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Copyrights/Joint Authorship

Unilateral Alienability of Coauthored Works In Flux Following Recent Ninth Circuit Ruling

■ **Development:** A recent Ninth Circuit opinion attempting to clarify an often-criticized ruling on a coauthor's ability to unilaterally alienate her rights in a copyrighted work only further muddies the issue, a practitioner says.

On Feb. 10, a two-judge majority on a Ninth Circuit panel sought to distinguish its opinion from the frequently criticized 2008 ruling in *Sybersound*, where the court held that one co-owner of a copyright could not unilaterally grant an exclusive right in that copyright to a third party.

But whereas in *Sybersound* the court deemed the attempted transfer insufficient and held that the third party lacked standing to sue for infringement, the majority in *Corbello* reversed the district court's determination—which relied heavily on *Sybersound*—that the agreement resulted in a “selective exclusive license.” Rather, the agreement resulted in a transfer of the co-owner's derivative-work right, *Corbello* held. In fact, *Sybersound* is about standing only, the majority argued.

A concurring opinion, which was authored by a judge from the Second Circuit, noted that *Sybersound* has been broadly criticized, but said that it nonetheless applied here. A practitioner that spoke with Bloomberg BNA agreed that, if the majority's goal was to clarify *Sybersound*, it may have come up short.

“I think it very much confused *Sybersound*,” Graham L. Day of Polsinelli P.C., St. Louis, said. “I think that the *Sybersound* decision should have applied and the court should have found that this was a nonexclusive license.”

Ripe for Review. *Corbello*'s failure to apply—and attempt to distinguish—*Sybersound* leaves practitioners in flux in the Ninth Circuit when it comes to drafting a transfer or license agreement on behalf of a single co-owner of a copyright, Day said.

“This case actually may be ripe for an en banc hearing so the Ninth Circuit has a chance to clarify the confusion,” Day said.

Because as it stands right now, it is very unclear as to whether a co-owner can transfer an ownership interest in an exclusive license without his or her other co-owners. *Corbello* would certainly suggest that one can, and *Sybersound* would certainly suggest that one can't.

Biographer's Widow Sues Over 'Jersey Boys.' The contract at issue in *Corbello v. DeVito*, 2015 BL 33487 (9th Cir. 2015) (89 PTCJ 973, 2/13/15), was a 1999 agreement between one former member of the Four Seasons, Thomas DeVito, and two of his former bandmates, Frankie Valli and Bob Gaudio. The latter two were granted the “exclusive right to use” all aspects of DeVito's life to develop a musical about the band. The authorization expressly extended to “biographies.”

The resulting musical, “Jersey Boys,” premiered in 2005 to critical acclaim.

The problem for DeVito, and ultimately for Valli, Gaudio and the rest of the producers of the show as well, was that an unpublished biography in fact existed when the agreement was signed. It was ghost written by journalist Rex Woodard pursuant to an agreement stating that Woodard and DeVito would evenly split proceeds from the book. Woodard died in 1991. Soon thereafter, DeVito had the work registered in his name only with the Copyright Office.

Woodard's widow and heir Donna Corbello filed suit in 2010, asserting claims of infringement and inequitable accounting. Corbello also had the Copyright Office amend the certificate of work to include Woodard as coauthor in 2006.

The district court, relying on *Sybersound*, determined that the 1999 agreement granted the producers DeVito's “selectively exclusive license” to use the work. Because the producers of the play had a valid license to use the work, there could be no infringement, the district court held.

The Ninth Circuit disagreed, determining that the 1999 agreement constituted a transfer of ownership in the work from DeVito to the producers.

Why It Matters Generally, Why It Mattered Here. Valli and Gaudio, in arguing that the 1999 agreement was a license and not a transfer, claimed that *Sybersound* prohibited DeVito from transferring his right without the coauthor's permission.

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—GRAHAM L. DAY, POLSINELLI

Day explained why the parties were arguing about whether the agreement resulted in a nonexclusive license or a transfer.

“Generally it matters because the owner of an exclusive license or an assignment of a copyright has a lot

more in the way of rights when it comes to enforcing the copyright,” Day said. “Whereas when it comes to a nonexclusive licensee, they have a very limited right to use that copyright and exploit it.”

That being said, here Valli and Gaudio were advocating for an interpretation of the agreement that vested them with limited rights. Day said:

For purposes of *Corbello*, the distinction mattered because had Valli and Gaudio been held to be nonexclusive licensees, then effectively Corbello would have had no rights to proceed against them because they would have been non-exclusive licensees of DeVito. So the only obligation at that point would be for [DeVito] to account to Corbello. But by virtue of Valli and Gaudio becoming putative co-owners of an exclusive license, suddenly they stood in the shoes of DeVito and Corbello had a right against them for accounting.

Why It Mattered in Sybersound. Judge Diarmuid F. O’Scannlain said that the argument that DeVito’s agreement with his former bandmates could only be a license “stretches *Sybersound*’s holding too far.”

O’Scannlain would presumably know, as he was one of the judges on the panel that decided *Sybersound Records Inc. v. UAV Corp.*, 517 F. 3d 1137, 86 U.S.P.Q.2d 1065 (9th Cir. 2008) (75 PTCJ 503, 3/14/08). To distinguish *Corbello*, he relied on old jurisprudence as well as the plain language and perceived intent behind various provisions of the Copyright Act.

First, the court detailed a number of pre-*Sybersound* Ninth Circuit decisions that recognized that a copyright holder’s six exclusive rights, or any portions thereof, can, under 17 U.S.C. § 201(d), be parceled out in any manner that the copyright owner chooses.

“In short, we made clear prior to *Sybersound* that copyrights are divisible and that a copyright owner can freely transfer any portion of his ownership interests in that copyright; after all, the plain language of § 201(d) commands as much,” the majority said.

Turning to *Sybersound*, the majority noted that there it had been dealing with a situation where multiple entities had owned the copyright to nine songs. One of those owners had attempted to transfer to *Sybersound* the right to use those songs for karaoke, and *Sybersound* later filed an infringement lawsuit against third party competitors.

“We held that when one co-owner independently attempts to grant an exclusive license of a particular copyright interest, that licensee—in this case, *Sybersound*—does not have standing to sue alleged third-party infringers,” the majority said. The court noted that *Sybersound*’s holding was premised on the fact that one co-owner of a copyright cannot unilaterally limit the other co-owners’ independent rights to exploit the work. O’Scannlain said:

Such a conclusion stems from the self-evident principle that a joint-owner cannot transfer more than he himself holds; thus, an assignment or exclusive license from one joint-owner to a third party cannot bind the other joint-owners or limit their rights in the copyright without their consent. In other words, the third party’s right is “exclusive” as to the assigning or licensing co-owner, but not as to the other co-owners and their assignees or licensees. As such, a third-party assignee or licensee lacks standing to challenge the attempted assignments or licenses of other copyright owners.

The court then noted that 17 U.S.C. § 501, which governs infringement actions under the Copyright Act, al-

lows only the owner of an “exclusive right” to sue for infringement. “If an ‘exclusive right’ could only be possessed by a sole owner of a copyright, a co-owner would be unable to bring an infringement action to protect his interest,” the court said.

“[T]he better view of the word ‘exclusive,’ in the context of Section 201 of the Copyright Act, is not that it means ‘only,’ but rather that it means ‘the right to exclude.’

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“Moreover,” the court said, “such a limitation would contradict the principle of the free transferability of copyright ownership interests—a principle reflected in both the express language of § 201(d) and our Circuit precedent, neither of which treat transferability differently based on whether the original copyright owner is a sole owner or a co-owner.”

Thus, “*Sybersound* merely imposes a standing limitation on copyright assignees and licensees,” and therefore “presents no obstacle to DeVito’s exclusive transfer of his derivative-work right to Valli and Gaudio under the 1999 Agreement,” *Corbello* held.

Holdings ‘Diametrically Opposed.’ “The majority attempted to limit or distinguish *Sybersound* by saying *Sybersound* merely imposed a limit on standing to sue, when in fact when you look at the relevant facts and the relationships of the parties, *Corbello* is really on all fours with *Sybersound*, and *Sybersound*’s holding was not so limited,” Polsinelli’s Day said.

“In fact, the court in *Sybersound* held that *Sybersound* had no standing to sue, but the reason why it held that was because it said that *Sybersound* had only received a nonexclusive license because the other co-owners of the copyrights in question had not transferred their rights to *Sybersound*,” Day said. “And so the very basis for *Sybersound*’s holding is diametrically opposed to the holding in *Corbello*.”

Judge Robert D. Sack of the U.S. Court of Appeals for the Second Circuit, sitting by designation, concurred in the majority’s ultimate ruling—to reverse and remand—but he would have applied *Sybersound*.

“I think Judge Sack’s concurrence in *Corbello* is very clear on two points,” Day said. “First, I think he is right that there is no basis to distinguish *Corbello* from *Sybersound*. And second, he is right that, as a panel opinion, they were obligated to follow *Sybersound*,” Day said.

Sack also noted that *Sybersound* has been criticized by courts and commenters both in the Ninth Circuit and beyond.

Definition of ‘Exclusive’ is ‘The Nub of the Issue.’ “There is a basis for criticizing *Sybersound*,” Day said.

“The majority makes a very good point about how *Sybersound* seems to get this issue of what is ‘exclusive’ confused,” Day said. “And I think that is really the nub of the issue.”

“If you look at the *Sybersound* decision, they essentially appear to be saying that the word ‘exclusive’ in

the Copyright Act means ‘only,’” Day said. Accordingly, *Sybersound* held that the right that was transferred in that case was not “exclusive” because *Sybersound* was not the “only” entity that had rights since the coauthors also retained rights in the works.

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“The problem with that, and I think the majority in *Corbello* gets to this pretty well, is that if you read ‘exclusive’ to mean ‘only,’ then Section 501 of the Copyright Act would prevent a co-owner from being able to sue from infringement,” Day said. “I think, and I think a majority of commentators agree, is that the better view of the word ‘exclusive,’ in the context of Section 201 of the Copyright Act, is not that it means ‘only,’ but rather that it means ‘the right to exclude.’”

Day noted that under the latter construction, a coauthor will have “the right to exclude” anyone who is not a fellow coauthor or a coauthor’s exclusive licensee. Unlike *Sybersound*’s construction, a recognition that “exclusive” means “right to exclude” would presumably comport with both Section 201(d) and Section 501 of the Copyright Act.

“That conceptually is the problem with *Sybersound*, and why it is not consistent with the Copyright Act,” Day said.

Day noted, however, that the Second Circuit has its own *Sybersound*. Specifically, Day said that *Davis v.*

Blige, 505 F.3d 90, 84 U.S.P.Q.2d 1353 (2d Cir. 2007) (74 PTCJ 733, 10/19/07), “Essentially ruled that a co-owner cannot alienate his interest without the agreement of the other co-owners.”

Contracting Around the Confusion. Bloomberg BNA asked Day how he would draft an agreement for a client who wanted to transfer some or all of her rights in a coauthored work. First, he said he would advise her to get the consent of her coauthors.

“Of course, as we know from history, a lot of times former collaborators don’t get along five years down the road so that might not be possible,” Day said.

So, the second best scenario would be to structure the agreement as a nonexclusive license, which Day noted may seem a little counter intuitive. He said:

Based on *Sybersound* and *Davis v. Blige* and now this case, there is a lot of uncertainty as to whether or not you need the coauthors’ consent to set up an exclusive license or an assignment. So, it strikes me that, if you are purporting to set up a transaction as an exclusive license or an assignment, the problem is you don’t know if it is really going to get accorded that treatment by courts because that question is really unclear. Given this uncertainty, I might be in favor of structuring more deals as nonexclusive licenses because that provides greater certainty.

Although such an arrangement would subject the licensor—Day’s client in this hypothetical—to a duty to account to the other co-owners of the work, it is easier to control, Day said.

“My guess is that the people on the other end of the negotiating table are going to want to have some certainty and know whether they could be called into account by my client’s co-owners in the future,” he said.

BY TAMLIN BASON