647 (9th Cir. 2014), substituted opinion, 786 F.3d 733 (9th Cir. 2015) (*en banc*).

^{76.7} See § 2.12[B][3] *supra*. Many other discussions of that case are sprinkled throughout this treatise.

^{76.8} The circumstances are far more involved than the above summary. See *id.*

^{76.9} 766 F.3d at 937.

de facto authorial control,”⁷⁷ the majority specified that rights thereby licensed are not unlimited.^{77.1} In the instant case, Youssef lied to Garcia and defrauded her—thus voiding any agreement that he had with her.^{77.2} The opinion concluded, “The situation in which a filmmaker uses a performance in a way that exceeds the bounds of the broad implied license granted by an actor will be extraordinarily rare. But this is such a case.”^{77.3}

In an *en banc* ruling, the Ninth Circuit came to the opposite conclusion. It specifically eschewed reliance on licensing to solve the copyright conundrums posed.^{77.4} Instead, it ruled that Garcia had no copyright interest to vindicate—thus rendering irrelevant what portion she may have impliedly license.^{77.5} Accordingly, the panel disposition discussed above retains no precedential value.^{77.6}

Moreover, an additional consideration renders any concern about licensing inapposite to *Garcia v. Google*, albeit neither the district court’s ruling in favor of Google nor the panel majority’s reversal in favor of Garcia adverted to this aspect. Garcia sued both Google and Youssef in federal court for copyright infringement—but the latter’s subsequent imprisonment following riots throughout the Islamic world (and the death of the U.S. ambassador to Libya) meant that her case against the corporate defendant is the only one that proceeded.^{77.7}

Had the case of *Garcia v. Youssef* instead been presented for adjudication, it would have been apropos for the panel majority to premise its ruling on the circumstance that “Garcia granted Youssef an implied license,” tempered by the additional consideration that “Youssef’s fraud alone is likely enough to void any agreement he had with Garcia.”⁷⁸ But the actual case being addressed was the distinct one of *Garcia v. Google*. That piece of litigation is governed by the bedrock proposition that copyright non-exclusive licenses are non-transferable as a matter of law.^{78.1} In other words, it matters not whether Garcia granted a non-

^{76.10} “If the scope of an implied license was exceeded merely because a film didn’t meet the ex ante expectation of an actor, that license would be virtually meaningless.” *Id.* at 937.

⁷⁷ *Id.* at 937.

^{77.1} *Id.* at 937.

Garcia was told she’d be acting in an adventure film set in ancient Arabia. Were 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. But the license Garcia granted Youssef wasn’t so broad as to cover the use of her performance in any project. Here, the problem isn’t that “Innocence of Muslims” is not an Arabian adventure movie: It’s that the film isn’t intended to entertain at all. The film differs so radically from anything Garcia could have imagined when she was cast that it can’t possibly be authorized by any implied license she granted Youssef.

Id.

^{77.2} *Id.* at 937–38.

^{77.3} *Id.* at 938.

^{77.4} 786 F.3d at 743.

^{77.5} *Id.* at 741–42.

^{77.6} The issue of fraud in the inducement for copyright licenses, a circumstance that case law rarely addresses, thus remains to be definitively resolved another day.

^{77.7} These circumstances are further detailed in § 12B.07[C][2] infra. Although Garcia sued Youssef for a variety of state torts in addition to violation of federal copyright law, the instant case proceeded solely against Google. *Id.*

⁷⁸ **766 F3d at 933, 937.** In that hypothetical case, the district court’s observation that “Garcia necessarily ... granted the Film’s author a license” would have been equally apropos.

exclusive license to Youssef or whether Youssef's fraud vitiated that license—insofar as Google is concerned, it has no license defense^{78.2} to Garcia's charge of copyright infringement, regardless of the circumstances.^{78.3} As is observed on multiple occasions throughout this treatise,^{78.4} the unbelievably idiosyncratic posture^{78.5} of *Garcia v. Google* renders many of the issues confronted in that case impossible to generalize beyond its own never-to-be-repeated facts.^{78.6}

[8] State Contract Law Regulation of Copyright Transfers.

As noted above, *Effects Associates, Inc. v. Cohen*⁷⁹ leaves adjudication of the amount required to be paid for an implied license to state courts.^{79.1} That aspect of its ruling is discussed in more detail below.^{79.2}

^{78.1} See §§ 10.01[C][4], 10.02[C][4] *supra*.

^{78.2} Google would retain all of its other defenses not rooted in license—for example, fair use. In addition, Google could still prevail to the extent that Garcia's *prima facie* case of copyright infringement failed—which is exactly how the *en banc* court eventually ruled.

^{78.3} In other words, even in the best case scenario for Google—that Garcia granted Youssef a non-exclusive license; that Youssef retained that license despite the allegation of fraud; and that Youssef purported to deliberately transfer those rights to Google—it obtained no legal interest that could stand in the way of Garcia's suit against it. To express the matter syllogistically, for an implied license from Garcia to play any role in this litigation, the logic must run as follows:

- (a) By acting in *Innocence of Muslims*, Garcia conveyed a non-exclusive license to Youssef by her conduct;
- (b) By uploading *Innocence of Muslims* to YouTube, Youssef transferred to Google the right to exploit the film in all regards, including his non-exclusive license from Garcia;
- (c) Therefore, Google has a non-exclusive license from Garcia that defeats her copyright infringement claim.

Brief of *Amici Curiae* Professors Shyamkrishna Balganesh, Justin Hughes, Peter Menell, And David Nimmer In Support Of Neither Party, *Garcia v. Google*, No. 12-57302 (9th Cir. Nov. 25, 2014), at 24. The flaw, as we have just seen, is that premise (b) of the foregoing syllogism is wrong as a matter of law. It follows that Google cannot be the beneficiary of an implied nonexclusive license granted to a third party. *Id. at 25*.

^{78.4} See §§ 2.12[A][2] *supra*, 12B.07[C][2] *infra*.

^{78.5} As the *en banc* majority noted, "another odd twist" of the case was that

one of Garcia's primary objections rests on the words falsely attributed to her via dubbing. But she cannot claim copyright in words she neither authored nor spoke. That leaves Garcia with a legitimate and serious beef, though not one that can be vindicated under the rubric of copyright.

^{786 F.3d at 741 n.6.}

^{78.6} In addition to all the doctrinal challenges that the case presented, judicial temper ran past the boiling point. A concurrence noted that "the risk of making bad law in these circumstances is particularly high." *Id. at 747–48* (Watford, J., concurring in the judgment). After Judge Kozinski's panel majority opinion failed to prevail, he dissented from the *en banc* ruling in unusually bitter terms:

[T]he majority is wrong and makes a total mess of copyright law, right here in the Hollywood Circuit. In its haste to take internet service providers off the hook for infringement, the court today robs performers and other creative talent of rights Congress gave them. I won't be a party to it.

Id. at 749 (Kozinski, J., dissenting). Meanwhile, another member of the Ninth Circuit complained bitterly about the censorship and flagrant *First Amendment* violation committed by the court in suppressing *Innocence of Muslims* for fifteen months. *786 F.3d 727, 728 (9th Cir. 2015)* (Reinhardt, J., dissenting from initial denial of emergency rehearing *en banc* (although agreeing with opinion of the *en banc* court)). See § 14.06[C][1][c] *infra*.

⁷⁹ *908 F.2d 555 (9th Cir. 1990)*, cert. denied, *498 U.S. 1103, 111 S. Ct. 1003, 112 L. Ed. 2d 1086 (1991)*.

May a grant of a nonexclusive license in a statutory copyright, although valid even if oral under federal law, nonetheless be subject to regulation under state law requiring a writing? *Grappo v. Alitalia Linee Aeree Italiane, S.p.A.*, holds that New York's statute of frauds requires a writing for a plaintiff to be able to recover in excess of \$5,000, even when the subject matter of the oral contract is a nonexclusive license under a statutory copyright.^{79.3}

That ruling appears most questionable.^{79.4} Previous sections of this treatise ventilate at length the impermissibility, under the *Supremacy Clause*, of state laws contravening the federal scheme.^{79.5} That principle does not derogate from the fact that the law governing the requisites of contractual formation and interpretation unquestionably arises principally under state law; those state doctrines can validly apply to the copyright realm.^{79.6} Nonetheless, contract rules established under state law cannot invalidate any aspect of federal copyright law.^{79.7} Given that the statute of frauds at issue in *Grappo* subjected nonexclusive licenses^{79.8}—which may be oral under federal law regardless of value—to a selective writing requirement under state law, it would appear suspect.^{79.9} The ruling is particularly deficient in not even addressing the state/federal comity issue.⁸⁰

Grappo also affords a valuable object lesson in the perils of applying the Uniform Commercial Code to contracts that govern copyright ownership. The court there looked at New York's incorporation of a provision from that model law, providing that the term "general intangibles" includes "literary rights, copyrights, trademarks, and patents."⁸¹ It found that provision relevant, inasmuch as "the sale of a non-exclusive license for copyrighted material was the core of the contract."⁸² No constitutional issue would

^{79.1} See § 10.03[A][7] *supra*.

^{79.2} See text accompanying § 12.01[A][2] N. 242 *infra*.

^{79.3} 56 F.3d 427, 431–432 (2nd Cir. 1995).

^{79.4} A similarly questionable precursor is *Myers v. Waverly Fabrics*, 475 N.Y.S.2d 860 (1st Dep't 1984), aff'd, 65 N.Y.2d 75, 489 N.Y.S.2d 891 (1985), holding invalid an oral license on the ground that it failed to conform with the state statute of frauds in that a perpetual limitation on the licensee's rights constituted an agreement not capable of performance within one year.

^{79.5} See §§ 1.17[A], 3.04[B][3][a] *supra*.

^{79.6} See § 1.15[A] *supra*.

^{79.7} ***Jacob Maxwell, Inc. v. Veeck*, 110 F.3d 749, 752 n.2 (11th Cir. 1997) (Treatise cited).**

^{79.8} That proposition doomed a subsequent party who attempted to rely on *Grappo* to contest the formation of a valid implied-in-fact contract. See § 19D.05[A][2] *infra*. Against claimant's assertion of such a binding agreement between an artist and record company, counterdefendant argued that the agreement would transfer copyright ownership and therefore had to be in writing. But the court found that a non-exclusive license would have sufficed, and therefore could be implied under the circumstances. See *Puebla Palomo v. DeMaio*, 403 F. Supp. 3d 42, 67–68 (N.D.N.Y. 2019). Nonetheless, styling the cause of action as "unjust enrichment" entailed its preemption. *Id.* at 75. See § 1.15[G] *supra*.

^{79.9} The writing required under the state law at issue in *Grappo* kicked in only when the threshold value of \$5,000 was exceeded. However, another state's statute of frauds could categorically disallow such oral grants regardless of value (or if a value of \$5 is exceeded, which amounts to the same thing). Through that mechanism, state law would set at naught an entire category validated by federal law.

⁸⁰ The court's analysis in *Grappo* addresses only New York (rather than federal) law, notwithstanding that the subject matter at issue there was a training manual, which would appear to fall exclusively into federal copyright protection. See § 2.04 *supra*. Cf. *Playboy Enters., Inc. v. Dumas*, 831 F. Supp. 295, 310 n.14 (S.D.N.Y. 1993) (reserving issue of pre-emption of California law as applied to copyright transfers), *rev'd on other grounds*, 53 F.3d 549 (2d Cir. 1995), *cert. denied*, 516 U.S. 1010, 116 S. Ct. 567, 133 L. Ed. 2d 491 (1995).

⁸¹ 56 F.3d at 431–432.

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thereby arise to the extent that the subject copyrights (along with the referenced literary rights and trademarks) were taken to refer to common law copyright, which is a creature of state law.⁸³ For, plainly, the states may regulate state law property, such as common law copyright, subject to whatever constraints they see fit, including a statute of frauds.⁸⁴ But state law cannot constitutionally derogate from federally created rights, such as statutory copyright.⁸⁵ Accordingly, before applying the Uniform Commercial Code to the copyright arena, its particular application must be evaluated for consistency with the overarching federal scheme.

* * * * *

The most well-known aspect of Anglo-American contract law is undoubtedly the doctrine of consideration. Notwithstanding that feature of state law, no consideration is necessary under federal law to effectuate a transfer of copyright ownership that does not purport to require consideration.^{85.1} Note, however, that consideration is necessary to render a nonexclusive license irrevocable.^{85.2}

The confluence of state and federal law can be rife with mischief. In one case, the court evaluated transfer of film footage (a material object)^{85.3} under Ohio law, and determined that the absence of essential terms prevented a meeting of the minds^{85.4}—not to mention that the absence of consideration likewise doomed the contract under state law.^{85.5} Turning to a copyright assignment of what was portrayed in the film (an intangible), it apparently reached the same conclusion^{85.6}—notwithstanding that federal law does not necessarily embody those same concepts to validate an assignment,⁸⁶ as has been noted above. This confusion is part of the bigger problem of determining which body of law to consult to interpret copyright grants. As has been observed above in the context of preemption,

⁸² *Id.*

⁸³ See § 2.02[A] *supra* (subject matter of common law copyright). Although an unadorned reference to “copyright” could theoretically point to the small residual body of state law copyright, the model law’s reference in the subject definition to “patents” leaves little doubt that it was purporting to extend its reaches to federal interests.

⁸⁴ Cf. § 6A.02[A][2] *supra* (state law protection of community property).

⁸⁵ See § 1.17[A] *supra*.

^{85.1} *Bitmanagement Software GmbH v. United States*, 989 F.3d 938, 947 (Fed. Cir. 2021) (Treatise quoted). To the contrary is a footnote’s throw-away line in *Foad Consulting Group, Inc. v. Azzalino*, 270 F.3d 821, 828 n.11 (9th Cir. 2001). Given the lack of any cited authority for the stated proposition, and the generally disputed nature of the opinion (discussed *infra*), the footnote’s *dictum* should be discounted: it seems unlikely that the panel majority intended to disagree with all the cases cited in § 10.02[B][5] N 35.1 *supra*. Nonetheless, possible support could be gleaned for its position from *Freedman v. Select Info. Sys., Inc.*, 221 U.S.P.Q. 848 (N.D. Cal. 1983).

^{85.2} *Small Justice LLC v. Xcentric Ventures LLC*, 873 F.3d 313, 314 (1st Cir. 2017) (Treatise quoted). See § 10.02[B][5] *supra*.

^{85.3} See § 10.09 *infra*.

^{85.4} *Raymond G. Schreiber Revocable Trust v. Estate of Knievel*, 984 F. Supp. 2d 1099, 1103–07 (D. Nev. 2013).

^{85.5} *Id.* at 1109–10.

^{85.6} *Id.* at 1109.

⁸⁶ Alternatively, the court rooted its holding in the fact that the grant dealt with pre-1978 material, which was subject to an initial followed by a renewal term. *Id.* at 1108 (even if there had been a valid copyright assignment, it could not apply to the renewal term, “and the first term of the copyright to film footage has now expired”). See §§ 9.02–9.06 *supra*. But that status is inapplicable to *unpublished* works, which have a unitary term of protection rather than the two-terms that apply to published works of that era. See § 9.09[A] *supra*. Unfortunately, the opinion never confronts whether the subject footage portraying Knievel’s daredevil stunts had been published before 1978.

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it remains true that the vast bulk of copyright contractual issues must be resolved under state law, given the silence of the Copyright Act in addressing such issues as what persons are competent to enter into binding contracts (minors, the insane, defunct corporations, etc.), how to construe ambiguous contractual language, and what circumstances warrant rescission of a previously entered contract.^{86.1}

As yet another example, consider a challenge to the effectiveness of the signature requisite to a transfer of copyright ownership.^{86.2} If the erstwhile signator claims that the writing is a forgery, or that he did sign but under circumstances that amount to coercion, it would seem cognizable to apply state law to adjudicate the issue.^{86.3}

What if the work in question is not in existence at the time the transfer is executed? One court upheld a blanket agreement to convey such future works as were "first recorded or first released as an Elvis Presley recording."^{86.4} Another stated that "assignments of copyrights for work yet to be created are commonplace in the entertainment industry and have repeatedly been held enforceable in federal courts."^{86.5} Accordingly, the statement that "a copyright licensing agreement can assign only preexisting copyrights"^{86.6} would appear to be without substance.

Some of the older cases, invoking equity, validated such a future transfer as effective to give the transferee an equitable title in the work upon its creation.⁸⁷ The requirement of adequate consideration in connection with the assignment of an expectancy should therefore be borne in mind.⁸⁸ That circumstance may place limits on the ability to enter into blanket future deals. If a young author agrees, in exchange for a lump sum at present, to convey exclusively all the works he may thereafter create throughout his lifetime, without any time or other limitations, the current consideration may be inadequate; on that basis, that agreement may be argued to be invalid as contrary to public policy.⁸⁹

* * * * *

^{86.1} This quotation derives from § 1.17[A] *supra*. See *Foad Consulting Group, Inc. v. Azzalino*, 270 F.3d 821, 827 (9th Cir. 2001) ("As a general matter, we rely on state law to fill in the gaps Congress leaves in federal statutes.").

^{86.2} See § 10.03[A][1] *supra*.

^{86.3} An example is *Brown v. Ames*, 201 F.3d 654, 662–663 (5th Cir. 2000), cert. denied, 531 U.S. 925, 121 S. Ct. 299, 148 L. Ed. 2d 240 (2000), in which the court applied the standards set forth in Texas law to determine whether a notarized signature was in fact a forgery. In one case, the allegation of forgery was not well pled. See *Opportunity Knocks, Inc. v. Maxwell*, 618 F. Supp. 2d 920, 928 (N.D. Ind. 2009). Instead, the operative complaint only alleged reverse passing off, a cause of action that the court found pre-empted. *Id.* See § 8D.03[A][2][b] *supra*.

^{86.4} *Gladys Music, Inc. v. Arch Music Co.*, 150 U.S.P.Q. 26 (S.D.N.Y. 1966) (*Treatise cited*).

^{86.5} *Contractual Obligation Prods., LLC v. AMC Networks, Inc.*, 546 F. Supp. 2d 120, 127 (S.D.N.Y. 2008).

^{86.6} *Recht v. Metro Goldwyn Mayer Studio, Inc.*, 580 F. Supp. 2d 775, 784 (W.D. Wis. 2008).

⁸⁷ *T. B. Harms & Francis, Day & Hunter v. Stern*, 222 F. 581 (S.D.N.Y. 1915), *aff'd*, 231 F. 645 (2d Cir. 1916); *Buck v. Virgo*, 22 F. Supp. 156 (W.D.N.Y. 1938). See *Bartsch v. Metro-Goldwyn-Mayer, Inc.*, 391 F.2d 150 (2d Cir. 1968); *Rosette v. Rainbow Record Mfg. Corp.*, 354 F. Supp. 1183 (S.D.N.Y. 1973), *aff'd*, 546 F.2d 461 (2d Cir. 1976). See also *Geisel v. Poynter Prods., Inc.*, 295 F. Supp. 331 (S.D.N.Y. 1968); *Speelman v. Pascal*, 10 N.Y.2d 313, 178 N.E.2d 723 (1961).

⁸⁸ See § 9.06[B][2] *supra*.

⁸⁹ See *T. B. Harms & Francis Day & Hunter v. Stern*, 229 F. 42 (2d Cir. 1916), *vacated on other grounds*, 231 F. 645 (2d Cir. 1916).

Combining the permissibility of non-written licenses under copyright law (as long as they are non-exclusive)^{89.1} with the admissibility under certain circumstances of parol evidence to vary the terms of a written agreement^{89.2} yields the conundrum whether parol evidence can vary something not in writing to begin with. That inquiry tied one panel of the Ninth Circuit into knots.^{89.2a} The majority in *Foad Consulting Group, Inc. v. Azzalino* determined that, "while federal law answers the threshold question of whether an implied, nonexclusive copyright license can be granted (it can), state law determines the contract question: whether a copyright holder has, in fact, granted such a license."^{89.3} The court held that the pertinent inquiry should take place under state law only to the extent that state law itself "does not conflict with the Copyright Act."^{89.4} On the facts before it, the majority perceived no such conflict in applying California's parol evidence rule,^{89.5} concluding that plaintiff had granted such an implied license to defendant^{89.6} and that defendant acted within its scope,^{89.7} and hence did not infringe.

^{89.1} See § 10.03[A][7] *supra*.

^{89.2} See § 10.03[A][5] *supra*.

^{89.2a} *Crispin v. Christian Audigier, Inc.*, 839 F. Supp. 2d 1086, 1096 n.4 (C.D. Cal. 2011) (*Treatise quoted*). This case attempts to reconcile past authority by positing that cases declining to find an implied right so ruled when "the licensee was attempting to assign its license in a way that harmed the owner's retained interest in the property," whereas cases upholding an implied right arose against the posture that "the licensee sublicensed others to perform certain work necessary to effectuate the purpose of its own license." *Id.* at 1096. That framework, translated to its own operative circumstances, yielded a disputed issue of fact. *Id.* at 1097.

^{89.3} 270 F.3d 821, 824 (9th Cir. 2001).

^{89.4} *Id.* at 827.

^{89.5} The parties agreed by contract that California law would govern their relationship. *Id.* at 826. The problem is that the contract itself did not address copyright ownership; hence, that aspect had to be interpreted by implication from their conduct.

[N]onexclusive licenses may be granted orally. Thus, if a copyright holder and another have a contract that clearly does not grant the other an exclusive copyright license, in a copyright infringement suit the other may nonetheless introduce nonwritten evidence—such as testimony, course of conduct, and custom and practice—to show that the copyright holder orally granted her a nonexclusive license. Since the Copyright Act itself places no particular emphasis on writings in the case of nonexclusive licenses, we conclude that application of California's parol evidence rule in interpreting a contract that a party purports to have granted an implied copyright license does not conflict with the Act or its underlying policies.

Id. at 828 (footnote omitted).

^{89.6}

If accepted, Foad's claim that although it was hired to create documents for the project, GenCom had no right to use the documents to build the project, would allow architectural or engineering firms to hold entire projects hostage, forcing the owner either to pay the firm off, continue to employ it, or forego the value of all work completed so far and start from scratch. If the client did not want to pay the firm's ransom demand, the client might be willing to incur the costs of starting from scratch. Going back to the drawing board, however, may not be an option where necessary government approvals have already been obtained and the approving authority is unwilling to reconsider the issue, as happened here. Alternatively, the firm's ransom demand might be unreasonable.

Id. at 829 n.12. By contrast, if the architect had explicitly informed the client that usage of the plans would be impermissible absent specified circumstances, then a different conclusion would prevail. *Id.* at 830 n.15, citing *Johnson v. Jones*, 149 F.3d 494, 498 (6th Cir. 1998).

^{89.7} Although the parties entered into a written contract that forbade either party from assigning its rights thereunder without the other's assent, and although defendant did so assign without plaintiff's consent, the court invoked California law, which provides that "contractual provisions against assignment are for the benefit of the vendor only, and in no way affect the validity of an assignment without consent as between the assignor and assignee." 270 F.3d at 831 (internal quotation omitted).

Judge Kozinski strongly disagreed. Without quarreling with the basic proposition that copyright contracts can often be governed by state law,^{89.8} he felt it inapplicable to determining the scope of licenses implied from conduct.^{89.9} The nub of his dispute with the majority concerned its inquiry whether the implied copyright license that it found to exist was nonetheless defeated by parol evidence. In his view, "This makes about as much sense as calculating how high is up."^{89.10} He would reserve for another day the legal question whether parol evidence derived from state law could contradict an express copyright license applicable under federal law.^{89.11} Given that the parties failed to incorporate any terms relating to copyright into their actual contract, he deemed the rule wholly inapplicable to the facts before the court.^{89.12} "There are no words of the cont[r]act that the parol evidence here can be used to interpret or clarify."^{89.13}

[B] Grants Executed Prior to 1978

The ownership of rights asserted after January 1, 1978, will often turn on the validity of grants executed pre-1978. It, therefore, remains important to consider the pre-1978 formalities required in connection with grants of both statutory and common law copyright.

[1] Pre-1978 Grants of Statutory Copyright.

Section 28 of the 1909 Act provided that a copyright might be "assigned, granted, or mortgaged" but that this could be done only "by an instrument in writing signed by the proprietor."⁹⁰ A copyright license, as distinguished from an assignment,⁹¹ could be made orally,⁹² or could be implied from conduct.⁹³ This was true under the 1909 Act of both exclusive and nonexclusive licenses.⁹⁴

^{89.8} *Id.* at 832 (Kozinski, J., concurring).

^{89.9} *Id.*, citing *Effects Assocs.* See § 10.03[A][7] N. 72.1 *supra*. To the same effect is a later First Circuit case. See *Photographic Illustrators Corp. v. Orgill, Inc.*, 953 F.3d 56, 60 (1st Cir. 2020).

^{89.10} 270 F.3d at 833.

^{89.11} *Id.* at 834.

^{89.12} "In such circumstances, it makes no sense at all to talk about parol evidence." *Id.* See § 10.03[A][7] N. 72.1 *supra*.

^{89.13} *Id.* at 834. He continued,

Evidence extrinsic to the contract is, of course, not irrelevant. Because the implied license is derived from the relationship of the parties—which may well extend beyond the contract—it is entirely appropriate to look at any words or conduct that bear on whether a copyright license should be implied. But that is not a question of parol evidence; rather, it goes to whether such a license exists in the first place.

Id.

⁹⁰ *Gardner v. Nizer*, 391 F. Supp. 940 (S.D.N.Y. 1975); *Davenport Quigley Expeditions, Inc. v. Century Prods., Inc.*, 18 F. Supp. 974 (S.D.N.Y. 1937); *Public Ledger v. Post Printing Co.*, 294 F. 430 (8th Cir. 1923). See *Stodart v. Mutual Film Corp.*, 249 F. 507 (S.D.N.Y. 1917), *aff'd*, 249 F. 513 (2d Cir. 1918).

⁹¹ On the distinction between an assignment and a license, see § 10.01[A] *supra*.

⁹² *Hermusic, Ltd. v. Reverse Procedures Corp.*, 254 F. Supp. 502 (S.D.N.Y. 1966) (applicability of the statute of frauds raised but not decided). See *Chappell & Co. v. Frankel*, 285 F. Supp. 798 (S.D.N.Y. 1968) (finding of fact that alleged oral licenses not in fact granted); *De Forest Radio Tel. & Tel. Co. v. Radio Corp.*, 9 F.2d 150 (D. Del. 1925) (a patent case), *aff'd*, 20 F.2d 598 (3d Cir. 1927). Cf. *Snook v. Blank*, 92 F. Supp. 518 (D. Mont. 1948); *Georgie Porgie Co. v. Link*, 332 F. Supp. 638 (S.D.N.Y. 1971); *Johnson v. Salomon*, 197 U.S.P.Q. 801 (D. Minn. 1977), indicating that the statute of frauds may invalidate an oral license not to be performed within one year.

§ 10.03 Transfer Formalities

One case read Section 28 of the 1909 Act in light of the comparable provision of the current Act,^{94.1} and hence, excepted transfers by operation of law from the writing requirement.^{94.2} A later case followed that ruling to hold, under Michigan law, that, upon dissolution of a corporation, its assets revert to the shareholders (according to their respective interests).^{94.3}

[2] Pre-1978 Grants of Common Law Copyright.

Because, by reason of federal pre-emption,⁹⁵ most common law copyrights, as of January 1, 1978, were transmuted into statutory copyrights, it is necessary to determine the identity of the common law copyright owner, upon such pre-emption date, in order to determine who succeeded to statutory copyright ownership.⁹⁶ This inquiry, in turn, requires an examination of the formalities, if any, required to effectuate a transfer of common law copyright ownership pre-1978. Prior to the 1978 pre-emption, a common law copyright was capable of assignment so as to completely divest the author of his rights,⁹⁷ without the necessity of observing any formalities.^{97.1} After such an assignment, the author became a stranger to the copyright and might himself become an infringer, if he wrongfully used the assigned work.⁹⁸ Such an assignment might be oral⁹⁹ or implied from conduct.¹⁰⁰ But payment of royalties is conduct that is as consistent with a license as it is with an assignment; by itself, it therefore does not imply an assignment.^{100.1}

⁹³ *McKay v. Columbia Broadcasting Sys., Inc.*, 324 F.2d 762 (2d Cir. 1963); *Hemingway v. Random House, Inc.*, 23 N.Y.2d 341, 296 N.Y.S.2d 771 (1968) (common law copyright). See *Foreign Car Parts, Inc., of New England v. Auto World, Inc.*, 366 F. Supp. 977 (M.D. Pa. 1973) (explicit declaration of intent not required); *Dane v. M. & H. Co.*, 136 U.S.P.Q. 426 (Sup. Ct. N.Y. County 1963).

⁹⁴ *Mason v. Jamie Music Publ'g Co.*, 658 F. Supp. 2d 571, 580 n.22 (S.D.N.Y. 2009) (Treatise quoted); *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27 (2d Cir. 1982) (Treatise cited). For other judicial glosses relating to assignments under the 1909 Act, see § 10.03[A] *supra*.

^{94.1} 17 U.S.C. § 204(a).

^{94.2} See *Fantasy, Inc. v. Fogerty*, 664 F. Supp. 1345 (N.D. Cal. 1987), *aff'd*, 984 F.2d 1524 (9th Cir. 1993), *rev'd on other grounds*, 510 U.S. 517 (1994).

^{94.3} See *Gomba Music, Inc. v. Avant*, 62 F. Supp. 3d 632, 640–42 (E.D. Mich. 2014) (allowing individual to substitute in as party plaintiff for defunct company he formerly owned as sole proprietor).

⁹⁵ See § 1.14[B] *supra*. To the extent that common law copyright, in some works, survived such pre-emption (see § 2.02[B] *supra*), what is said in the text remains true of grants of common law copyright made after January 1, 1978.

⁹⁶ *Roth v. Pritikin*, 710 F.2d 934 (2d Cir. 1983) (Treatise quoted), *cert. denied*, 464 U.S. 961, 104 S. Ct. 394, 78 L. Ed. 2d 337 (1983).

⁹⁷ But as to the author's renewal rights if his assignee obtains a statutory copyright, see § 9.03[C] *supra*.

^{97.1} *Urantia Found. v. Maaherra*, 114 F.3d 955, 960 (9th Cir. 1997) (Treatise cited).

⁹⁸ *Kortlander v. Bradford*, 116 Misc. 664, 190 N.Y.S. 311 (Sup. Ct. Westchester County 1921).

⁹⁹ *Jim Henson Prods., Inc. v. John T. Brady & Assocs., Inc.*, 16 F. Supp. 2d 259, 284 (S.D.N.Y. 1997) (Treatise cited); *Jerry Vogel Music Co. v. Warner Bros., Inc.*, 535 F. Supp. 172 (S.D.N.Y. 1982); *Freudenthal v. Hebrew Publishing Co.*, 44 F. Supp. 754 (S.D.N.Y. 1942); *M. Witmark & Sons v. Calloway*, 22 F.2d 412 (E.D. Tenn. 1927); *Callaghan v. Myers*, 128 U.S. 617, 9 S. Ct. 177, 32 L. Ed. 547 (1888). See *Van Cleef & Arpels, Inc. v. Schechter*, 308 F. Supp. 674 (S.D.N.Y. 1969) (Treatise cited); *O'Neill v. General Film Co.*, 171 A.D. 854, 157 N.Y.S. 1028 (1st Dep't 1916).

¹⁰⁰ *TCA Television Corp. v. McCollum*, 839 F.3d 168, 188 (2d Cir. 2016) (Treatise cited), *cert. denied*, 137 S. Ct. 2175 (2017); *Dave Grossman Designs, Inc. v. Bortin*, 347 F. Supp. 1150 (N.D. Ill. 1972) (Treatise cited). See *Jerry Vogel Music Co. v. Warner Bros., Inc.*, 535 F. Supp. 172 (S.D.N.Y. 1982); *Hemingway v. Random House, Inc.*, 23 N.Y.2d 341, 296 N.Y.S.2d 771 (1969);

The question arises whether conveyance of a material object suffices to transfer the common law copyright in the work.¹⁰¹ Putting aside a variant rule applicable under certain circumstances to the sale of fine art,¹⁰² it has been held that delivery of a manuscript suffices for that purpose—so long as the intent to pass title in the common law copyright is likewise present.¹⁰³ In fact, the purported assignee's mere possession of a manuscript has been held sufficient evidence of an assignment as against a third party who did not claim through the author.¹⁰⁴ As an evidentiary matter, that inference is particularly apt when, over an extended period, the author and other interested parties have acquiesced in the putative assignee's ownership.^{104.1} Nonetheless, the question in all instances would seem to be one of intent^{104.2}—to the extent that circumstances arise in which even long adverse possession fails to warrant the inference that the author intended to transfer his common law copyright, no transfer occurred.^{104.3}

Van Cleef & Arpels, Inc. v. Schechter, 308 F. Supp. 674 (S.D.N.Y. 1969); Dane v. M. & H. Co., 136 U.S.P.Q. 426 (N.Y. Sup. Ct. 1963).

^{100.1} Jim Henson Prods., Inc. v. John T. Brady & Assocs., Inc., 16 F. Supp. 2d 259, 289 (S.D.N.Y. 1997) (Treatise cited); Van Cleef & Arpels, Inc. v. Schechter, 308 F. Supp. 674 (S.D.N.Y. 1969).

¹⁰¹ The question currently under examination is limited to common law copyright. As will be explicated, in that setting one may conclude that no written transfer of copyright ownership is required when “an uncopyrighted painting was sold to plaintiffs with a transfer of all rights.” Peter Pan Fabrics, Inc. v. Rosstex Fabrics, Inc., 733 F. Supp. 174, 177 (S.D.N.Y. 1990). Nonetheless, because the work in suit in that case evidently originated in 1985, see *id.* at 175, it was governed at creation by statutory copyright, notwithstanding its creation abroad. Accordingly, the court's reference to “an uncopyrighted painting” is in error; that case should be adjudicated under the rules applicable to statutory copyright. Replicating that error is Lida, Inc. v. Texollini, Inc., 768 F. Supp. 439, 442–443 (S.D.N.Y. 1991).

¹⁰² In New York and California, delivery of a work of “fine art” did not thereby convey the common law copyright therein, absent an express written instrument. See § 10.09[B][2] *infra*. Indeed, it is arguable that the New York and California statutes required a written instrument in order to convey common law copyright in a work of fine art, regardless of whether there was an accompanying transfer of the physical object in which copyright inhaled.

¹⁰³ Siegel v. Warner Bros. Entm't Inc., 658 F. Supp. 2d 1036, 1087 (C.D. Cal. 2009) (Treatise quoted). “It is not necessary that an author, selling a manuscript to a magazine, should do so by a written bill of sale. Delivery of it with the intention of passing title is quite sufficient.” Atlantic Monthly Co. v. Post Publishing Co., 27 F.2d 556, 558–559 (D. Mass. 1928).

¹⁰⁴ Urantia Found. v. Maaherra, 114 F.3d 955, 960 (9th Cir. 1997) (Treatise cited). See Houghton Mifflin Co. v. Stackpole Sons, Inc., 104 F.2d 306 (2d Cir. 1939); Gerlach-Barklow Co. v. Morris & Bendien, Inc., 23 F.2d 159 (2d Cir. 1927); O'Neill v. General Film Co., 171 A.D. 854, 157 N.Y.S. 1028 (1916).

^{104.1} Urantia Found. v. Maaherra, 114 F.3d 955, 960 (9th Cir. 1997) (Treatise quoted); Urantia Found. v. Burton, 210 U.S.P.Q. 217 (W.D. Mich. 1980). Long ago, the Supreme Court obliquely inclined towards this position, in rejecting a defense that a married authoress could not convey rights absent her husband's assent—“as the proof showed that the authoress from time to time settled with the owners of the copyright for her royalties, the court [below] would presume that her legal title as the author of the books was in some due and proper manner conveyed to and vested in the persons who secured the copyright thereof; and that acquiescence for so many years, by all the parties, in that claim of proprietorship in the copyright, was enough to answer the suggestion of the husband's possible marital interest in his wife's earnings. This is, we think, a sound view.” Belford, Clarke & Co. v. Scribner, 144 U.S. 488, 504, 12 S. Ct. 734, 36 L. Ed. 514 (1892).

^{104.2} Absent such intent, courts deem no transfer of common law copyright to have taken place. See Kinelow Publishing Co. v. Photography in Business, Inc., 270 F. Supp. 851 (S.D.N.Y. 1967). Indeed, one early decision suggested that the absence of a written assignment may create an inference that the purported assignee never believed that he was obtaining a valid assignment. Martinetti v. Maquire, 16 F. Cas. 920, No. 9173 (C.C. Cal. 1867).

^{104.3} Often, intent will be apparent, even if not express. In Houghton Mifflin Co. v. Stackpole Sons, Inc., 104 F.2d 306 (2d Cir. 1939), for example, the author in question was Adolf Hitler, who, although he did not formally assign *Mein Kampf*, certainly acquiesced in its exploitation. “[T]his book, in view of the powerful position of the author as Reichsfuehrer and Chancellor of the German Reich, could not be so widely distributed in Germany as it now is if the publishers had not the right to do so.” *Id.* at 311. By contrast, if author A submits a story to editor E at a magazine for consideration (or as a writing sample); E rejects it for

Although no case expressly so holds, it appears that an assignment of common law copyright was not within the Statute of Frauds.¹⁰⁵ In several cases in which the issue was raised in the context of common law copyright or implied contract for disclosure of an idea, the courts disposed of the issue on an estoppel theory without ruling that the Statute was in any event applicable.¹⁰⁶ In others, the courts side-stepped the inquiry.¹⁰⁷ Nonetheless, one case invalidated an oral agreement to pay royalties to three musicians, in connection with their recorded performances, on the basis that it was of unlimited duration and therefore invalid under the Statute of Frauds.¹⁰⁸

[C] The Significance of Notarization or Other Certificate of Acknowledgment

An instrument of conveyance, transferring ownership of copyright, is perfectly valid, although it has not been notarized or otherwise acknowledged.¹⁰⁹ There is, nevertheless, some value in obtaining such an acknowledgment. A certificate of acknowledgment will constitute *prima facie* evidence of the execution of the transfer.¹¹⁰ In order to constitute such *prima facie* evidence, in the case of a transfer executed in the United States, such certificate must be issued by a notary or other person authorized to administer oaths within the United States.¹¹¹ If the transfer was executed in a foreign country, such certificate will constitute *prima facie* evidence of execution, only if it is issued by a diplomatic or consular officer of the United States, or by a person authorized to administer oaths whose authority is proved by a certificate of such a diplomatic or consular officer.¹¹²

The 1909 Act had no comparable provision for acknowledgment in the case of transfers executed in the United States. However, Section 29 of the 1909 Act, in the case of assignments executed in a foreign country, by its terms, required acknowledgment by a consular officer or secretary of legation of the United States authorized by law to administer oaths. It further provided that such a certificate of acknowledgment constituted *prima facie* evidence of execution of the instrument. Although the requirement of such acknowledgment was stated in

publication but retains the copy; E waits decades until A is dead; and then E publishes it under a purported grant from A, there is scant reason to credit the necessary ingredient of A's intent to convey copyright ownership.

¹⁰⁵ Siegel v. Warner Bros. Entm't Inc., 658 F. Supp. 2d 1036, 1070 n.14 (C.D. Cal. 2009) (Treatise quoted). See Hemingway v. Random House, Inc., 23 N.Y.2d 341, 296 N.Y.S.2d 771 (1969); Van Cleef & Arpels, Inc. v. Schechter, 308 F. Supp. 674 (S.D.N.Y. 1969); Dave Grossman Designs, Inc. v. Bortin, 347 F. Supp. 1150 (N.D. Ill. 1972) (Treatise cited); Epoch Producing Corp. v. Killiam Shows, Inc., 522 F.2d 737 (2d Cir. 1975) (assignment of common law copyright need not be in writing), cert. denied, 424 U.S. 955, 96 S. Ct. 1429, 47 L. Ed. 2d 360 (1976). Cf. Marvin Worth Prods. v. Superior Films Corp., 319 F. Supp. 1269 (S.D.N.Y. 1970). Reference may also be had to patent cases. See Dalzell v. Dueber Watch Case Mfg. Co., 149 U.S. 315, 13 S. Ct. 886, 37 L. Ed. 749 (1893); Obear-Nester Glass Co. v. Lax & Shaw, Ltd., 11 F.2d 240 (8th Cir. 1926).

¹⁰⁶ Kurlan v. Columbia Broadcasting Sys., Inc., 40 Cal. 2d 799, 256 P.2d 962 (1953). See Skirball (Gold Seal Prods., Inc.) v. R.K.O. Radio Pictures, 134 Cal. App. 2d 843, 286 P.2d 954 (1955).

¹⁰⁷ For instance, Hermusic, Ltd. v. Reverse Producers Corp., 254 F. Supp. 502 (S.D.N.Y. 1966), found that, in fact, no license had been granted.

¹⁰⁸ Dukes of Dixieland v. Audio Fidelity, Inc., 19 A.D.2d 872, 244 N.Y.S.2d 178 (1st Dep't 1963).

¹⁰⁹ 17 U.S.C. § 204(b).

¹¹⁰ *Id.*

¹¹¹ 17 U.S.C. § 204(b)(1).

¹¹² 17 U.S.C. § 204(b)(2). See S.S. Enters. v. India Sari Palace, Inc., 1983 Copyright L. Dec. (CCH) ¶ 25,527 (S.D.N.Y. 1983).

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absolute terms, it was held that its absence would not invalidate an assignment, but that without such a certificate of acknowledgment, the benefit of a *prima facie* presumption of execution was lost.¹¹³

[D] Transfers Executed Abroad

Consider the following hypothetical; A Japanese national writes a song in 1980, and in the same year, grants all right, title and interest in the composition to a Japanese publishing house. The transfer, which is made orally, applies in perpetuity to the copyright throughout the world. We have already seen that United States copyright law requires assignments and other exclusive grants to be executed in writing.¹¹⁴ For purposes of the country in which both contracting parties resided, and in which the contract was executed, by contrast, an oral grant suffices.¹¹⁵ The question therefore arises as to who would prevail in United States district court, assuming litigation between the Japanese songwriter and Japanese publishing house, both of whom concede that an oral grant had been made in Japan.

On the one hand, given that United States copyrights are creatures wholly of United States statute, one could conclude that the Japanese publishing house has failed to comply with U.S. formalities sufficient to exploit a United States copyright of the Japanese-authored musical composition.¹¹⁶ On the other hand, such a result clearly frustrates the expectation of both contracting parties acting under the only legal system that either considered relevant at the moment of their transaction. This vexing scenario is explored elsewhere in this treatise, in the context of international copyright in general.¹¹⁷

In the context of restored copyrights, Congress has selected the law of the source country (Japan, in the foregoing scenario) as decisive in determining ownership, at least "initially."¹¹⁸ Nonetheless, that legislative determination does not mandate adoption of parallel reasoning¹¹⁹ outside the sphere of copyrights restored from the public domain.¹²⁰ Neither does the TRIPs enterprise in general—for which purpose restored copyrights were legislated¹²¹—provide any easy answer to the hypothetical that launched this discussion.¹²²

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¹¹³ *Houghton Mifflin Co. v. Stackpole Sons, Inc.*, 104 F.2d 306 (2d Cir. 1939), modified, 113 F.2d 627 (2d Cir. 1940) (see same case at 40 F. Supp. 975 (S.D.N.Y. 1941)).

¹¹⁴ See § 10.03[A][1] *supra*.

¹¹⁵ See Doi, "Japan," § 4[2][b], *International Copyright Law and Practice* (1989).

¹¹⁶ The fact that Congress has specified evidentiary criteria for contracts executed abroad supports that construction. See § 10.03[C] *supra*.

¹¹⁷ See § 17.11 *infra*. See also the discussion of *Ikar-Tass Russian News Agency v. Russian Kurier, Inc.*, 153 F.3d 82 (2d Cir. 1998), in § 17.05[B] *infra*.

¹¹⁸ See § 9A.04[B][2][a] *supra*.

¹¹⁹ Note the parallel issue concerning how to construe the work for hire doctrine in the case of works created abroad. See § 5.03[B][1][c] *supra*.

¹²⁰ See § A.03[B] *supra* (later Congress cannot illuminate intent of earlier one).

¹²¹ See § 18.06[C] *infra*.

¹²² Although NAFTA allows free alienability of copyrights, TRIPs negotiators "resisted strong United States efforts to include it (and thereby override civil law author's rights provisions that reject certain rights transfers, or limit the remuneration right if transfers of rights are made)." R. Neff and F. Smallson, *NAFTA: Protection and Enforcing Intellectual Property Rights in North America* 34 (1994). See § 18.07 *infra*.

EXHIBIT C

3 Nimmer on Copyright § 10.04

Nimmer on Copyright > **CHAPTER 10 Assignments, Licenses, and Other Transfers of Rights**

§ 10.04 Involuntary Transfers

Section 201(e) of the Copyright Act contains a curious provision invalidating involuntary transfers. It provides that “no action by any governmental body or other official or organization purporting to seize, expropriate, transfer, or exercise rights of ownership with respect to [an author’s] copyright, or any of the exclusive rights under a copyright, shall be given effect under this title.” This prohibition is applicable only if “an individual author’s ownership of a copyright, or of any exclusive rights under a copyright, has not previously been transferred voluntarily by that individual author. ...”¹

The stated purpose of this prohibition was to “protect foreign authors against laws and decrees purporting to divest them of their rights under the United States copyright statute, and would protect authors within the foreign country who choose to resist such covert pressures.”² More particularly it was feared³ that the Soviet Union, by its accession to the Universal Copyright Convention on February 27, 1973, would be enabled to enforce censorship in the United States of the works of its dissident authors through the device of seizing the ownership of such works, and then by enforcing the American copyright therein, enjoin any public distribution within the United States.^{3.1}

Notwithstanding the fear that has just been ventilated, there is no evidence that the Soviet Union attempted any such indirect censorship beyond its borders even prior to January 1, 1978, when Section 201(e) became effective. Even if such an attempt were made, the terms of the Universal Copyright Convention would not have required recognition by American courts of the validity of such a Soviet seizure,^{3.2} so that Section 201(e) was probably unnecessary in order to effectuate its stated purpose. Of even greater irony is that, with the demise of the “evil empire,” the Soviet Union is no more, but Section 201(e) lives on.^{3.3}

One of the rare cases^{3.4} to construe Section 201(e) arose out of complex litigation involving musician George Clinton.⁴ The famous band leader of the Funkadelics hired Hendricks & Lewis to represent him in various disputes;

¹ Thus, presumably such seizure, expropriation, etc., is not prohibited as against an assignee or licensee of an individual author, provided such assignment or license was consensual. See *Herbert v. U.S.*, 32 Fed. Cl. 293, 297 (Fed. Cl. 1994).

² H. Rep., p. 124.

³ See remarks of Senator John L. McClellan, 119 Cong. Rec. S5613–S5614 (daily ed., March 26, 1973).

^{3.1} *Hendricks & Lewis PLLC v. Clinton*, 766 F.3d 991 (9th Cir. 2014) (paragraph of Treatise quoted).

^{3.2} See § 17.11[B][5] *infra*.

^{3.3} It is worth noting, though, that the post-Soviet Russian government has attempted its own form of copyright expropriation. See *Films by Jove, Inc. v. Berov*, 341 F. Supp. 2d 199, 204 (E.D.N.Y. 2004).

^{3.4} Another case considers it briefly. See *Small Justice LLC v. Xcentric Ventures LLC*, 99 F. Supp. 3d 190 (D. Mass. 2015). The author of a posting arguably conveyed only a non-exclusive license to a website, not a transfer of copyright ownership. *Id.* at 198. See § 10.03[A][1][b] *supra*. A party who sued that person for libel obtained an order from the Suffolk Superior Court to transfer all rights in and to ownership of that copyright to him. 99 F. Supp. 3d at 194. The case held that a governmental body could not divest the individual author of ownership (on the assumption that he had not previously transferred it). *Id.* at 199.

⁴ See *Hendricks & Lewis PLLC v. Clinton*, 766 F.3d 991 (9th Cir. 2014).

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after he paid \$1 million of his \$3.3 million bill, the law firm received an arbitration award against him.^{4.1} It enforced the award in district court, which appointed a receiver with authority to sell Clinton's copyrights.^{4.2} The 72-year old musician then appealed the financial "stranglehold" that prevented him from touring.^{4.3} The Ninth Circuit applied the Federal Rules by looking to Washington state law on execution of judgments.^{4.4} Addressing Clinton's challenge rooted in Section 201(e),^{4.5} it held that provision inapplicable^{4.6} on the basis that Clinton himself had voluntarily transferred his copyright in the past.^{4.7} Given no abuse of discretion in appointing a receiver to sell ownership of the copyrights, the district court's order won affirmance.^{4.8}

Another case to consider this statutory provision arose under highly unusual circumstances. Plaintiff National Abortion Federation filed suit after defendants attended its annual meeting, using aliases to surreptitiously record conversations regarding use of fetal tissues.^{4.9} The complaint alleged breach of the contract requiring confidentiality to which defendant had agreed.^{4.10} After the jury ruled for plaintiff,^{4.11} defendant contended that the court lacked authority to impose a permanent injunction^{4.12} against exploitation of those sound recordings^{4.13} on the basis that

^{4.1} *Id.* at 993.

^{4.2} The firm's efforts garnered \$340,000 of the \$1.6 million owed. *Id.* at 994. The resulting order specified, "Notwithstanding the Court's preference for returning the recordings and copyrights to [Clinton] after his debts are satisfied, the Receiver has the authority to sell or permanently dispose of any or all of the master sound recordings." *Id.* at 995.

^{4.3} *Id.* at 993. In a separate action, Clinton lost his malpractice claim, a ruling affirmed by the Ninth Circuit. *Id.* at 994 & n.1.

^{4.4} *Id.* at 996, apply Rule 69(a), Fed. R. Civ. P. It then looked at an old patent case that applied federal common law to execute a patent assignment to satisfy a judgment. See *Ager v. Murray*, 105 U.S. 126, 26 L. Ed. 942 (1881).

^{4.5} Separately, Clinton argued that the assignment derogated his inalienable right to terminate. See *Chap. 11 infra*. The Ninth Circuit declined to consider an argument advanced for the first time on appeal. *766 F.3d at 997–98*.

^{4.6} A threshold issue was whether Clinton qualified as an author in the copyright sense, such that he could even invoke Section 201(e). The opinion dodged that aspect. *Id.* at 998 ("We need not resolve the authorship dispute here, however, because § 201(e) is of no help to Clinton whether or not he is the author of the Masters."). That aspect reflects an amendment upon rehearing. Initially, the panel issued a ruling in which it affirmatively determined that Clinton failed to qualify as an "author" of the Masters in question. *755 F.3d 1077 (9th Cir. 2014)*. It reached that conclusion by construing the contract language in light of copyright law's work for hire doctrine, according presumptive validity to the works' registration under that category. *Id.* at 1083–84. See §§ 5.03 supra; 12.11[A] infra. The amended opinion excises that entire discussion. *766 F.3d at 998*.

^{4.7}

Section 201(e) protection does not apply where a copyright was previously "transferred voluntarily by that individual author." There is no question that Clinton transferred any interest that he had in the Masters to Warner Bros., and, as part of a settlement arising from unrelated litigation, Warner Bros. subsequently agreed to transfer ownership back to Clinton. These voluntary transfers are a sufficient basis for rejecting Clinton's argument that he enjoys § 201(e) protection as the author of the master sound recordings.

Id. at 998.

^{4.8} *Id.* at 999.

^{4.9} See *National Abortion Fed'n v. Center for Med. Progress*, 533 F. Supp. 3d 802, 807 (N.D. Cal. 2021).

^{4.10} Defendant's goal was "to expose abortion providers that allegedly sold aborted fetal tissue for profit in violation" of governing law. *Id.* at 807.

^{4.11} *Id.* at 809 (\$49,360 in damages).

^{4.12} See § 14.06[B] infra.

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this remedy would amount to an involuntary transfer under Section 201(e). The argument failed—defendant had already voluntarily relinquished rights in that material when agreeing to the initial contracts with the federation.^{4.14}

By its terms Section 201(e) is not limited to acts by governmental bodies and officials.^{4.15} It includes acts of seizure, etc., by any “organization” as well.^{4.16} It is, moreover, not limited to such acts by foreign governments, officials, and organizations. This raises the question of its possible impact on domestic transactions such as attachments pursuant to judicial proceedings, the rights of unpaid sellers to reclaim property, etc. The House Report states that Section 201(e) would not inhibit transfers of ownership pursuant to proceedings in bankruptcy and mortgage foreclosures, because in such cases the author, by his overt conduct in filing in bankruptcy,⁵ or hypothecating a copyright, has consented to such a transfer.⁶ Similarly, it may be concluded that the transfer of rights from employee to employer in a for hire relationship is not precluded as this is based upon a rebuttable presumption of consent from the employee.⁷ This appears to mean, however, that although Section 201(d)(1) provides that a transfer of ownership of copyright may be effectuated by “operation of law” rather than by “conveyance,” such operation of law must be triggered by the express or implied consent of the author.⁸ Thus, there can be no transfer by operation of law through adverse possession, in which the consent of the copyright owner is overcome through actual, open, notorious, exclusive control hostile to the copyright owner’s interests.^{8.1}

That House Report rationale would not be applicable to involuntary bankruptcies. To allow for this contingency, the very first alteration to the current Act⁹ amended Section 201(e) to make the prohibition on involuntary transfers applicable “except as provided under title 11.” Title 11, of course, contains the federal Bankruptcy Act, including its involuntary bankruptcy provisions.¹⁰ A separate chapter of this treatise exhaustively analyzes the bankruptcy

^{4.13} See § 2.10[A] supra. An intriguing side issue in this case is whether “recordings made in violation of a contract can be copyrighted when but-for the breach (established here) the recordings could not have been made.” 533 F. Supp. 3d at 818. The court did not need to resolve that issue, given its rejection of the Copyright Act defense discussed next.

^{4.14} Id. at 818. The opinion also limited Section 201(e) to governmental action. Id. at 818. That construction is more problematic, for the reasons discussed next in the text.

^{4.15} In Association of Am. Medical Colleges v. Carey, 728 F. Supp. 873, 884 n.7 (N.D.N.Y. 1990), rev’d, 928 F.2d 519 (2d Cir. 1991), the court did not reach plaintiff’s challenge that the New York’s Standardized Testing Act constituted an impermissible expropriation.

^{4.16} Authors Guild v. Google, Inc., 770 F. Supp. 2d 666, 681 (S.D.N.Y. 2011) (Treatise quoted). The judge called this issue “a troubling one” which “I need not decide,” given the manner in which it arose by the parties seeking court approval for a class action settlement. See § 20.03[D][2] infra.

⁵ See, e.g., Mills Music, Inc. v. Snyder, 469 U.S. 153, 157, 105 S. Ct. 638, 83 L. Ed. 2d 556 (1985) (transfer, from trustee in bankruptcy, part of copyright chain of title).

⁶ H. Rep., p. 124.

⁷ See § 5.03[D] supra. See also § 6A.03[B] supra discussing In re Marriage of Worth, 195 Cal. App. 3d 768, 241 Cal. Rptr. 135 (1987), and community property as a transfer of copyright ownership as a matter of law.

⁸ Brooks v. Bates, 781 F. Supp. 202, 205 (S.D.N.Y. 1991) (Treatise quoted); Rodrique v. Rodrique, 55 F. Supp. 2d 534, 543 (E.D. La. 1999) (Treatise quoted), rev’d on other grounds, 218 F.3d 432 (5th Cir. 2000), cert. denied, 532 U.S. 905, 121 S. Ct. 1227, 149 L. Ed. 2d 137 (2001).

^{8.1} Advance Magazine Publishers, Inc. v. Leach, 466 F. Supp. 2d 628, 636 & n.3 (D. Md. 2006). See § 12.05[C][1] infra.

⁹ Act of Nov. 6, 1978, Pub. L. 95-598, 92 Stat. 2676. See David Nimmer, Codifying Copyright Comprehensibly, 51 U.C.L.A. L. Rev. 1233, 1300 (2004).

¹⁰ See In re Peregrine Entm’t, Ltd., 116 B.R. 194, 205 n.16 (Bankr. C.D. Cal. 1990) (Treatise cited).

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implications of copyright law.¹¹ For the nonce, suffice it to say that bankruptcy courts may validly effectuate a transfer of copyright ownership.¹²

In addition, corporate mergers, dissolutions, and the like may fall within the reference to transfers by “operation of law.”¹³ Particularly in the wake of corporate liquidations, the policy should be borne in mind that at least one remaining entity or individual should be accorded the right to sue for infringement, lest the copyright be rendered worthless.¹⁴

Nimmer on Copyright
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¹¹ See *Chap. 19A infra*.

¹² *Taylor Corp. v. Four Seasons Greetings, LLC*, 403 F.3d 958, 963 (8th Cir. 2005) (Treatise cited).

¹³ See *Taylor Corp. v. Four Seasons Greetings, LLC*, 403 F.3d 958, 963–964 (8th Cir. 2005) (collecting cases). Note that the bankruptcy court decree there at issue was held adequate, even though it did not use the word “copyright.” *Id. at 964*.

¹⁴ *Id. at 964 n.3*.