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Take It, It's Mine: Illicit Transfers of Copyright by Operation of Law

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Take It, It's Mine: Illicit Transfers of Copyright by Operation of Law

Alice Haemmerli*

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I. Introduction

One of the primary objectives expressed by the numerous negotiators¹ of

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1. The revision process of the Copyright Act began in 1961 and lasted for fifteen years. Over the course of that decade and a half, representatives of authors, publishers, film and recording companies, and other interested parties conducted numerous discussion sessions in which they commented on a series of draft revisions of the Copyright Act. As the Supreme Court remarked in *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 743 (1989),

the 1976 Copyright Act² was to make transfers of copyright ownership more transparent and unequivocally intentional. Working to counteract the pernicious effect of doctrines such as "copyright indivisibility,"³ on authors, which often caused the inadvertent loss of copyright rights, the drafters of the Act undertook to ensure that transfers of ownership would be clearly demarcated and always explicit. Accordingly, Section 204 of the 1976 Act provides that transfers of copyright ownership⁴ must be in writing,⁵ this requirement has become a tenet of U.S. copyright law.

Over the last several years, however, a number of decisions have undermined the writing requirement, asserting that transfers of copyright ownership may be made "by operation of law,"⁶ whether under other sections of

"The Act, which almost completely revised existing copyright law, was the product of two decades of negotiation by representatives of creators and copyright-using industries, supervised by the Copyright Office and, to a lesser extent, by Congress."

2. Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (codified as amended at 17 U.S.C. §§ 101–810 (2000)).

3. The judicially created doctrine of indivisibility was borrowed from patent law, which made an absolute distinction between an assignment (ownership interest) and a license (non-ownership interest). See Roger D. Blair & Thomas F. Cotter, *The Elusive Logic of Standing Doctrine in Intellectual Property Law*, 74 TUL. L. REV. 1323, 1365–66 (2000) (discussing patent and copyright indivisibility). Under this doctrine, the ownership of a copyright, like that of a patent, could not be fragmented. *Id.* at 1366. In addition, in order to obtain federal statutory copyright protection, publication of a work had to be accompanied by notice of copyright in the name of the copyright owner. Notice in another's name would be defective and inject the work into the public domain. See Michelle R. Heikka, *The Inability of Copyright Laws to Keep Pace with Technology: Will Greenberg v. National Geographic Stymie Technology, or Can a Balance Be Struck?*, 49 WAYNE L. REV. 145, 151 (2003) (discussing difficulties in the indivisible copyright regime). The combined effect of indivisibility and statutory notice requirements meant that if an author licensed a work to a publisher, and the work was published, notice of copyright in the publisher's name would be ineffective. *Id.* Only if the author assigned the entire work to the publisher would notice in the publisher's name protect the work. *Id.* at 151 n.59. This created a difficulty for authors, who either were left with no copyright protection if they merely licensed their works, or—if they assigned their works with the understanding that the works would be assigned back after publication—found themselves at the mercy of the publishers.

4. See 17 U.S.C. § 101 (2000).

A "transfer of copyright ownership" is an assignment, mortgage, exclusive license, or any other conveyance, alienation, or hypothecation of a copyright or of any of the exclusive rights comprised in a copyright, whether or not it is limited in time or place of effect, but not including a nonexclusive license.

Id.

5. See 17 U.S.C. § 204(a) (2000) ("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.")

6. *Id.*

the Act,⁷ in the context of bankruptcy proceedings,⁸ or to satisfy the requirements of state community property law.⁹ In all of these cases, the Act's fundamental commitment to explicit transfers is circumvented or compromised in some way. As a result, the aggregation of these decisions constitutes a threat to the Copyright Act's requirement of a writing for a valid transfer of copyright ownership. This Article examines the cases and explains why their reasoning subverts the policy decisions embedded in the 1976 Act and the writing requirement it adopted.

Part II of the Article begins with a brief examination of transfers by operation of law under the federal Copyright Act, including allocations of ownership rights by statute in specific situations such as works for hire. Part III then examines questionable judicial decisions that interpret federal and state statutory provisions to accomplish unintended transfers of copyright ownership. The decisions interpreting federal provisions fall into two categories: misconstructions of the Copyright Act's provisions on transfers by operation of law; and overly permissive interpretations of the Act's requirement of written consent in asset transfer or bankruptcy situations. In both areas, the analysis concludes that some recent decisions have overreached and allowed for transfers where the Copyright Act arguably prohibits them. Shifting to the state-federal law nexus, Part III then analyzes cases in which the Copyright Act's ownership and transfer provisions have come into conflict with state community property law. In particular, it criticizes two marital property cases—*Worth*¹⁰ and *Rodrigue*¹¹—in which the California state courts and the Fifth Circuit, respectively, decided that state community property law can achieve a transfer of an author's copyright or expectation of income from his copyright despite his refusal to agree to such a transfer. Part IV concludes that the pattern formed by these cases undermines the 1976 Copyright Act's focus on authorial control of copyright ownership and the benefits attendant to that focus.

7. See, e.g., *Tasini v. New York Times*, 972 F. Supp. 804, 812 (S.D.N.Y. 1997) (finding a transfer of copyright ownership by operation of law under Copyright Act §§ 201(c) and (d)).

8. See, e.g., *ITOFCA, Inc. v. MegaTrans Logistics, Inc.*, 322 F.3d 928, 932 (7th Cir. 2003) (finding a transfer of copyright ownership through bankruptcy proceedings).

9. See, e.g., *Rodrigue v. Rodrigue*, 218 F.3d 432, 439 (5th Cir. 2000) (finding shared copyright ownership through Louisiana's community property doctrine); *In re Marriage of Worth*, 241 Cal. Rptr. 135, 136–37 (1987) (finding shared copyright ownership through California's community property doctrine).

10. *In re Marriage of Worth*, 241 Cal. Rptr. 135 (1987).

11. *Rodrigue v. Rodrigue*, 218 F.3d 432 (5th Cir. 2000).

II. The Statutory Setting: The Writing Requirement and Copyright Act Provisions Affecting Ownership Allocation

As mentioned, it is copyright dogma that a transfer of copyright ownership requires a writing.¹² The rationale for Copyright Act Section 204 is fairly straightforward: "[s]ince transfers of copyright are important transactions and are to be recorded, they should be required—as 'assignments' are now—to be in writing and signed by the transferor."¹³ In short, Congress drafted Section 204 to prevent inadvertent or unintended losses of copyright by authors.¹⁴ Other sections of the Copyright Act bear witness to similar intent, among them Section 201(c), which allocates rights and privileges between authors who contribute to collective works and the publishers who disseminate those works.¹⁵ The Act's clear preference for express transfers is also demonstrated

12. See 17 U.S.C. § 204(a) (2000) ("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.") For an analysis of some of the issues involved in this requirement, see Robert A. Kreiss, *The "In Writing" Requirement for Copyright and Patent Transfers: Are the Circuits in Conflict?*, 26 U. DAYTON L. REV. 43, 48–50 (2000).

13. *Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law: Hearing Before the H. Comm. on the Judiciary*, 87th Cong. 95 (1961). As the Southern District of New York said in *Jim Henson Prods., Inc. v. John T. Brady & Assocs., Inc.*, 16 F. Supp. 2d 259, 285 (S.D.N.Y. 1997): "In enacting the 1976 Copyright Act, Congress strengthened protections for authors and created a legislative framework designed to prevent unintended divestments of their rights. The Act reaffirms the principle that the 'author' is 'the fundamental beneficiary of copyright under the Constitution.'" See also H.R. REP. NO. 94-1476, at 140 (1976) (discussing purposes of the 1976 Copyright Act). Thus, under both the 1909 and 1976 Copyright Acts, unless the author has given up his or her rights under copyright in a clear and unequivocal manner, he or she retains those rights. See *Warner Bros. Pictures, Inc. v. Columbia Broad. Sys.*, 216 F.2d 945, 949 (9th Cir. 1954) ("The clearest language is necessary to divest the author of the fruits of his labor." (quoting *Philipp v. Jerome H. Remick & Co.*, 145 F. Supp. 756, 758 (S.D.N.Y. 1956))); *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1087–88 (9th Cir. 1989) (giving the author presumptive ownership of the copyright, absent a clearly indicated desire to transfer); *Cassway v. Chelsea Historic Props. I, L.P.*, 1993 Copyright L. Decisions 26,261, 26,264, available at 1993 WL 64633, at *2–3 (E.D. Pa. 1993) (same); *Landon v. Twentieth Century-Fox Film Corp.*, 384 F. Supp. 450, 456 (S.D.N.Y. 1974) (same).

14. In the course of the copyright law revision process, negotiators frequently made statements that only an express transfer could be effective. See Alice Haemmerli, *Commentary on Tasini v. New York Times*, 22 COLUM.-VLA J.L. & ARTS 129, 134–37 (1998) (summarizing the widespread belief in the necessity of an express transfer of copyright). As one contemporary commentator put it, "I don't see why you can't have a statute of frauds here, like you do in any other commercial transaction, requiring that any transfer of a right as important as this should be in writing or it's not effective." *Discussion and Comments on Report of the Register of Copyrights on the General Revision of the Copyright Law: Hearing Before the H. Comm. on the Judiciary*, 88th Cong. 142 (1963).

15. See 17 U.S.C. § 201(c) (2000) (assigning rights and privileges to authors and

by Section 201(e), which denies effect to involuntary transfers of copyright.¹⁶ Yet the Copyright Act also provides, at Section 201(d), for the possibility of transfers of copyright ownership "by operation of law,"¹⁷ and other parts of the statute allocate copyright ownership in the absence of signed transfers.¹⁸ What does this signify? If an author does not expressly transfer her rights, are there occasions when a transfer nonetheless occurs? If so, what are the limits of such transfers?

Clearly, some tension exists between a statutory provision that requires a writing—an unequivocally expressed signal of intent to transfer—and Section 201(d)'s statement that copyright may be transferred by operation of law, presumably without any such manifestation of intent. One approach to resolving that tension is to assert that a transfer of copyright ownership by operation of law under the Copyright Act ultimately requires some prior sign of assent to the transfer.¹⁹ That is, even if a transfer appears to be involuntary—e.g., bankruptcy or foreclosure—it can be explained by saying that the author has previously manifested consent by filing in bankruptcy or mortgaging her

publishers of multi-author works).

16. See 17 U.S.C. § 201(e) (2000) (denying effect to involuntary transfers of copyright). The subsection reads:

Involuntary Transfer.—When an individual author's ownership of a copyright, or of any of the exclusive rights under a copyright, has not previously been transferred voluntarily by that individual author, no action by any governmental body or other official or organization purporting to seize, expropriate, transfer, or exercise rights of ownership with respect to the copyright, or any of the exclusive rights under a copyright, shall be given effect under this title, except as provided under title 11.

Id.

17. 17 U.S.C. § 201(d) (2000) (providing for transfer of copyright by operation of law). Subsection (d) reads:

Transfer of Ownership.—

(1) The ownership of a copyright may be transferred in whole or in part by any means of conveyance or by operation of law, and may be bequeathed by will or pass as personal property by the applicable laws of intestate succession.

(2) Any of the exclusive rights comprised in a copyright, including any subdivision of any of the rights specified by section 106, may be transferred as provided by clause (1) and owned separately. The owner of any particular exclusive right is entitled, to the extent of that right, to all of the protection and remedies accorded to the copyright owner by this title.

Id.

18. For example, Section 201(b) provides for works for hire which do not require a written transfer of authorship in the case of employees and Section 201(a) provides for co-ownership of joint works.

19. See *infra* notes 46–52 and accompanying text (explaining how consent to transfer may be informed in the work for hire context).

copyright,²⁰ and such evidence of consent to the eventual transfer has been deemed critical.²¹ Still, the fact remains that the classical example of a transfer by operation of law is intestate succession.²² Given that this type of transfer by definition occurs in the absence of a writing,²³ the question naturally arises whether manifestation of intent is in fact crucial, and if so, whether it must invariably be expressed in writing. As far as intestate succession is concerned, the answer is rather obviously "no." But is intestate succession the sole example of unintended, unwritten transfers? Or are others conceivable? And if they exist, how far do they go? If other transfers by operation of law are valid, they constitute a significant incursion into the Copyright Act's general requirement that the intent of the author or copyright owner be unmistakably and expressly demonstrated as a prerequisite to a valid transfer. The question, therefore, is a very important one, and its answer depends upon whether such transfers are consistent with the federal statute. It should be beyond debate that—whatever one's attitude toward authorship—transfers of copyright ownership that ignore the text or legislative intent of the 1976 Act are suspect at best.²⁴

At the outset, it is helpful to distinguish between what may be illicit judicially-mandated transfers of ownership under the Copyright Act²⁵ and allocations that are not only permissible but required by the Act.

20. See *infra* note 95 (discussing transfer of ownership in bankruptcy proceedings and mortgage foreclosures). Although technically a copyright mortgage is a present transfer of copyright ownership (see 17 U.S.C. § 101's definition of "transfer"), the irrevocable transfer to the mortgagee would ordinarily be a subsequent eventuality triggered by the mortgagor's default. That involuntary foreclosure would therefore be grounded in a prior voluntary hypothecation.

21. See, e.g., H.R. REP. NO. 94-1476, at 124 (1976) (discussing the intersection of mortgage and copyright ownership), as reprinted in 1976 U.S.C.C.A.N. 5659, 5738.

22. See 17 U.S.C. § 201(d) (2000) (establishing transfer of copyright by succession); Haemmerli, *supra* note 14, at 139 (discussing the legislative history of intestate transfer).

23. See, e.g., *Range Rd. Music Inc. v. Music Sales Corp.*, 73 F. Supp. 2d 375, 382 (S.D.N.Y. 1999) (asserting that under the intestacy statute, the right of inheritance is determined by operation of law only if decedent failed to dispose of his property by will).

24. That is, one need not be an advocate of the so-called "Romantic author" to endorse an approach that respects the text and legislative intent of the Copyright Act. (In fact, critics of copyright somewhat overstate the notion of the "Romantic author." See Jane C. Ginsburg, *The Concept of Authorship in Comparative Copyright Law*, 52 DEPAUL L. REV. 1063, 1065 (2003) (discussing criticism of the "Romantic author").)

25. This Article does not address judicial decisions in infringement cases that merely deprive a copyright owner of the benefits of his copyright. Although such a decision's ultimate impact—no enforcement of the enjoyment of copyright rights in the dispute at hand—may be similar to one that accomplishes a transfer of copyright ownership by operation of law, no reallocation of rights occurs. In the infringement setting, when a court concludes that the defendant's acts have not risen to the level of infringing the plaintiff's rights, the court has not

A. Joint Ownership Under Section 201(a)

The Copyright Act provides in Section 201(a) that "[c]opyright in a work protected under this title vests initially in the author or authors of the work. The authors of a joint work are co-owners of copyright in the work."²⁶ Joint work decisions may convey the superficial impression of reallocating ownership interests, because if a joint work is held to exist, then co-ownership will flow with that determination and the joint work's authors will be considered co-authors.²⁷ One might therefore be tempted to view an attribution of co-author status by a court as a transfer of copyright ownership by operation of law, because as a result of the court's decision, the original author will now have an equal partner who is a co-owner with an undivided interest in the work.²⁸ At the same time, however, once such a determination is made, it is essentially a decision that the parties have been co-owners *ab initio*, i.e., since the work was first created. In this case, the situation does not in fact represent a *transfer* of ownership, but rather a conclusion about the parties in whom *initial* ownership vested. While this distinction obviates the need for extended analysis of joint ownership, it remains worth noting that when courts make decisions about such ownership, they focus very strongly on intent. The determinative element in these cases is evidence of intent to create a joint work²⁹ and to be a co-

transferred those rights to the defendant; it has merely held that the plaintiff's rights were not infringed and cannot be vindicated in the case at hand. Unless the court has found that the plaintiff's copyright ownership is invalid, the plaintiff's failure to obtain relief leaves her copyright ownership intact, including complete control over the enjoyment of her copyright rights and their vindication when they are in fact infringed.

26. 17 U.S.C. § 201(a) (2000). Compare this provision with the Patent Act, 35 U.S.C. § 116 (2000), which does not state that joint inventors are co-owners.

27. Co-authorship is implied in the statutory language's reference to "[t]he authors of a joint work." 17 U.S.C. § 201(a) (2000).

28. See *Thomson v. Larson*, 147 F.3d 195, 199 (2d Cir. 1998) (examining the issue of co-authorship). The case involved the dramaturg Lynn Thomson's claim to co-authorship of the hit musical *Rent*.

29. 17 U.S.C. § 101 (2000) defines a joint work as "a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole." See also H.R. REP. NO. 94-1476, at 120, 121 (1976). The 1976 Act's definition was crafted in part to reject common law doctrines holding that a joint work could be created entirely in the absence of intent to do so, the so-called "Twelfth Street Rag doctrine." The doctrine was based on a Second Circuit case, *Shapiro, Bernstein & Co. v. Jerry Vogel Music Co.*, 221 F.2d 569 (2d Cir. 1955), *modified on reh'g*, 223 F.2d 252 (2d Cir. 1955), which held that although the composer of a song created the music without any intention to have it accompanied by lyrics and later assigned the music to a publisher who hired a lyricist, the subsequent addition of the lyrics created a joint work. *Id.* at 570. This decision and the resultant doctrine were widely criticized and the 1976 Act rejected them.

author.³⁰ If sufficient objective evidence demonstrates the requisite intent to create a joint work, it is certainly conceivable that a court could determine the existence of a joint work (and resultant co-ownership rather than exclusive ownership) even where an author has not explicitly declared that she wants to create a joint work.³¹ A court will, however, focus on whether the facts show that both authors of a putative joint work intended to share co-authorship and co-ownership.

As a general matter, then, it is safe to say that even where there exists a theoretical potential for a finding that authors have created a joint work, most

30. Although it is now well settled that an intent to create a joint work is a crucial requirement of such a work, it is less obvious that the statute requires a mutual intention to share co-authorship status. That requirement has, however, been read into the Act by the Second Circuit as a means of limiting spurious claims and conferring co-author (and co-owner) status only on those persons most "likely to have been within the contemplation of Congress." *Childress v. Taylor*, 945 F.2d 500, 507 (2d Cir. 1991); *see also Thomson*, 147 F.3d at 200 (reading intent into the show co-authorship requirement). Other courts have followed suit. *See, e.g., Erickson v. Trinity Theatre, Inc.*, 13 F.3d 1061, 1071 (7th Cir. 1993) (stating that a party claiming co-authorship "must show the parties intended to be joint authors"); *BTE v. Bonnacaze*, No. CIV.A. 97-3644, 1998 WL 800111, at *4 (E.D. La. Nov. 12, 1998) (requiring intent); *Clogston v. Am. Acad. of Orthopedic Surgeons*, 930 F. Supp. 1156, 1159 (W.D. Tex. 1996) (same); *Cabrera v. Teatro del Sesenta, Inc.*, 914 F. Supp. 743, 764 (D.P.R. 1995) (same). The Second Circuit has also interpolated a requirement that each putative author make a copyrightable contribution to the joint work, as another way of limiting unsubstantiated claims to authorship. *See Childress*, 945 F.2d at 507 (requiring contribution from each author); *Thomson*, 147 F.3d at 200 (same). This requirement was adopted rather than a "de minimis" test that would have required only some contribution. *See Balkin v. Wilson*, 863 F. Supp. 523, 526 (W.D. Mich. 1994) (describing the test and citing decisions in the Ninth and Eleventh Circuits).

Compare the independent copyrightability test with Patent Act Section 116, which reads, "Inventors may apply for a patent jointly even though . . . each did not make the same type or amount of contribution, or . . . each did not make a contribution to the subject matter of every claim . . ." 35 U.S.C. § 116 (2000). As joint inventors, contributors to a patent are considered co-owners: "[I]n the context of joint inventorship, each co-inventor presumptively owns a pro rata undivided interest in the entire patent, no matter what their [sic] respective contributions." *Ethicon, Inc. v. United States Surgical Corp.*, 135 F.3d 1456, 1465 (Fed. Cir. 1996). For a critique of *Ethicon* and its implications, see Tigran Guledjian, *Teaching the Federal Circuit New Tricks: Updating the Law of Joint Ownership in Patents*, 32 LOY. L.A. L. REV. 1273 (1999).

31. Despite *Thomson's* emphasis on "factual indicia of ownership and authorship," *Thomson*, 147 F.3d at 201, and that of the cases cited in *Thomson* dealing with "objective indices of co-authorship intent," *id.* at 201 n.17, some authors have criticized the courts for relying too heavily on subjective perceptions and their outward manifestation. That is, some would give as much weight to an author's use of another's material as to his statements about his intent. *See, e.g., Faye Buckalew, Joint Authorship in the Second Circuit: A Critique of the Law in the Second Circuit Following Childress v. Taylor and as Exemplified in Thomson v. Larson*, 64 BROOK. L. REV. 545, 574-76 (1998) (criticizing the Second Circuit's emphasis on author intent in *Thomson v. Larson*).

courts insist on evidence of intent to trigger that conclusion. In the absence of such evidence, the decision to find co-authorship would arguably be tantamount to a judicial transfer of ownership from the actual author to the claimant author that would run afoul of Copyright Act Section 201(e).³²

B. Compulsory Licenses

In contrast, the statutory or judicial use of compulsory licenses³³ to ensure dissemination of works to the public does not appear to create any difficulties in terms of Section 201(e) and its strictures against involuntary transfers. For example, in the landmark *Rear Window* case, *Abend v. MCA, Inc.*,³⁴ the Ninth Circuit held that although the derivative film version of the plaintiff's story could not be further exploited without infringing the plaintiff's renewal copyright,³⁵ this did not mean that no further exploitation could occur. The defendant's substantial investment in the film, the role of new versus underlying matter in the film's success, the need for the derivative work owner to be able to enjoy the fruit of its own labor, and the public interest in continued access to the film all contributed to the court's refusal to grant an injunction. Instead, the court viewed damages as the appropriate remedy.³⁶ Similarly, in *Campbell v. Acuff-Rose Music, Inc.*,³⁷ the Supreme Court stated that even where a parodist has exceeded the bounds of fair use, damages, rather than

32. See 17 U.S.C. § 201(e) (2000) (limiting transfers of copyright ownership); *infra* notes 89–93 and accompanying text (discussing the origins and development of 17 U.S.C. § 201(e)).

33. The Copyright Act provides for compulsory licenses at several sections. See, e.g., 17 U.S.C. §§ 114–15, 203, 304 (2000) (providing for compulsory licenses).

34. *Abend v. MCA, Inc.*, 863 F.2d 1465 (9th Cir. 1988), *aff'd sub nom.*, *Stewart v. Abend*, 495 U.S. 207 (1990). The case involved a suit by the copyright owner of the story on which the film *Rear Window* was based. *Id.* at 1467. The successors of the story's author, who were found to have retained his rights in the renewal term of the story's copyright, sought to prevent the film's producers from continuing to exploit that derivative work. *Id.* at 1468. The Supreme Court, affirming the Ninth Circuit's decision, held that the author's successors' rights were valid and that the producers were not entitled to continue exhibiting the film but did not address the compulsory license issue, stating that the remedy (discussed at length in the Ninth Circuit's opinion) was not relevant to the issue on which it had granted certiorari. *Stewart*, 495 U.S. at 216.

35. *Abend*, 863 F.2d at 1478. The plaintiff, as copyright owner, had the exclusive right to prepare derivative works of his story under 17 U.S.C. § 106(2) (2000).

36. The *Abend* court referred with approval to Professor Nimmer's recommendation of damages or continuing royalties under certain circumstances. See *Abend*, 863 F.2d at 1479 (citing 3 MELVILLE B. NIMMER, NIMMER ON COPYRIGHT § 14.06[B] (1988)).

37. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994).

injunctive relief, may more appropriately protect the public interest in the availability of the secondary work.³⁸

In these cases, one could say that the court's refusal to grant injunctive relief for copyright infringement effectively results in a compulsory license in favor of the defendant. At the same time, where a court has supported continued exploitation of a derivative work,³⁹ as in *Abend*, or implied that it may be permissible under certain circumstances, as in *Campbell*, the exploitation in question does not entail any transfer of copyright ownership.⁴⁰ At most, the secondary work producer receives the equivalent of a nonexclusive license under which it is financially liable to the copyright owner.

C. Work for Hire Under Section 201(b)

Works made for hire under the Copyright Act may be works "prepared by an employee within the scope of his or her employment"⁴¹ or limited types of specially commissioned works produced by non-employee independent contractors under written agreements.⁴² The question of transfers by operation of

38. *Id.* at 578 n.10.

39. Continued exploitation in the termination and renewal contexts is codified by the Copyright Act at Sections 203(b)(1) and 304(a)(4)(A), respectively.

40. The same reasoning applies to Sections 203 and 304, which allow existing derivative work owners to continue to exploit their works even after the original grant from the copyright owner has been terminated or expired. Although one could plausibly argue that this interferes with the owner's copyright by making it more difficult to license derivative work rights in general, and impossible to license them exclusively, it still does not constitute a formal transfer of copyright rights.

41. See 17 U.S.C. § 101 (2000) (defining "work made for hire"). The definition reads:

A "work made for hire" is—(1) a work prepared by an employee within the scope of his or her employment; or (2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. For the purpose of the foregoing sentence, a "supplementary work" is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work, such as forewords, afterwords, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, and indexes, and an "instructional text" is a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities.

Id.

42. *Id.* The writing in this case must be signed by both parties.

law arises only in the employment situation because the writing mandated by Copyright Act Section 101(2) for works produced by independent contractors clearly serves a similar purpose to the writing required for an assignment of copyright ownership⁴³ in terms of manifesting assent to a transfer of rights.⁴⁴ It must be emphasized, however, that the identification of a work as a work for hire has more drastic consequences than a mere transfer of ownership rights: the hiring party is deemed to be the author of the work, not merely its copyright owner.⁴⁵ This raises some interesting doctrinal questions.

According to Nimmer, it would be unconstitutional for the Copyright Act simply to strip authorship from a creator and to bestow it upon an employer unless one can infer an implied agreement by the author that this should occur.⁴⁶ Such an inference is made possible by the Act's inclusion of the statement in Section 201(b) that despite the presumption that an employer or hiring party is

43. See 17 U.S.C. § 204 (2000) (requiring a writing for assignment of copyright).

44. With regard to independent contractors, the timing of the signed agreement is a critical issue. In *Schiller & Schmidt v. Nordisco Corp.*, 969 F.2d 410 (7th Cir. 1992), the Seventh Circuit held that "the writing must precede the creation of the property in order to serve its purpose of identifying the (non-creator) owner unequivocally" and that "the signed-statement requirement in Section 101(2) has a second purpose—to make the ownership of property rights in intellectual property clear and definite, so that such property will be readily marketable." *Id.* at 412. This interpretation of the timing question appears more consonant with the Supreme Court's holding in *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989), than that of some other courts, such as the Second Circuit's holding in *Playboy Enters. v. Dumas*, 53 F.3d 549 (2d Cir. 1995), which found that a writing can follow the creation of a work if an oral agreement preceded it. Given the need for predictability emphasized by the Supreme Court in *C.C.N.V.*, it would appear obvious that the decision as to whether a work is expected to be a work made for hire ought to be made prior to its creation, so that both parties have a clear idea as to where the copyright will reside. The Copyright Act's author-protective rules requiring that both parties sign a work-for-hire agreement, in contrast to Section 204's requirement that the author alone sign a transfer, is evidence that Congress valued certainty on this question. Hence, *Schiller* appears to reflect the better view as far as the timing of a work-for-hire agreement is concerned.

45. See 17 U.S.C. § 201(b) (2000) (establishing the hiring party as the author). The subsection reads:

In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.

Id. In making the hiring party the author, Section 201(b) eliminates the original author's termination rights. See, e.g., 17 U.S.C. § 203(a) (2000) (expressly disqualifying works made for hire from the usual procedures of author termination rights). It is worth noting that in the work-for-hire situation contemplated by Section 101(2), both parties must sign the writing.

46. See 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 6A.03[C][2][a] (2006) [hereinafter NIMMER] (discussing the constitutional limits of the work for hire doctrine).

considered the author of a work made for hire, the parties may agree otherwise.⁴⁷ Thus, by failing to so provide, an author impliedly agrees to a work for hire "transfer" of authorship rights.⁴⁸ Consequently, the work for hire provision's legislative allocation of authorship (and ownership) to the employer is conceived as a transfer requiring the consent of the author, and such consent is inferred from the absence of the optional agreement to arrange matters otherwise. Following this line of reasoning, Nimmer cites Judge Friendly's dissent in *Scherr v. Universal Match Corp.*⁴⁹ In *Scherr*, the Second Circuit held with respect to the 1909 Copyright Act that the Act created a rebuttable presumption that an employee's work vested in the employer.⁵⁰ In dissent, Judge Friendly expressed doubts that a statutory provision securing exclusive copyright rights to non-authors would be consonant with the Constitution's copyright clause, which "authorizes the enactment of legislation securing 'authors' the exclusive rights to their writings."⁵¹ He therefore suggested that for Section 26 of the 1909 Copyright Act to be constitutional, it would have to be "limited to instances where an assignment of future copyright may fairly be implied."⁵²

The Second Circuit later remarked in *Childress v. Taylor*⁵³ that Judge Friendly's reasoning appeared to be "more like a justification for transfer of ownership than for recognition of authorship,"⁵⁴ and asserted that Congress'

47. See 17 U.S.C. § 201(b) (2000) (allowing a written agreement to overcome the presumption).

48. See 1 NIMMER, *supra* note 46, § 6A.03[C][2][a] (discussing the implied transfer agreement); see also *Rodrigue v. Rodrigue*, 55 F. Supp. 2d 534, 543 (E.D. La. 1999), *rev'd*, 218 F.3d 432 (5th Cir. 2000) ("In a work made for hire situation, the employee's acceptance of employment is deemed to be consent to the employer's ownership of copyrights in works created by the employee.").

49. See 1 NIMMER, *supra* note 46, at § 6A.03[C][2][a] (citing *Scherr v. Universal Match Corp.*, 417 F.2d 497, 502 (2d Cir. 1969) (Friendly, J., dissenting)).

50. See *Scherr*, 417 F.2d at 500 (finding presumption that work vested in employer); see also *Dolman v. Agee*, 157 F.3d 708, 711 (9th Cir. 1998) ("Under the Copyright Act of 1909 . . . there is a rebuttable presumption that when an employer hires an employee or independent contractor to produce work of an artistic nature, the employer owns the copyright in the work."). The Ninth Circuit went on to explain that the presumption is one as to the "mutual intent of the parties." *Id.*

51. *Scherr*, 417 F.2d at 502 (Friendly, J., dissenting).

52. *Id.* (Friendly, J., dissenting).

53. *Childress v. Taylor*, 945 F.2d 500 (2d Cir. 1991).

54. *Id.* at 506 n.5. The distinction between authorship and ownership is a valid one, but it has not become clearer over the years. For example, Nimmer is cited as saying not only that "the proviso that 'the employer or other person for whom the work was prepared is considered the "author" for purposes of this title' is not subject to variation by agreement between the parties" but also that "an employer and an employee [are not] precluded . . . from agreeing that the copyright in the resulting work shall vest in the employee." *Foraste v. Brown Univ.*, 290 F. Supp. 2d 234, 238-39 (D.R.I. 2003) (citations omitted). "Vesting" generally refers to

decision to confer authorship status on employers is not constitutionally suspect.⁵⁵ This seems to miss Friendly's point. He is essentially saying that there must, at a minimum, be a justification for recognition of authorship in the employer, and that the justification in question is the implied intentional transfer of ownership by the employee.⁵⁶ Nor does the *Childress* court's statement about constitutionality add much to the conversation; it is conclusory. On the whole, therefore, the point made by Judge Friendly is rather persuasive. Unless an author has evinced some willingness that the employer receive authorial status, the endowment of a non-author with authorship might indeed be vulnerable to attack on both constitutional and Section 201(e) grounds. By accepting employment and eschewing a written agreement to the contrary, however, an author may be said to have demonstrated such consent under the 1976 Act, at least insofar as Section 201(b) is concerned.⁵⁷

III. Court-Mandated Copyright Transfers

A. Decisions Under the Copyright Act

1. Sections 201(c) and (d)

In 1997, the Southern District of New York held in *Tasini v. New York Times*⁵⁸ that despite an absence of voluntary copyright transfers by the plaintiff freelance authors to the defendant publishers, the publishers had been given the right to sell the authors' articles to Mead Corporation for inclusion in the

authorship, not mere ownership, hence the two statements taken together are confusing. The *Foraste* court declined the plaintiff's invitation to view authorship and ownership under Copyright Act Section 201(b) as sufficiently distinct to permit a transfer of copyright ownership back to the employee under Section 201(a) rather than under the stricter requirements of Section 201(b).

55. *Childress*, 945 F.2d at 506 n.5.

56. As suggested *supra* note 54, this conclusion admittedly conflates ownership and authorship to some extent by using an implied agreement to an ownership transfer as a surrogate for an implied agreement to authorship vesting. Nonetheless, it has at least the value of focusing on intent.

57. This does not address the issue of whether or when a creating party should be deemed an "employee" for purposes of Copyright Act § 101(1). That determination is a complex one depending on many factors, beginning with those articulated by the Supreme Court in *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 751–52 (1989), and later refined by lower courts. See, e.g., *Carter v. Helmsley-Spear, Inc.*, 71 F.3d 77, 85 (2d Cir. 1995) (explaining and applying the *C.C.N.V.* factors). Given the drastic effects of a work being deemed work for hire, it is obviously of crucial importance that the determination be made in a painstaking manner.

58. *Tasini v. New York Times*, 972 F. Supp. 804 (S.D.N.Y. 1997), *rev'd*, 206 F.3d 161 (2d Cir. 2000), *aff'd*, 533 U.S. 483 (2001).

LexisNexis database.⁵⁹ The court justified its conclusion by finding that the authors' copyrights had been partially transferred to the publishers "by operation of law"⁶⁰ as a function of the print publishers' statutory privilege to publish revisions of their periodicals.⁶¹ Reading Copyright Act Sections 201(c)⁶² and 201(d)⁶³ "in tandem,"⁶⁴ the court declared: "Section 201(c) transfers plaintiffs' copyrights 'in part' to defendants—a permissible exercise under Section 201(d)(1)—and therefore, under Section 201(d)(2), defendants are left with full authority over the 'subdivision' of rights they acquire."⁶⁵

Section 201(c) provides that when authors of contributions to a collective work have not expressly transferred their copyrights in those contributions (i.e.,

59. *Id.* at 823–24. As will be discussed later at greater length, the publishers had a limited publishing privilege under Copyright Act Section 201(c) to republish the articles as part of their periodicals or revisions thereof. The publishers claimed that the sale to Mead was covered by their revision privilege and that they sold their collective works, not the individual articles written by plaintiffs.

60. *Id.* at 815.

61. In reversing, the Second Circuit deemed it unnecessary to analyze the issue of whether the publishers' privilege was transferable or effected a transfer by operation of law. The Supreme Court similarly declined to address that question. For this reason, the district court's conclusions on the matter have been undisturbed and have recently been endorsed in another Southern District of New York decision, *Faulkner v. National Geographic Society*, 294 F. Supp. 2d 523, 545–46 (S.D.N.Y. 2003).

62. Section 201(c) reads:

Contributions to Collective Works. Copyright in each separate contribution to a collective work is distinct from copyright in the collective work as a whole, and vests initially in the author of the contribution. In the absence of any express transfer of the copyright or of any rights under it, the owner of copyright in the collective work is presumed to have acquired only the privilege of reproducing and distributing the contribution as part of that particular collective work, any revision of that collective work, and any later collective work in the same series.

17 U.S.C. § 201(c) (2000).

63. Section 201(d) reads:

Transfer of Ownership. (1) The ownership of a copyright may be transferred in whole or in part by any means of conveyance or by operation of law, and may be bequeathed by will or pass as personal property by the applicable laws of intestate succession. (2) Any of the exclusive rights comprised in a copyright, including any subdivision of any of the rights specified by section 106, may be transferred as provided by clause (1) and owned separately. The owner of any particular exclusive right is entitled, to the extent of that right, to all of the protection and remedies accorded to the copyright owner by this title.

17 U.S.C. § 201(d) (2000).

64. *Tasini*, 972 F. Supp. at 815.

65. *Id.* The court also noted that the "recognition [in Section 201(d)] of the potential for a partial transfer of copyright 'by operation of law' follows from the fact that exactly such a transfer is effected in the preceding section of the Act, Section 201(c), which extends certain enumerated 'privileges' to publishers." *Id.*

by written agreement as required by the Copyright Act⁶⁶), then the collective work publisher is given "only the privilege of reproducing and distributing the contribution as part of that particular collective work, any revision of that collective work, and any later collective work in the same series."⁶⁷ In effect, the *Tasini* district court decided that, by virtue of their publishing privilege, the publishers were granted an involuntary transfer of copyright by operation of law—a transfer that they could reconvey to a third party.⁶⁸

The characterization of the publishers' privilege as a transfer of copyright rights was pivotal to the district court's holding. If, as the plaintiff authors contended, the publishers' privilege was no more than a permit or nonexclusive license, then the publishers did not enjoy an ownership right in the articles that they could legitimately reconvey to Mead.⁶⁹ Under the Copyright Act, a nonexclusive license does not qualify as a transfer of copyright ownership.⁷⁰ In the absence of an ownership interest, a nonexclusive licensee holds only a permit to use without being held liable for infringement. That permit is personal and nontransferable.⁷¹ If, on the other hand, the publishers' privilege rose to the level of a transfer of copyright ownership, then they were entitled to reconvey that property right to a third party.⁷² Thus, whether the publishers enjoyed a transfer of rights was a crucial question, and one that the court answered in the affirmative despite the defendants' concession that their license was nonexclusive.⁷³

66. See 17 U.S.C. § 204 (2000) (requiring a writing).

67. *Id.* § 201(c).

68. *Tasini*, 972 F. Supp. at 815; see also *Faulkner v. Nat'l Geographic Soc'y*, 294 F. Supp. 2d 523, 546 (S.D.N.Y. 2003) (granting an involuntary transfer of copyright with a right to reconvey).

69. *Cf. Ilyin v. Avon Publishers*, 144 F. Supp. 368, 372 (S.D.N.Y. 1956) (finding that a collective work publisher's publication privilege under the 1909 Act was not transferable to a third party).

70. See 17 U.S.C. § 101 (2000) (dating transfer of ownership). The Copyright Act's definition of transfer does not include nonexclusive licenses. *Id.*

71. See *Leicester v. Warner Bros.*, 232 F.3d 1212, 1220 (9th Cir. 2000) (noting that nonexclusive licenses are personal and nontransferable) (citing *Harris v. Emus Records Corp.*, 734 F.2d 1329, 1333 (9th Cir. 1984)); *SQL Solutions, Inc. v. Oracle Corp.*, No. C-91-1079, 1991 WL 626458, at *6 (N.D. Cal. Dec. 18, 1991) (discussing non-transferability of a nonexclusive license); *Avon Publishers*, 144 F. Supp. at 372 (finding that a collective work publisher's publication privilege under the 1909 Act was not transferable to a third party); *In re Patient Educ. Media, Inc.*, 210 B.R. 237, 240 (Bankr. S.D.N.Y. 1997) (describing ownership as the "sine qua non of the right to transfer").

72. That is, unless one were to adopt the reasoning of the Ninth Circuit in *Gardner v. Nike*, 279 F.3d 774 (9th Cir. 2002), which limited publishers ability to sub-license works.

73. The defendants, who emphasized the Copyright Act's media-neutrality, agreed that the publishers had received a nonexclusive electronic publishing license. The district court record

It would appear tenuous to hold, without supporting evidence, that authors who have withheld consent to transfers of copyright can be viewed as impliedly consenting to such transfers by agreeing to a situation that does not involve a transfer.⁷⁴ Nevertheless, the district court seems to have built on suggestions in the defendants' briefs that Section 201(c) entails a statutory transfer of copyright rights. The defendants variously referred to the Section 201(c) privilege as a set of rights "acquired by . . . force of law"⁷⁵ or as an "automatic statutory transfer of reproduction and distribution rights."⁷⁶ The court apparently absorbed these notions in arriving at its (somewhat truncated) explanation of how the combined workings of Copyright Act Sections 201(c) and 201(d) accomplished an involuntary transfer of rights to the publishers.

Although the court justified its conclusion by reference to transfers by operation of law, the history and meaning of such copyright transfers were not

reads:

The Court: [D]o you concede[, Mr. Keller, attorney for defendants,] that an author who gives an article to a newspaper like The New York Times . . . retains the right to take that article and have it published in a different methodology if he chose to?

Mr. Keller [attorney for defendants]: Absolutely. In fact, your Honor, there is testimony in the record that every single one of the plaintiffs did that.

The Court: They retained that right?

Mr. Keller: Absolutely.

The Court: Could they, if they chose, sell their individual article to NEXIS?

Mr. Keller: Yes, they could.

Brief for the Respondents at *19, *New York Times Co. v. Tasini*, 533 U.S. 483 (2001) (No. 00-201) (citing transcript of oral argument before the district court). The defendants' characterization of the publishers' privilege as nonexclusive is inconsistent both with a claim to copyright ownership and with the district court's conclusion that there was a transfer of ownership by operation of law. If authors could sell their articles to Lexis for electronic publication, then they could not have transferred the electronic publishing rights in the articles to the *New York Times*; any electronic rights sold to the *Times* would have had to be nonexclusive and therefore could not constitute a transfer. See Haemmerli, *supra* note 14, at 135-37 (contrasting "privilege" and "transfer" in the Copyright Act).

74. The court seems to have believed that such consent could be inferred by virtue of the plaintiff authors having agreed to the publication of their articles in discrete issues of the defendants' publications. But because these authors had refused or failed to execute written transfers of copyright for such purpose and had agreed to publish only on a non-transfer basis, it is implausible to argue that they had impliedly agreed to those very transfers. Rather, the natural conclusion is that they had agreed only to the publication of their articles in the issues in question (or at most, in the manner described in Section 201(c)) and not to further uses that would depend on the publishers having obtained transfers of copyright ownership.

75. Memorandum of Law in Support of Defendants' Motion for Summary Judgment at 3, *Tasini v. New York Times*, 972 F. Supp. 804 (S.D.N.Y. 1997) (No. 93-8678).

76. Reply Memorandum in Further Support of Defendants' Motion for Summary Judgment and in Opposition to Plaintiffs' Motion for Summary Judgment at 1, *Tasini v. New York Times*, 972 F. Supp. 804 (S.D.N.Y. 1997) (No. 93-8678).

briefed by the litigants in the case, nor were those questions posed in oral argument.⁷⁷ Subsequent decisions that have endorsed the district court's holding have been equally cursory in their approach. In *Ryan v. Carl*,⁷⁸ the court remarked that the *Tasini* district court had "persuasively rejected" the argument that the Section 201(c) privilege was a non-transferable exemption from liability, but it offered no rationale for its approval.⁷⁹ More recently, the Southern District of New York reaffirmed that the *Tasini* court considered the statute and its legislative history in concluding that the privilege was transferable, and that "no purpose would be served by repeating that analysis"⁸⁰—despite the absence of argument on the subject. This uncritical acceptance of the *Tasini* court's conclusions is therefore doubly disturbing. In fact, not only is it difficult to justify such transfers by reference to the text and legislative history of Sections 201(c) and 201(d) of the Copyright Act, but Section 201(e) of the Act denies them effect.⁸¹

The precursor to Copyright Act Section 201(d) (drafted during the lengthy copyright revision process of the 1960s) referred to the divisibility of copyright and the ability to transfer copyright in part or in whole; this was intended as a corrective to the pernicious judicial doctrine of copyright indivisibility.⁸²

77. Oral argument before the Second Circuit (Miner, Winter, and Pooler, JJ.) took place on April 26, 1999. As noted, the defendants referred to a statutory grant in their briefs, but this was more by way of asserting that Section 201(c) granted transferable rights than by elaborating on the concept of transfer by operation of law.

78. *Ryan v. Carl*, 23 F. Supp. 2d 1146 (N.D. Cal. 1998).

79. *Id.* at 1150.

80. *Faulkner v. Nat'l Geographic Soc'y*, 294 F. Supp. 2d 523, 545 (S.D.N.Y. 2003).

81. See *infra* notes 91–93, 100 and accompanying text (discussing common law and legislative history bases for Section 201(e)'s limitations on nonbankruptcy involuntary transfers by operation of law).

82. See Haemmerli, *supra* note 14, at 132–34, 139. Under the doctrine of copyright indivisibility, described more fully later, an author often lost the copyright in his work if he depended on the collective work's copyright notice. The Copyright Act of 1909 required that copyright notice be provided in the name of the owner of a published work in order to preserve the copyright in the work. If the author had granted only a license to the collective work publisher while retaining copyright ownership, the publisher's collective work copyright notice would be defective as to the author's contribution because it was not in the copyright owner's name; the contribution would then be injected into the public domain. The revised copyright bill aimed to cure this problem by clarifying that copyrights could be divided, and that an author could make a partial transfer of copyright ownership for purposes of publication in a collective work without affecting his ownership or the exploitation of his work in other media. The precursor to Section 201(d) was Section 14 of the 1964 preliminary draft bill. See *Preliminary Draft for Revised United States Copyright Law and Discussions and Comments on the Draft: Hearing Before the H. Comm. on the Judiciary*, 88th Cong. 15 (1964) [hereinafter *1964 Preliminary Draft*].

Another section of the draft revision bill provided for transfers of copyright⁸³ by various means, including intestate succession.⁸⁴ The two concepts of divisibility and transferability were ultimately joined in Section 201(d), and the words "by operation of law" added to the 1964 bill.⁸⁵ During this process, no suggestion was made that the phrase "by operation of law" would endow a court with the ability to mandate an involuntary transfer of copyright.⁸⁶ Nor was Section 201(d) ever read this way prior to *Tasini*.⁸⁷ Section 201(d) merely states the possibility of copyright transfers by operation of law; it does not itself authorize specific transfers such as the one initiated by the court in *Tasini*. Reading Section 201(d) as itself achieving a transfer of copyright ownership not only misconstrues that provision, but is at odds with its intrinsic context, including Section 201(c). The wording and legislative history of Section 201(c) tell us that Congress intended to allow authors to publish in collective works *without* having to transfer the copyright in their articles. For example, the drafters of Section 201(c) believed that "there should not be a presumption of transfer of ownership, in the absence of an express transfer, of the right to publish the contribution in a similar collective work."⁸⁸ This statement is representative of many made in the course of the revision process, and it simply does not accommodate the *Tasini* court's reasoning.

2. Section 201(e)

In addition, the parallel development of Copyright Act Section 201(e) during the copyright revision process makes it doubtful that a court could legitimately mandate or infer a transfer by operation of law without the author's consent. Section 201(e) of the Copyright Act provides:

83. The section on transfers was Section 17. *1964 Preliminary Draft*, *supra* note 82, at 16.

84. Haemmerli, *supra* note 14, at 139.

85. *Id.*

86. The melding of the 1964 draft bill's Section 14(d)(1) on divisibility and its Section 17 on transfers, along with the additional "by operation of law" phraseology, was characterized as being made "simply for convenience and clarification, and to avoid duplication." *Id.*

87. Indeed, one authority says that "although Section 201(d) 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." 3 NIMMER, *supra* note 46, § 10.04.

88. *1964 Preliminary Draft*, *supra* note 82, at 258; *see also* Haemmerli, *supra* note 14, at 131–38 (providing the legislative history of Section 201(c)).

When an individual author's ownership of a copyright, or of any of the exclusive rights under a copyright, has not previously been transferred voluntarily by that individual author, no action by any governmental body or other official or organization purporting to seize, expropriate, transfer, or exercise rights of ownership with respect to the copyright, or any of the exclusive rights under a copyright, shall be given effect under this title, except as provided under Title 11.⁸⁹

It is true that Section 201(e) originated in concern over Soviet expropriation of U.S. copyright holders' rights. Congress made it clear, however, that the provision was to have broader relevance: "The provision is no longer directed against foreign governments [alone] since the same principle applies to the United States government."⁹⁰ And, as one commentator has remarked:

[Although] the only scenario in the legislators' minds seems to have been one where the expropriating governmental unit keeps the copyright for itself, [rather than] the . . . situation where the court forcibly transfers some of an author's copyright interests . . . , that situation clearly falls within the provision's broad language.⁹¹

Under the circumstances, if we assume that a federal court is a governmental body,⁹² a judicial decision that transfers an author's copyright

89. 17 U.S.C. § 201(e) (2000).

90. Francis M. Nevins, Jr., *When An Author's Marriage Dies: The Copyright-Divorce Connection*, 37 J. COPYRIGHT SOC'Y U.S.A. 382, 385 (1990) (citing a letter from the Acting Librarian of Congress to Hon. Peter W. Rodino of the House Judiciary Committee dated August 26, 1975). Nevins presents an interesting legislative history of Section 201(e).

91. *Id.* at 386; see also *Veeck v. S. Bldg. Code Cong. Int'l., Inc.*, 293 F.3d 791, 803 (5th Cir. 2002) ("Section 201(e) of the Act reflects Congress's intention to protect copyrights from involuntary appropriation by government entities."). In contrast, *In re Peregrine Ent.*, 116 B.R. 194, 206 (C.D. Cal. 1990), concluded that Section 201(e) should be read as "dealing with actions initiated by governmental bodies, not those in furtherance of private objectives," and that it "has no application to governmental actions taken in the sphere of private law where the government is merely enforcing private rights and is not the ultimate beneficiary." As one court has remarked, however, the language of Section 201(e) and congressional comments to that provision leave *Peregrine's* interpretation with very little support. *Rodrigue v. Rodrigue*, 55 F. Supp. 2d 534, 542 (E.D. La. 1999), *rev'd on other grounds*, 218 F.3d 432 (5th Cir. 2000); see also *infra* notes 174–93 and accompanying text (discussing *Rodrigue* further).

92. See, e.g., *Schmier v. U.S. Court of Appeals for the Ninth Circuit*, 279 F.3d 817, 822 (9th Cir. 2002) ("[The Supreme Court has] rejected *Schmier's* argument that he can establish standing based solely on his interest in seeing the *federal courts (among other governmental bodies)* 'perform [their] duties' and abide by the Constitution.") (emphasis added); *Price v. Time, Inc.*, 304 F. Supp. 2d 1294, 1299 (N.D. Ala. 2004) ("At common law, a reporter did not possess a privilege to conceal the identity of confidential sources of information obtained in the course of newsgathering activities, and could be compelled to disclose such sources in a legal proceeding *before a court, grand jury, or other governmental body.*") (emphasis added).

without his or her consent—unless in the course of foreclosure or bankruptcy proceedings—may well be invalid under Section 201(e).⁹³ At the very least, as Nimmer says, the provision "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."⁹⁴ At first glance, that issue even appears perplexing in the bankruptcy context despite the provision's reference to Title 11. Because nothing in the Bankruptcy Code turns on whether a bankruptcy petition is filed voluntarily or involuntarily, Section 201(e)'s generalized reference to "Title 11" raises the question whether it would permit a court-ordered transfer of copyright ownership in the context of an involuntary bankruptcy. Bankruptcy was cited by the drafters of the original text of Section 201(e) as a situation that would not fall within the scope of its proscriptions, because they viewed filing in bankruptcy as evidence of an author's consent to seek protection and make his copyrights available to the estate.⁹⁵ When bankruptcy is involuntary, however, that consent is conspicuously absent. Thus, the question arises whether the amendment of Section 201(e) to include a reference to "Title 11" was intended to broaden the scope of the bankruptcy exception to include involuntary, as well as voluntary,

93. Two issues relating to the provision's phraseology arise here. First, in accomplishing an involuntary transfer, is a court "purporting" to transfer copyright rights, and if not, does that mean that its act does not fall within the ambit of Section 201(e)? Given the thrust of Section 201(e) and its legislative history, if merely purporting to transfer rights is sufficient to trigger Section 201(e), then, *a fortiori*, actually transferring them ought to as well. The focus of Section 201(e), after all, is on involuntary transfer. (None of the case law or commentary on Section 201(e) distinguishes between purported acts and the acts themselves.) Second, because the statute provides that an involuntary transfer shall not be given effect, one might say that an involuntary transfer is invalid, rather than prohibited. Nevertheless, whether the transfer is invalid (i.e., not to be given effect) under the terms of Section 201(e) or deemed to conflict with the statute, it would, in either case, presumably be unenforceable. And, either way, it would be an illicit act for a court to undertake.

94. 3 NIMMER, *supra* note 46, § 10.04.

95. See H.R. REP. NO. 94-1476, at 124 (1976) (discussing 17 U.S.C. § 201(e)). The legislative history states:

The purpose of this subsection is to reaffirm the basic principle that the United States copyright of an individual author shall be secured to that author, and cannot be taken away by any involuntary transfer Traditional legal actions that may involve transfer of ownership, such as bankruptcy proceedings and mortgage foreclosures, are not within the scope of this subsection; the authors in such cases have voluntarily consented to these legal processes by their overt actions—for example, by *filing in bankruptcy* or by hypothecating a copyright.

Id. (emphasis added). As Nimmer says, the provision "would not inhibit transfers of ownership pursuant to proceedings in bankruptcy and mortgage foreclosures, since in such cases the author, by his overt conduct in filing in bankruptcy, or hypothecating a copyright, has consented to such a transfer." 3 NIMMER, *supra* note 46, § 10.04.

bankruptcy as an exception to the provision's restriction of involuntary transfers.

Whether Section 201(e) would permit a transfer in this situation is a function of the Copyright Act, rather than the Bankruptcy Code. Under the Bankruptcy Code, in order to determine whether an asset is accessible to unsecured creditors or whether it is exempt, one is remitted to non-bankruptcy law.⁹⁶ Here, the relevant non-bankruptcy law is the Copyright Act, and the relevant question is whether a creditor with a judicial lien (i.e., a lien on the debtor's property obtained in satisfaction of a judgment against the debtor) would be able to seize the debtor's copyright under that statute. Section 201(e)'s amended reference to "Title 11"—comprising both voluntary and involuntary bankruptcies—rather than "bankruptcy"—might (given the use of "bankruptcy" to denote voluntary proceedings in Section 201(e)'s original legislative history) mean that Congress intended to reach further than voluntary bankruptcy. One cannot, however, read too much into the mere use of "Title 11" rather than "bankruptcy," because the mammoth Bankruptcy Reform Act of 1978⁹⁷ substituted references to the new Title 11 for references to "bankruptcy" in many other federal statutes, raising the possibility that the change in terminology was fairly nominal. It is therefore difficult to infer specific congressional intent from the use of "Title 11" rather than "bankruptcy" in the wording of Section 201(e).

As it turns out, however, there is no need to infer that intent, because it was made explicit—not in the Copyright Act or its legislative history, but in the legislative history of the Bankruptcy Reform Act. Buried in the labyrinthine depths of the House Report on that Act is the statement: "Section 313 of the House amendment [which was the version Congress enacted]⁹⁸ amends Section 201(e) of the Copyright Act to permit a copyright to become property of the

96. See 11 U.S.C.A. § 522(b)(1) (2006) ("[A]n individual debtor may exempt from property of the estate the property listed in either paragraph (2) or, in the alternative, paragraph (3) of this subsection."). Under subsection (3)(A), such property is, "subject to subsections (o) and (p), any property that is exempt under Federal law." *Id.* § 522(b)(3)(A). Subsection (c) then lists exceptions to the exemptions. The exceptions do not appear to apply to copyrights, thereby necessitating consideration of federal copyright law's possible exemption of copyrights from the estate.

97. Bankruptcy Reform Act of 1978, Pub. L. No. 95-598, 92 Stat. 2549 (codified as amended in 11 U.S.C. 101, et seq.).

98. The title of the Report reads as follows: "P.L. 95-598, BANKRUPTCY REFORM ACT OF 1978/SEE PAGE 92 STAT. 2549/ HOUSE REPORT (JUDICIARY COMMITTEE) NO. 95-595, SEPT. 8, 1977/(TO ACCOMPANY H.R. 8200)/SENATE REPORT (JUDICIARY COMMITTEE) NO. 95-989, JULY 14, 1978/(TO ACCOMPANY H.R.S. 2266) THE HOUSE BILL WAS PASSED IN LIEU OF THE SENATE BILL AFTER AMENDING ITS LANGUAGE TO CONTAIN MUCH OF THE TEXT OF THE SENATE BILL"

estate in an involuntary case."⁹⁹ Thus, even with regard to individual authors who have not previously transferred their copyrights, it is clear that Section 201(e) of the Copyright Act permits involuntary transfers in the bankruptcy setting. With respect to all other involuntary transfers by the authors covered by Section 201(e), however, the provision retains its force.¹⁰⁰

3. *Transfers of Copyright by Operation of Law in Asset Transfer Situations*

The case law addressing transfers of copyright ownership by operation of law in situations involving mergers, acquisitions, and bankruptcies is relatively meager. A number of cases suggest that transfers of copyright by operation of law in such contexts should not be expansively defined or assumed to be statutorily acceptable. In *Brooks v. Bates*,¹⁰¹ a Southern District of New York case, the plaintiff alleged infringement of copyrighted software created and supposedly transferred to it by the defendant. The court stated that "the lessons to be drawn from Professor Nimmer are that transfers of copyright by operation of law are limited in number, and depend upon circumstances which establish the author's express or implied consent."¹⁰² It then held that the defendant's copyrights had not been transferred to the plaintiff by operation of law.

Other authority suggests similarly that transfers by operation of law occur only in limited circumstances, such as when a corporation transfers its assets to its shareholders or to another corporation.¹⁰³ In the Southern District of New York, even this situation has been read narrowly, and corporate succession has not been viewed as necessarily resulting in a transfer of copyright ownership by operation of law. In *H.K. Co. v. Mori Lee Associates, Inc.*,¹⁰⁴ the court held that when the copyright owner became a subsidiary of another company, its copyright assets were not transferred to the other company (or to that

99. H.R. REP. No. 95-595, at 549 (1977).

100. Hence, for authors like the freelancers in *Tasini* who have not previously transferred their works by exclusively licensing or assigning them, Section 201(e) would appear to preclude non-bankruptcy involuntary transfers by operation of law and to invalidate the conclusion reached by the district court in that case. See *supra* notes 58–80 and accompanying text (discussing the *Tasini* decision's impact on copyright law).

101. *Brooks v. Bates*, 781 F. Supp. 202 (S.D.N.Y. 1991).

102. *Id.* at 205. *Brooks* was, obviously, not taken into consideration by the *Tasini* district court.

103. See *Fantasy v. Fogerty*, 664 F. Supp. 1345, 1356 (N.D. Cal. 1987), *aff'd*, 984 F.2d 1524 (9th Cir. 1993), *rev'd on other grounds*, 509 U.S. 517 (1994) (stating that a shareholder who acquired corporate assets by operation of law was the legal owner of a copyright).

104. *H.K. Co. v. Mori Lee Assoc., Inc.*, No. 85 Civ. 9929, 1989 WL 297953 (S.D.N.Y. June 28, 1989).

company's successor) by operation of law; the court was unwilling to assume that such a transfer occurred solely by virtue of corporate reorganization.¹⁰⁵

In contrast, a recent case in the Eighth Circuit¹⁰⁶ appeared to conclude the opposite. On closer analysis, however, one sees that it did not really address the problem. The court was presented with the question of whether the appellee was the owner of copyrights in greeting card designs by virtue of a transfer by operation of law. The author of the cards,¹⁰⁷ Creative Card, was a wholly-owned subsidiary of AP&P, a firm that had filed for bankruptcy. AP&P entered into an Asset Purchase Agreement with Taylor, selling assets "used in the operation of [its] business,"¹⁰⁸ which it defined as "the business of designing and publishing greeting cards, as currently conducted by the Creative Card division"¹⁰⁹ The agreement also transferred "all intellectual property of the Business, including . . . copyrights"¹¹⁰ Taylor sued Four Seasons, a company formed by Creative Card's former president, for copyright infringement when Four Seasons sold cards similar to designs previously produced for Creative Card and transferred by AP&P to Taylor. When Four Seasons challenged Taylor's ownership of the copyrights, the court held that although there was no writing expressly transferring the copyrights from the original "author" (i.e., Creative Card) to AP&P or to Taylor, the asset agreement between AP&P and Taylor and the bankruptcy court's order approving that agreement effected a transfer of the Creative Card copyrights to Taylor.¹¹¹ Emphasizing the critical importance of "express or implied consent"¹¹² to a transfer by operation of law, the court relied on two other cases to conclude that the bankruptcy court's order approving the Asset Purchase Agreement "constituted a transfer of the copyrights 'by operation of law.'"¹¹³ Citing the definition of the "business" in the Agreement, as well as its explicit mention of the intellectual property of the business, the court held that the

105. *Id.* at *2 n.3.

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

107. That is, the company that was the author by virtue of the Copyright Act's work-made-for-hire rules under 17 U.S.C. § 201(b).

108. *Taylor Corp.*, 403 F.3d at 961.

109. *Id.*

110. *Id.*

111. *Id.* at 962. Noteworthy here is the lack of clarity in the court's reference to the "transfer of Creative Card's copyrights to Taylor" without reference to the intermediate question of the transfer from Creative Card to the holding company, or alternatively, the holding company's status as copyright owner based on it wholly owning the subsidiary "author."

112. *Id.* at 963. Here, the court cited *Brooks v. Bates*, 781 F. Supp. 202 (S.D.N.Y. 1991), which in turn cited Professor Nimmer's work.

113. *Taylor Corp. v. Four Seasons Greetings, LLC*, 403 F.3d 958, 964 (8th Cir. 2005).

bankruptcy court's order approving the Agreement vested Taylor with ownership of the copyrights.¹¹⁴

Assuming that AP&P was indeed the owner of Creative Card's copyrights by virtue of the latter's status as a wholly owned subsidiary, one may well question whether it is appropriate to characterize—as the courts in *Taylor* did—as a transfer by operation of law a transfer that has been memorialized in an agreement signed by a willing seller and buyer, even if it occurs within a bankruptcy proceeding and is approved by a court. In the other cases on which the district court relied, the facts were equally reflective of a conscious bargain, rather than a true transfer by operation of law.¹¹⁵ As for the cases supporting the Eighth Circuit's decision, they too were not altogether in agreement about transfers by operation of law. In *Lone Ranger Television, Inc. v. Program Radio Corp.*,¹¹⁶ the real issue was whether the chain of title to copyrighted materials was clear and valid; the court found that it was because each time there was an inter- or intra-corporate transfer, title was properly executed and recorded.¹¹⁷ Only in *Fantasy v. Fogerty*¹¹⁸ was a true transfer by operation of law asserted. However, in this case, where the assets of a dissolving

114. *Id.* This echoed the district court's ruling that the order of the Delaware Bankruptcy Court "vested [the later appellee] with title to all the assets" in the Purchase Agreement, and that the copyrights were "thereby transferred . . . 'by operation of law' within the meaning of 17 U.S.C. § 204(a) (2000)." *Taylor Corp. v. Four Seasons Greetings, LLC*, No. 01-1293, 2003 WL 23527789, at *6 (D. Minn. Dec. 11, 2003). The court also noted that:

[T]he Copyright Act contemplates transfers of copyright ownership 'by operation of law' Courts and commentators have recognized that such transfers include transfers within the context of a bankruptcy Transfers in bankruptcy do not run afoul of the Act's prohibition of involuntary transfers because the debtor impliedly consents to the transfer through his act of filing bankruptcy.

Id. Neither the Eighth Circuit nor the district court, however, devoted any attention to the initial ownership of the copyright by the transferor as the owner of the subsidiary that was the original "author."

115. In *John G. Danielson, Inc., v. Winchester-Conant Props., Inc.*, 186 F. Supp. 2d 1 (D. Mass. 2002), the court referred to a transfer by operation of law, but its holding was squarely—and explicitly—based upon a contractual transfer as the defendant did not argue that the copyright in the drawings at issue here was transferred "by operation of law." *Id.* at 11 n.1. Similarly, *Time, Inc. v. Kastner*, 972 F. Supp. 236 (S.D.N.Y. 1997) turned on whether there was a valid contractual transfer of copyright to the plaintiff. *Id.* at 238. The court did mention that under the Copyright Act a transfer is valid only if in writing or by operation of law, but that is merely a restatement of the statutory rule. The court also cited *Brooks v. Bates*, 781 F. Supp. 202 (S.D.N.Y. 1991) for the requirement that a transfer by operation of law requires evidence of express or implied consent. *Id.*

116. *Lone Ranger Television, Inc. v. Program Radio Corp.*, 740 F.2d 718 (9th Cir. 1994).

117. *Id.* at 721.

118. *Fantasy 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).

corporation were transferred to its shareholders by operation of law,¹¹⁹ the court relied entirely on state law and authority for the proposition that such a transfer occurred.¹²⁰ It did not discuss in any way the relationship between such transfers and the Copyright Act, nor did either of the cases it cited involve copyrights.¹²¹ On the whole, then, the landscape of transfers by operation of law in asset transfer situations appears rather sparsely populated. Where the cases do engage the subject of the permissibility of such transfers, they generally limit them to circumstances that evince some consent by the copyright owner to the transfer, or to its eventual occurrence.¹²²

A different position was taken in 2003 by Judge Posner in *ITOFCA, Inc. v. MegaTrans Logistics, Inc.*,¹²³ a Seventh Circuit case involving software rights sold as assets of a bankrupt company ("ICI") to the predecessor-in-interest of the defendant.¹²⁴ The disputed assets included the right to make and sell modified copies of a computer program developed by the plaintiff.¹²⁵ The plaintiff had transferred all of its assets except for cash and a building to ICI.¹²⁶

119. *Id.* at 1356.

120. *Id.* at 1352–54.

121. Rather—see *Trubowitch v. Riverbank Canning Co.*, 182 P.2d 182 (1947) and *Brodie v. Barnes*, 132 P.2d 595 (1942)—they pertained to tomatoes and real estate, respectively.

122. Thus, when a copyright owner has refused to transfer copyright ownership expressly, courts have rejected the possibility that a transfer by operation of law has occurred. For example, in *Pamfiloff v. Giant Records, Inc.*, 794 F. Supp. 933 (N.D. Cal. 1992), the court dismissed the plaintiff's theory that rights in musical compositions had been transferred to it by operation of law. *Id.* at 938. The court also considered the argument that the plaintiffs should be exempted from the writing requirement of Copyright Act Section 204(a). *Id.* at 937. The court stated that it would not affirmatively transfer by operation of law the rights that belonged to the defendant authors because Section 204(a) was intended to "prevent a copyright owner from inadvertently transferring ownership rights." *Id.* at 935. The court referred to the subversion of legislative goals and the absence of support in precedent or commentary for such a court-dictated transfer. *Id.* at 937. *Brooks v. Bates*, 781 F. Supp. 202 (S.D.N.Y. 1991) misconstrues *Pamfiloff* as holding that an oral contract alleged by plaintiffs was not itself a transfer by operation of law. *Id.* at 206. Rather, *Pamfiloff* said that if a contract (even if oral) was the basis of the alleged transfer, then the transfer could not be by operation of law. See *Pamfiloff*, 794 F. Supp. at 939 (claiming valid contract prevents transfer of copyright by operation of law). Nevertheless, *Brooks* is sound in its finding of the case before failing to prove that the defendant had impliedly consented to a transfer by operation of law.

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

124. *Id.* at 929. The bankrupt company, ICI, was a transferee of ITOFCA. ICI sold the assets in question to Amerifreight, which in turn sold them to the defendant, MegaTrans. *Id.*

125. *Id.*

126. *Id.* at 931. ICI was registered as a co-author of a modified version of the software in 1991, but the controversy appeared to stem from whether ICI had rights to modify and sell copies of ITOFCA's original program; hence, the 1991 program appears to be irrelevant to the resolution of the dispute. *Id.* at 929.

At issue was whether the transfer to ICI gave it the right to modify and sell copies of ITOFCA's program.¹²⁷ ITOFCA's transfer of assets to ICI specified that it covered all assets "used and necessary" to the freighting business.¹²⁸ Because the bankruptcy court's order explicitly found that ICI retained a nonexclusive right to sell additional copies of the software after the transfer of its assets to the defendant's predecessor-in-interest, the Seventh Circuit concluded that ICI "must have" received such a right from ITOFCA; according to the court, had ICI enjoyed only the right to use the program (as ITOFCA contended), the bankruptcy court would not have decided as it did that "ICI and its transferees *must have had* more than a license to use the software."¹²⁹

The problem with the Seventh Circuit's reasoning is twofold. First, it relies on the conclusions of the bankruptcy court as incontestable, whereas the factual question of what ICI received in the asset transfer from ITOFCA was ambiguous.¹³⁰ Second, the court's reasoning is patently outcome-oriented. The decision that the asset transfer included the right to make and sell copies hinges on inferences from circumstances and business practice. That is, ITOFCA "must have" meant to transfer the right not only to modify and use but to sell the program:

[S]uppose that ICI or its successor wanted to license the modified work to a customer. Did it have to get a license from ITOFCA to be allowed to do this? ITOFCA . . . was a shell. How would it evaluate such a request? *Who* would evaluate the request? Would ICI have consented to have such an albatross around its neck?¹³¹

In other words, the court makes the leap from the program being usable by ICI to it being marketable by ICI on the grounds of business necessity. From enjoying a right to use and change the program, ICI now is cast in the role of a business needing to sell it, or otherwise have an "albatross" with which to contend.

127. *Id.* at 931.

128. *Id.* at 938 (Ripple, J., concurring).

129. *Id.* at 930 (emphasis added).

130. *Id.* at 932-42 (Ripple, J., concurring). As mentioned *infra* at note 164, ITOFCA's failure to object to the bankruptcy court's conclusions acted as tacit authorization. Nonetheless, the original agreement was ambiguous.

131. *Id.* at 932 (emphasis in original).

Such reasoning, while hardly novel in the Seventh Circuit,¹³² is not highly persuasive, particularly since the court does not adduce evidence either that the licensing of the software was essential to conducting a freighting business or that both the rights to modify and distribute the software were transferred to ICI. While the court notes that a transfer (the initial one from ITOFCA to ICI) of all assets except cash and a building would probably comprise copyright rights, it also concedes that copyright transfers must be in writing.¹³³ Of course, the court also argues that whether the copyright in the program was transferred is beside the point, as all that ICI needed (to be able legitimately to transfer the right to sell a modified version of the program to MegaTrans' predecessor-in-interest) was the right to modify and distribute copies of the program itself. And, since ICI's rights to do so were apparently nonexclusive,¹³⁴ they did not have to be granted in writing,¹³⁵ as do exclusive copyright rights.¹³⁶

On the other hand, the nonexclusivity of ICI's rights crops up *after* its transfer to MegaTrans' predecessor-in-interest; ICI retained rights to sell to others aside from that transferee. But whether ICI's rights *from* ITOFCA were nonexclusive is another matter, as they depended on an asset transfer that

132. See, e.g., *Midway Mfg. Co. v. Artic Int'l, Inc.*, 704 F.2d 1009, 1013 (7th Cir. 1983) (providing similar reasoning). In its opinion, the court writes:

The final argument of defendant's that we address is that selling plaintiff's licensee's circuit boards that speed up the rate of play of plaintiff's video games is not an infringement of plaintiff's copyrights. Speeding up the rate of play of a video game is a little like playing at 45 or 78 revolutions per minute ("RPMs") a phonograph record recorded at 33 RPMs. If a discotheque licensee did that, it would probably not be an infringement of the record company's copyright in the record. One might argue by analogy that it is not a copyright infringement for video game licensees to speed up the rate of play of video games, and that it is not a contributory infringement for the defendant to sell licensees' circuit boards that enable them to do that. There is this critical difference between playing records at a faster than recorded speed and playing video games at a faster than manufactured rate: there is an enormous demand for speeded-up video games but there is little if any demand for speeded-up records. . . . Speeding up a video game's action makes the game more challenging and exciting and increases the licensee's revenue per game Video game copyright owners would undoubtedly like to lay their hands on some of that extra revenue and therefore it cannot be assumed that licensees are implicitly authorized to use speeded-up circuit boards in the machines plaintiff supplies.

Id.

133. See *ITOFCA, Inc. v. MegaTrans Logistics, Inc.*, 322 F.3d 928, 931 (7th Cir. 2003) (acknowledging the rule that copyright transfers must be written).

134. See *id.* at 930 (providing facts).

135. See, e.g., *Effects Assocs., Inc. v. Cohen*, 817 F.2d 72, 74 (9th Cir. 1987) (stating that a nonexclusive copyright license does not require a writing nor even an explicit agreement).

136. See 17 U.S.C. § 204(a) (2000) (requiring a writing).

specified only "all . . . assets, except a building . . . and cash assets"¹³⁷ that presumably included ITOFCA's copyrights. Either that transfer granted a nonexclusive license to ICI (that did not need to be specified in writing) or it assigned ITOFCA's copyrights (in which case a writing was required by the Copyright Act).

If the initial transfer granted a nonexclusive license to ICI, then—at least according to decisions to date in other circuits—ICI was probably not entitled to reconvey its license to others,¹³⁸ and the Seventh Circuit's reasoning is at the very least controversial. On the other hand, if ITOFCA's transfer to ICI included a transfer of copyright, then it is debatable whether it was sufficiently specific under Copyright Act Section 204 to be effective. On this point, the ITOFCA court asserts that explicit mention of copyright is unnecessary,¹³⁹ citing its earlier opinion in *Schiller & Schmidt v. Nordisco Corp.*¹⁴⁰ In *Schiller* (another Posner opinion), the Seventh Circuit held that a sales agreement for film negatives that did not mention "copyright" had to be interpreted as transferring copyright along with the negatives because there otherwise would be a standoff between the parties: The owner of the negatives would not be able to make positives without a license, and the other party—even if it retained copyright rights—could not make positives because it no longer possessed the negatives.¹⁴¹ The sheer inefficiency of the resultant stalemate led Judge Posner to reject the possibility that the parties had intended it: "An agreement that . . . created such a stand-off would be inefficient . . . [and] we do not lightly assume that this is what the parties intended."¹⁴²

137. *ITOFCA*, 322 F.3d at 928.

138. *See supra* note 71 (citing cases for the proposition that the transfer of nonexclusive licenses is generally proscribed).

139. *ITOFCA*, 322 F.3d at 931.

140. *Id.* (citing *Schiller & Schmidt, Inc. v. Nordisco Corp.*, 969 F.2d 410, 413 (7th Cir. 1992)).

141. *Schiller & Schmidt, Inc. v. Nordisco Corp.*, 969 F.2d 410, 413 (7th Cir. 1992). This reasoning seems to run counter to Copyright Act Section 202, which provides in part:

Ownership of a copyright, or of any of the exclusive rights under a copyright is distinct from ownership of any material object in which the work is embodied. Transfer of ownership of any material object . . . does not of itself convey any rights in the copyrighted work embodied in the object

17 U.S.C. § 202 (2000). Why should possession of negatives imply possession of the right to use them, given the statutory distinction between the two? As discussed above, *Schiller* is a reasonable decision in terms of its analysis of the timing of a work-for-hire agreement. On the issue of the specificity required in a transfer of copyright, however, *Schiller* is of more dubious value.

142. *Schiller*, 969 F.2d at 413.

An inefficient standoff created by division of copyright ownership is admittedly not only unappealing but arguably inconsistent with the dissemination aims of the Copyright Act.¹⁴³ Nor is the Seventh Circuit the only court that finds such a prospect abhorrent.¹⁴⁴ Nevertheless, one must ask whether judicial reluctance to endorse such a situation is appropriate in the contractual arena. It is one thing to ensure that a statute is construed in a manner consistent with its objectives; it is another to insist that contracts must invariably be similarly interpreted. Even if the aims of the Copyright Act are dissemination-oriented, one may ask whether parties to a contract should not be free to—perhaps mistakenly or immorally—make an agreement that entails anti-dissemination results.¹⁴⁵ This is particularly true if, as in *Schiller*, the court infers the parties' apparent agreement to a transfer in such manner that the contract is compatible with economic efficiency and the Copyright Act's dissemination goals, but arguably inconsistent with the Act's statutory writing requirement.¹⁴⁶ In *Schiller*, the Seventh Circuit acknowledged that the Act's

143. See *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 558 (1985) ("[C]opyright supplies the economic incentive to create and disseminate ideas."); *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984) (claiming that copyright is "intended to motivate the creative activity of authors and to allow the public access to the products of their genius after the limited period of exclusive control has expired.").

144. See *Bartsch v. Metro-Goldwyn-Mayer, Inc.*, 391 F.2d 150, 155 (2d Cir. 1968) (reading a license liberally to permit the licensee to exhibit a film using technology not specified in the license). The court wrote that:

A further reason favoring the broader view [of the contract's intent] in a case like this is that it provides a single person who can make the copyrighted work available to the public over the penumbral medium, whereas the narrower one involves the risk that a deadlock between the grantor and the grantee might prevent the work's being shown over the new medium at all. Quite apart from the probable impracticality, the assignments are broad enough even on plaintiff's view to prevent the copyright owners from licensing anyone else to make a photoplay for telecasting. The risk that some May might [sic] find the nation's television screens bereft of the annual display of "Maytime," interlarded with the usual liberal diet of commercials, is not one a court can take lightly.

Id.

145. Indeed, as the Supreme Court remarked in *Stewart v. Abend*, 495 U.S. 207 (1990):

[A]lthough dissemination of creative works is a goal of the Copyright Act, the Act creates a balance between the artist's right to control the work during the term of the copyright protection and the public's need for access to creative works [N]othing in the copyright statutes would prevent an author from hoarding all of his works during the term of the copyright. In fact, this Court has held that a copyright owner has the capacity arbitrarily to refuse to license one who seeks to exploit the work.

Id. at 228–29.

146. Although Copyright Act Section 204 does not specify that the word "copyright" must be used in a transfer, Section 202's sharp distinction between ownership of a work and

Section 204 requires a writing to transfer a copyright; but it decided that the sales agreement was a writing that could be interpreted as assigning copyright because it made economic sense to do so.

Similarly, in *ITOFCA*, the Seventh Circuit declares that ICI (and hence its transferees) obtained the right to modify and sell the plaintiff's software because the bankruptcy court said it did *and because it supposedly needed to* as a matter of economic expediency.¹⁴⁷ Further, to the extent that a written transfer of copyright was required (which the court states that it was not),¹⁴⁸ the court finds that the asset transfer agreement was sufficiently broad to cover copyrights.¹⁴⁹

The court's assertion that no explicit mention of copyrights is necessary rests on *Schiller* and on several other cases. As explained above, *Schiller's* reasoning on this point is vulnerable. The support provided by the other cases Judge Posner relies upon is equally attenuated. In *S.O.S., Inc. v. Payday, Inc.*,¹⁵⁰ the court held that a transfer of copyright must be express because as a matter of federal copyright policy, copyright owners are presumed to retain any rights that they do not explicitly grant.¹⁵¹ In *Shugrue v. Continental Airlines, Inc.*,¹⁵² the operative agreement was unambiguous, stating that the transferor granted all right, title, and interest to its software and that the software was

ownership of the copyright in the work certainly militates against any assumption that a copyright is transferred along with a work or with any material object. *See supra* note 141 (discussing this impact of *Schiller*). For this reason, it seems reasonable to require that some mention of copyright be made in a transfer of a copyrighted work.

147. *ITOFCA, Inc. v. MegaTrans Logistics, Inc.*, 322 F.3d 928, 931–32 (7th Cir. 2003).

148. *Id.* at 931.

149. *Id.* This reasoning has some support elsewhere. In *John G. Danielson, Inc., v. Winchester-Conant Props., Inc.*, 186 F. Supp. 2d 1 (D. Mass. 2002), the court cited Nimmer for the proposition that "even though a written instrument may lack the terms 'transfer' and 'copyright,' it may suffice to evince [the author's and the transferee's] mutual intent to transfer the copyright interest." *Id.* at 11 (citing 3 NIMMER, *supra* note 46, § 10.03[A][2]). However, as noted above, *Danielson* addressed a contractual transfer, making this dictum at best. *See id.* at 5–9 (providing the facts of the case). Moreover, Nimmer continues to say: "But in order to achieve that result, the writing must be construed to refer to the domain of copyright ownership rather than to other interests. It also must rise above vagueness to clue the reader into its desired intent." 3 NIMMER, *supra* note 46, § 10.03[A][2]. Nimmer also cites on this point *Foraste v. Brown Univ.*, 290 F. Supp. 2d 234, 240 (D.R.I. 2003) (stating the *Pamfiloff* criteria for a Section 204(a) transfer as including: "(1) definition of the subject matter of the agreement; (2) an indication that the parties have come to that agreement; and (3) a reasonably certain statement of the essential terms of the agreement;" and referring to other cases requiring that a Section 204(a) transfer be "clear").

150. *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081 (9th Cir. 1981).

151. *See id.* at 1088 (requiring an express transfer of copyright).

152. *Shugrue v. Cont'l Airlines, Inc.*, 977 F. Supp. 280 (S.D.N.Y. 1997).

agreed to be the transferee's property regardless of whether it was copyrighted.¹⁵³ Moreover, the *Shugrue* court pointed out that the absence of an explicit reference to copyright in a transfer of assets agreement had been considered by at least two courts to create a question about transferor intent.¹⁵⁴ Yet another case relied upon by the *ITOFCA* Court, *Bieg v. Hovnanian Enterprises, Inc.*,¹⁵⁵ does not support the court's conclusion. Although *Bieg* mentions that a transfer of copyright might be effective despite its omission of the word "copyright,"¹⁵⁶ it goes on to say that "any ambiguity in the alleged transfer must be interpreted in favor of the original copyright holder in order to satisfy the purpose of Section 204(a)."¹⁵⁷

The mixed results in its supporting decisions do not bolster *ITOFCA*'s conclusion that it is unnecessary to use the word "copyright" in a transfer of assets if copyright is to be properly transferred.¹⁵⁸ As the concurring opinion by Judge Ripple notes, the bankruptcy order did not clearly establish the nature of ICI's interest or that of the interest transferred by ICI to the defendant's predecessor-in-interest.¹⁵⁹ An underlying reason for that lack of clarity was the muddiness of the 1986 asset transfer itself. Because "the district court explicitly stated that the record was unclear as to exactly what property rights *ITOFCA* conveyed to ICI under the Asset Agreement,"¹⁶⁰ and given the ambiguity of the Asset Agreement (which omitted mention not only of

153. See *id.* at 285 (providing the facts of the case).

154. *Id.*; see also *Playboy Enters. v. Dumas*, 831 F. Supp. 295 (S.D.N.Y. 1993), *aff'd in relevant part and rev'd in other respects*, 53 F.3d 549 (2d Cir. 1995) and *Friedman v. Stacey Data Processing Servs. Inc.*, No. 89 C 4444, 1990 WL 172586, at *5 (N.D. Ill. Nov. 1, 1990) (finding that a contract reference to "software programs 'in their entirety' [is] not sufficiently clear to include copyrights in software"); *Konigsberg Int'l Inc. v. Rice*, 16 F.3d 355, 357 (9th Cir. 1994) (describing how the writing requirement "forces a party who wants to use the copyrighted work to negotiate with the creator to determine precisely what rights are being transferred and at what price").

155. *Bieg v. Hovnanian Enters., Inc.*, 157 F. Supp. 2d 475 (E.D. Pa. 2001).

156. *Id.* at 480.

157. *Id.*

158. Although other courts have followed *Schiller*, they have tended not to include a detailed analysis of its holding, and some remark that even if *Schiller* is valid, explicit mention of copyrights is the better practice. For example, in *Papa's June Music v. McLean*, 921 F. Supp. 1154 (S.D.N.Y. 1996), the court did not accept that a lyricist's agreement to a 70/30 royalty split necessarily meant that he agreed to a 70/30 ownership split. *Id.* at 1159. The court insisted that unless the agreement was clear, it should be construed in favor of the copyright owner because Section 204 reflects a congressional judgment that copyright owners should retain their rights unless they specifically transfer them. *Id.*

159. *ITOFCA, Inc. v. MegaTrans Logistics, Inc.*, 322 F.3d 928, 934 (7th Cir. 2003) (Ripple, J., concurring).

160. *Id.* at 935 (Ripple, J., concurring).

"copyright" but also of "software"),¹⁶¹ it appears that the majority opinion is rather conclusory. Moreover, as Judge Ripple points out, none of the cases on which the majority relies involved an agreement referring merely to "assets," without some reference to "rights," "intangible property," or the tangible property to which an intangible right attached.¹⁶² The ITOFCA-ICI Asset Agreement, specifying assets "used and necessary to the freighting business," could very plausibly have referred to software used in the business without including the right to sell that software to third parties. Finally, the concurrence emphasizes that the inference of a transfer of copyright rights on summary judgment—from an agreement that fails to mention them—runs counter to Copyright Act Section 204.¹⁶³

Because ITOFCA failed to object to ICI's transfer (via the bankruptcy order) of its rights—which appear to have amounted to a nonexclusive license to exercise copyright rights—the concurrence reaches the conclusion that ITOFCA's arguments are precluded.¹⁶⁴ Nonetheless, the concurrence appears to be better reasoned and more consonant with the Copyright Act than the majority opinion.

In summary, taking into account the legislative intent of Copyright Act Sections 201 (a), (b), (c), (d), and (e), the policy behind the Act's transfer of ownership provisions in Section 204, and the deficiencies in the decisions analyzed so far, it appears that a proper statutory reading should confine transfers by operation of federal law to a narrow range of events. Aside from the Act's own allocation provisions concerning joint works and works for hire, this includes transfers by intestate succession, mortgage foreclosure, voluntary bankruptcy, and other situations that demonstrate implied consent to eventual transfer under clearly envisioned circumstances. A narrow reading of "transfers" as requiring evidence of intent on the part of the copyright owner appears far more consistent with the policy behind the writing requirement and other arduously negotiated Copyright Act provisions intended to protect authors from inadvertent loss of their copyright rights. This approach suggests that the possibility of copyright transfers by operation of law in other contexts should also be carefully limited.

161. *Id.* (Ripple, J., concurring).

162. *Id.* at 937 (Ripple, J., concurring).

163. *Id.* at 938 (Ripple, J., concurring).

164. The concurrence emphasizes that a nonexclusive licensee is not entitled to transfer its rights without the assent of the copyright owner but finds that ITOFCA's silence at the time of the bankruptcy proceeding acted as a tacit authorization. *Id.* at 941 (Ripple, J., concurring).

B. Transfers of Copyright by Operation of State Law: Divorce and Community Property

Compared to the relative paucity of academic literature and case law on involuntary copyright transfers by operation of federal law, state community property law conflicts with the federal copyright statute provide somewhat more fertile ground. Most or all of the literature on the subject addresses the problem of involuntary copyright transfers in the context of divorce proceedings in community property states.¹⁶⁵ This is the legacy of *In re Marriage of Worth*,¹⁶⁶ a California divorce decision holding that an author's copyright was community property to be shared equally by the author and his divorced spouse. The *Worth* court held that since the Copyright Act allows for transfers by operation of law, California could apply its marital law to transfer copyright ownership to the author's ex-wife.¹⁶⁷ Interestingly, commentators appear unanimously to believe—irrespective of their normative stance toward *Worth*—that it contravenes both the letter and intent of Section 201(e) for state courts to effect involuntary transfers of copyright unless some form of implied consent can be demonstrated.¹⁶⁸ Indeed, it is worth recalling that this point is explicit in the legislative history, as well as the text, of Section 201(e).¹⁶⁹

Nimmer accordingly concludes that, in the Section 201(e) divorce context, persons who marry in a community property state¹⁷⁰ have impliedly consented

165. See generally Dale S. Ciolino, *Why Copyrights Are Not Community Property*, 60 LA. L. REV. 127 (1999) (arguing that copyrights are not community property); Peter J. Wong, *Asserting the Spouse's Community Property Rights in Copyright*, 31 IDAHO L. REV. 1087 (1995) (agreeing with and trying to bolster *In re Marriage of Worth*, the leading case on the subject); Debora Polacheck, *The "Un-Worthy" Decision: The Characterization of a Copyright as Community Property*, 17 HASTINGS COMM. & ENT. L.J. 601 (1995) (disagreeing with and criticizing *Worth*); Carla M. Roberts, *Worthy of Rejection: Copyright as Community Property*, 100 YALE L.J. 1053 (1991) (criticizing *Worth*); Nevins, *supra* note 90, at 135; David Nimmer, *Copyright Ownership by the Marital Community: Evaluating Worth*, 36 UCLA L. REV. 383 (1988) (analyzing *Worth*).

166. *In re Marriage of Worth*, 241 Cal. Rptr. 135 (1987).

167. *Id.* at 139. *Worth's* reasoning can be distinguished from *Tasini's* by the fact that in *Tasini*, the court purported to apply the Copyright Act itself, rather than a body of state law, to accomplish the transfer.

168. See Nimmer, *supra* note 165, at 408 (finding implied consent of copyright transfer through marriage in a community property state); Nevins, *supra* note 90, at 392 ("Section 201(d) . . . recognizes transfers 'by operation of law' How is this language to be squared with Section 201(e)? Obviously by reading subsection (e)'s voluntariness requirement into Subsection (d)(1)."); Polacheck, *supra* note 165, at 617, 626 (requiring implied consent to transfer copyright); Wong, *supra* note 165, at 1101 (same).

169. See H.R. REP. NO. 94-1476, at 140 (1976) (discussing the purposes of the 1976 Copyright Act).

170. Nimmer also mentions William Patry's idea that implied consent may be based on a

to possible eventual transfers of their copyright rights by operation of law.¹⁷¹ Nevins attacks this as tenuous,¹⁷² and in view of the earlier discussion of transfers and work-for-hire,¹⁷³ it does appear more reasonable to require a demonstration of intent at least as convincing in the community property sphere as in any other.

In fact, *Worth* has also been criticized by other courts. Notably, in *Rodrigue v. Rodrigue*,¹⁷⁴ the district court for the Eastern District of Louisiana held that state community property law which conflicts with the objectives of a federal statute should be preempted.¹⁷⁵ Because the Copyright Act vests copyright ownership initially in the author of a work,¹⁷⁶ the district court held, such ownership cannot vest in both the author and the marital community.¹⁷⁷ The question therefore is—assuming that the copyright is supposed to be shared—whether the copyright can be transferred to the community by operation of law. Rejecting *Worth*'s reasoning on this point, the *Rodrigue* district court focused on Section 201(e), citing the legislative history at some length¹⁷⁸ and emphasizing that most commentators agree that Section 201(e) is expansive in its application.¹⁷⁹

person residing in a community property state. 1 NIMMER, *supra* note 46, § 6A.03, n.39 (citing William Patry, *Copyright and Community Property: The Question of Pre-emption*, 8 COMMUNITY PROP. J. 205, 233 (1981)).

171. Nimmer, *supra* note 165, at 406, 409.

172. See Nevins, *supra* note 90, at 399 (arguing against implying a consent to involuntary copyright transfer in community property states). It is interesting that Nimmer appears to concede this point by terming Patry's theory "even more tenuous" than his own. 1 NIMMER, *supra* note 46, § 6A.03, n. 39.

173. Regarding joint works, see *supra* notes 18, 26–32 and accompanying text.

174. *Rodrigue v. Rodrigue*, 55 F. Supp. 2d 534 (E.D. La. 1999), *rev'd on other grounds* 218 F.3d 432 (5th Cir. 2000).

175. *Id.* at 537–40. This reflects the doctrine of implied or "conflict" preemption, as opposed to the express preemption articulated in Copyright Act Section 301.

176. See 17 U.S.C. § 201(a) (2000) (giving the author the first right to ownership of the copyright).

177. *Rodrigue*, 55 F. Supp. 2d at 540–41.

178. *Id.* at 542.

179. *Id.* In doing so, the court also rejected a contrary reading in *In re Peregrine Entm't*, 116 B.R. 194 (C.D. Cal. 1990). Although *Peregrine* held that Copyright Act Section 201(e) does not apply in an attachment situation where the "government is merely enforcing private rights," the language of Section 201(e) contains nothing to support this conclusion. *Id.* at 206. The provision's use of the term "transfer" in addition to "seize" and "expropriate" supports a broader reading. *Peregrine*'s interpretation would seem to revert to the original purpose of the provision—government expropriation—but does not reflect the consensus that the provision now has broader effect.

Consequently, according to the district court, a transfer of copyright ownership by operation of state family law would be illicit unless it were voluntary.¹⁸⁰ The question this point raised is whether volition could, in the author's case, be legitimately inferred. The *Rodrigue* court referred to the notion expounded by Nimmer that marrying in a community property state can imply such consent,¹⁸¹ but it dismissed that concept as having little support in doctrine.¹⁸² In contrast to work for hire, where Congress "expressly provided in the Act for this type of quasi-assignment of authorship,"¹⁸³ no such provision for a spousal co-author or quasi-assignee can be found in the statute. On the whole, said the district court, the conflict between state community law and the Copyright Act was "irreconcilable," carrying with it a risk of inflicting substantial damage to the Act's "goals of predictability and certainty of copyright ownership," among other things.¹⁸⁴ Hence, the district court held that the Copyright Act preempted Louisiana state law.

On appeal,¹⁸⁵ the Fifth Circuit reversed, holding that an approach considered but rejected by the lower court was in fact the proper result.¹⁸⁶ That is, the court held, the scope of the conflict between federal copyright law and Louisiana community property law was narrower than it appeared,¹⁸⁷ and there was room for the author (George Rodrigue) to retain exclusive "managerial" control over copyright while allowing the "economic benefits" of the copyrighted work to belong to the community during the marriage and to the former spouse in "indivision" thereafter.¹⁸⁸ Hence, with the apparent conflict between federal and state law resolved, there was no need for federal preemption.

At the basis of the Fifth Circuit's reasoning is the assumption that, while Copyright Act Section 106 delineates six rights,¹⁸⁹ "none of these rights either

180. *Rodrigue*, 55 F. Supp. 2d at 543. For a more detailed explanation of this point under Louisiana community property law (and the federalism issues implied by it), see Ciolino, *supra* note 165.

181. *Id.* at 543.

182. *Id.*

183. *Id.*

184. *Id.* at 547.

185. *Rodrigue v. Rodrigue*, 218 F.3d 432 (5th Cir. 2000).

186. *See id.* at 434 (disagreeing with the lower court).

187. *See id.* at 440 (explaining that state law was not subject to either field preemption or even to implied preemption based on the general incompatibility of the state statute with the objectives of federal law; rather, the conflict was resolvable through interpretation of the impact of the state statute, allowing for reconciliation of the state and federal regimes).

188. *Id.* at 435.

189. The court refers to the Act's "five" rights, *id.* at 439, because the decision predated by

expressly or implicitly include the exclusive right to enjoy income or any of the other economic benefits produced by or derived from copyright."¹⁹⁰ Thus, the provision by Louisiana community property law of an economic benefit to the ex-spouse did not conflict with federal law and need not be preempted.¹⁹¹

In arriving at this conclusion, the court engaged in a fairly detailed exposition of Louisiana (and civil) law property rights as embracing three separate elements: *usus*, or the right to use and possess; *abusus*, or the right to alienate and transfer; and *fructus*, or the right to enjoy the income produced by the property.¹⁹² According to the court, the author-spouse would continue to hold exclusively the elements of *usus* and *abusus*, while the ex-spouse would share in the continuing *fructus* rights of the community.¹⁹³

While all of this is couched in the language of civil law, it is reminiscent of the distinction between the legal entitlements of ownership (corresponding to *usus* and *abusus*) and a beneficial right to the economic fruits of ownership (*fructus*). The Fifth Circuit assumed that the Copyright Act includes only the first two and does not address the third. In doing so, the court seemed to believe that it has found a viable means of reconciling the state and federal regimes. Upon closer inspection, however, its solution to the problem is implausible. It is certainly true that ownership of a copyright is distinguishable from ownership of the income generated by the use or disposition of a copyrighted work.¹⁹⁴ Royalties are separable from copyrights and are not subject to the same federal regulation as copyright.¹⁹⁵ At the same time, however, it is not as though the Copyright Act is indifferent to who receives the economic benefit of copyrighted works. Indeed, the 1976 Act's revisions

several months the amendment to the Copyright Act adding the right to publicly perform sound recordings by means of digital audio transmission. 17 U.S.C. § 106(6) (2000).

190. *Rodrigue*, 218 F.3d. at 440.

191. *Id.* at 436.

192. *Id.* at 437.

193. *Id.*

194. *See, e.g.*, *Yount v. Acuff Rose-Opryland*, 103 F.3d 830, 834 (9th Cir. 1996) ("[H]olding a royalty interest does not bespeak an interest in the underlying copyright itself . . . [but] an interest in receiving money when the owner of the copyright exploits it.").

195. *See, e.g.*, *Broad. Music, Inc. v. Hirsch*, 104 F.3d 1163, 1166 (9th Cir. 1997) (noting that where copyright owner assigned future royalties and assignee did not record its assignment that the IRS could not assert that the assignee's interest was unperfected due to lack of federal recording, because transfers of royalties, as opposed to transfers of copyright, do not have to be federally recorded in order to be perfected); *Papa's June Music v. McLean*, 921 F. Supp. 1154, 1160 (1996) ("[A]n agreement concerning royalties does not constitute a 'transfer of copyright ownership' within the meaning of 17 U.S.C. § 101."); Alice Haemmerli, *Insecurity Interests: Where Intellectual Property and Commercial Law Collide*, 96 COLUM. L. REV. 1645, 1691-95 (1996) (criticizing *Peregrine's* conflation of copyrights and the royalties they generate).

reflected political compromises intended to ensure that authors enjoy the Act's contemplated benefits while allowing room for licensees and transferees of copyright (such as publishers and film studios) to enjoy some predictability in their commercial relations.¹⁹⁶ It therefore appears excessive to assert, as did the Fifth Circuit, that the *right to enjoy the earning* of copyright is "notably absent" even by implication from the Copyright Act.¹⁹⁷ References to the earnings themselves—i.e., money, royalties, etc.—are undeniably absent from the Act, but the *right to enjoy them* is implicitly—and crucially—embedded in the very notion of copyright rights.¹⁹⁸ That this is true is manifested not only in the Act's focus on exclusive rights but also in the statute's provisions regarding beneficial owners, such as authors who have licensed their copyrighted works.¹⁹⁹ The Act would hardly include such provisions were it entirely unconcerned with the economic benefits attendant to copyright exploitation.

196. See *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 750 (1989) (discussing Congress's interest in commercial predictability).

197. *Rodrigue v. Rodrigue*, 218 F.3d 432, 440 (5th Cir. 2000).

198. Had the court held simply that Mrs. Rodrigue was entitled to a certain percentage of her husband's royalty earnings, rather than sharing his right to receive royalties, perhaps the preemption question could have been avoided altogether without doing violence to the Copyright Act. The court, however, did not adequately distinguish between the royalties and the right to receive them. As one writer states, "[b]ecause revenues were not an exclusive right mentioned in the definition of 'copyright,' the court concluded that Louisiana law did not conflict with federal law by recognizing [Mr. Rodrigue's] community interest in proceeds from sales or licenses of [Mr. Rodrigue's] artwork." Garth R. Backe, *Community Property and the Copyright Act: Rodrigue's Recognition of a Community Interest in Economic Benefits*, 61 LA. L. REV. 655, 659 (2001). Note the use here of the terms "revenues" and "proceeds"—obviously, revenues cannot be a "right" like the exclusive right to reproduce a work. Does the author mean, though, to imply that the right to receive revenues is not exclusive? That would come as a surprise to the drafters of the Copyright Act. Again, "proceeds" are royalties or sales income—not the right to receive them. The confusion of royalties and the right to receive them, however, is not uncommon. See, e.g., *Teller v. Teller*, 53 P.3d 240, 250 n.22 (Haw. 2002) (referring to cases that recognize patents and other intellectual property subject to division in a marital dissolution and including several cases that awarded, or recognized the divisibility, of royalties); see also *Alsenz v. Alsenz*, 101 S.W.3d 648, 653 (Tex. App. 2003) ("It is unquestionable that, had these patents been taken out during the marriage, the patents and the income they generated would be community property. In this, we would join other jurisdictions in which the courts treat the *income from* intellectual property created during marriage as marital or community property.") (emphasis added). The *Alsenz* court seems not to have noticed the difference in the concepts to which it referred. *Alsenz* has in turn been relied upon for the proposition that state community property laws are not preempted by federal intellectual property law. See *Sheshtawy v. Sheshtawy*, 150 S.W.3d 772, 775 (Tex. App. 2004) (discussing patents).

199. See, e.g., 17 U.S.C. § 501(b) (2000) (allowing beneficial owners to sue for infringement).

At one point, the court seemed to admit as much. In a convoluted exegesis of Copyright Act Section 201(a), the court said that the subsection "never uses the word 'own' or 'ownership'" but rather provides that copyright "vests" in the author.²⁰⁰ It then explained that "vests" means to give a right "of present or future enjoyment."²⁰¹ But here, the court stopped short, leaving the reader to wonder, "enjoyment of what?" According to the court, it is not enjoyment of economic benefits because—as the court stated—the Copyright Act includes only five attributes of ownership "while omitting . . . the attribute of enjoyment of economic benefits."²⁰² Thus, the court simultaneously said that Section 201 is about vesting rather than ownership, and that vesting implies a right of enjoyment, but that vesting does not relate to the enjoyment of economic benefits. This interpretation would make copyright "ownership" (or "vesting," for that matter) rather pallid.²⁰³ If Section 201 is about "vesting," and vesting is about enjoyment, what is to be enjoyed? The knowledge that one has exclusive rights? The sight of a certificate of copyright registration? It may be true that the rights described in Section 106 of the Copyright Act do not specify the right to earn income from their exploitation but that right is implicit in the Act's *raison d'être*. If Section 201 is about the vesting of benefits in the author, as the court said, then—given the Act's objective of providing economic incentives to authors²⁰⁴—it is unconvincing to say that the Act ignores them completely.

In other words, while the distinction between copyrights and earnings from copyrights is a proper one, a distinction between the right to earn income from a copyright and the exclusive right to exploit a copyright is more questionable. The Fifth Circuit's failure to distinguish between copyright income per se (generally not covered by the Act)²⁰⁵ and the right to receive it (a

200. *Rodrigue*, 218 F.3d at 436.

201. *Id.*

202. *Id.*

203. For similar conclusions as to the *Rodrigue* court's fallacious reasoning with regard to the Copyright Act, see Dane S. Ciolino, *How Copyright Became Community Property (Sort Of): Through the Rodrigue v. Rodrigue Looking Glass*, 47 LOY. L. REV. 631 (2001). Professor Ciolino delivers a stinging critique of the decision that elucidates its incompatibility with Louisiana law as well as with the Copyright Act, and presents a dizzying array of complications attendant upon the implementation of the "*fructus*" right bestowed upon the ex-spouse. *Id.* at 640. Dissecting the types of income produced by copyrighted works (or sales of the works themselves), Ciolino shows that not only is *Rodrigue's* analysis faulty, but it also implies extremely difficult practical problems. *Id.* at 648–59.

204. See *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 558 (1985) (discussing rationales for the Copyright Act's protections).

205. See *supra* notes 194–95 and accompanying text (distinguishing between copyright and royalties).

rationale of the Act) results in a misinterpretation of the statute. Another way of putting this is that, in focusing on the Act's non-coverage of royalties, the Fifth Circuit conflated royalties and the right to royalties, thereby failing to recognize the Act's concern with copyright as an economic right.²⁰⁶ Indeed, it would be difficult to see how the Copyright Act could reflect the constitutional underpinning of economic incentives to authors unless that concern is acknowledged. The court purports to address this issue,²⁰⁷ but it is not persuasive: It simply declines to assume that the interests of spouses are so discordant that one spouse would be disinclined to create if the other had an interest in the copyright revenues.²⁰⁸ That is not the point, however. The point is that the federal scheme involves an incentive to create, in the form of the right to enjoy the economic benefits of creation. The Fifth Circuit's decision to reallocate that enjoyment to a non-author spouse by operation of state law interferes with the federal scheme because it does not reflect a voluntary transfer by the author. Even in a world of perfect marriages, this runs counter to what Congress intended.

Where does this leave the Fifth Circuit's decision in *Rodrigue*? Grounding its decision in Louisiana civil law, the court decided that the Louisiana Civil Code allows for certain exceptions to its principle of equal management of community property,²⁰⁹ and that in such cases, while legal ownership and alienability remain the exclusive rights of one spouse, the economic benefits are to be shared.²¹⁰ Next, having assumed that the Copyright Act is indifferent to the right to enjoy the fruits of copyrighted works' exploitation, it found that there is no need for federal preemption of the Civil Code.²¹¹

The sole virtue of the Fifth Circuit's approach to the community property problem is that it did not explicitly embrace a transfer by operation of law of *legal* ownership. Rather, its definition of the ex-spouse as usufruct beneficiary is clearly intended to limit her to the status of a beneficial owner. A beneficial owner may be a person who does not have legal title to a copyright but is entitled to certain of the benefits flowing from the copyright (e.g., an author

206. See *Harper & Row*, 471 U.S. at 554, 558 (discussing the Copyright Act's recognition of economic concerns).

207. See *Rodrigue v. Rodrigue*, 218 F.3d 432, 438 (5th Cir. 2000) (claiming to address economic considerations).

208. *Id.* at 440.

209. *Id.* at 438.

210. *Id.*

211. *Id.* at 440. The court repeatedly refers to Copyright Act Section 301 for mysterious reasons, as it is clear that Section 301, addressing express preemption, is irrelevant.

who has sold her work for royalties).²¹² Where a party enjoys certain economic benefits of a copyright, one may recognize a claim to those benefits that falls short of legal ownership or an implied transfer of such ownership.²¹³ The (rather meager) good news in *Rodrigue*, therefore, is that the Fifth Circuit stopped short of asserting such a transfer.

On the other hand, even in the absence of explicit endorsement of transfers of legal ownership by operation of law, the court's decision ultimately means not only that the spouse has received a share of the author's copyright royalties, but that usufruct, *as one aspect of ownership*, is legitimately transferred by operation of state law. True, the court previously concluded that such a right is not included in the Copyright Act, and therefore the court did not believe that it was making such a transfer. Nevertheless, because the Copyright Act is fundamentally concerned with the right of economic enjoyment, the decision does just that. This goes too far; it implies precisely what the Copyright Act proscribes in Section 201(e) as to certain individual authors. In short, *Rodrigue* endorses a transfer of copyright rights from the author without his consent, and in doing so, it legitimates a state law action that frustrates the federal statute's economic incentive goals—a classic example of a situation justifying federal preemption of conflicting state law.

Rodrigue is also arguably inconsistent with a number of Supreme Court decisions respecting community property law, an aspect of the analysis that has received virtually no attention. In a line of cases beginning with *Wissner v. Wissner*,²¹⁴ the Court has invalidated the application of state community property laws where they have resulted in allocations of proceeds contrary to the wishes of policyholders under federally created and funded insurance programs. In *Wissner*, the deceased had designated his mother as beneficiary under a policy provided by the National Service Life Insurance Act, while state law directed that half of his policy's proceeds were payable to his widow. The Court held that state law could not be applied.²¹⁵ In a subsequent decision in this area, *Ridgway v. Ridgway*,²¹⁶ the Court held similarly that a divorced

212. See, e.g., *Moran v. London Records, Ltd.*, 827 F.2d 180, 182–83 (7th Cir. 1987) (describing a beneficial owner as a person who has parted with legal title in exchange for royalties; asserting that a beneficial owner must claim beneficial interest through the legal owner); *Cortner v. Israel*, 732 F.2d 267, 270–71 (2d Cir. 1984) (stating that a right to royalties for exploitation of copyrighted music gives rise to a beneficial interest).

213. See 17 U.S.C. § 501(b) (2004) ("The legal or beneficial owner of an exclusive right under a copyright is entitled, subject to the requirements of Section 411, to institute an action for any infringement of that particular right committed while he or she is the owner of it.").

214. *Wissner v. Wissner*, 338 U.S. 655 (1950).

215. *Id.* at 660–61.

216. *Ridgway v. Ridgway*, 454 U.S. 46 (1981).

military officer could designate his second wife as beneficiary of his policy under the Servicemen's Group Life Insurance Act, despite the claims of his first wife and children under state law.²¹⁷

Another case (subsequent to *Wissner* but preceding *Ridgway*), *Yiatchos v. Yiatchos*,²¹⁸ involved allegations of fraud and breach of trust on the part of the decedent, who had used community property funds to purchase bonds that he made payable to his brother.²¹⁹ The Court consequently viewed the bonds as possibly constituting a device intended to divest the wife of her interests in her own property.²²⁰ In deciding *Ridgway*, the Court distinguished *Yiatchos* on the grounds that there was no allegation of a breach of trust; Yiatchos had used money that belonged partly to his wife to purchase the bonds, whereas in *Ridgway's* case, the decedent had "misdirected property over which he had exclusive control."²²¹ The question therefore was a more straightforward one, i.e., whether the state community property result presented a conflict with "federal law . . . [that] . . . bestow[ed] upon the service member an absolute right to designate the policy beneficiary."²²² The Court went on: "That right is personal to the member alone. It is not a shared asset subject to the interests of another, as is community property."²²³ Moreover, in both *Wissner* and *Ridgway*, the Court was at some pains to emphasize that the insurance programs in question were intended to enhance the morale of individuals in the military service,²²⁴ i.e., that they were instituted to serve a distinct federal policy goal.

Several of these points apply to copyrights. First, while an argument can be made that the salary and benefits—such as insurance—earned by a married serviceman might be subject to community property rules during his marriage and should therefore carry some weight as against putatively preemptive federal rules,²²⁵ it is manifest that a copyright is personal to the author, and by statutory definition, it initially vests in the author alone. Hence, to the extent that the

217. *Id.* at 60.

218. *Yiatchos v. Yiatchos*, 376 U.S. 306 (1964).

219. *Id.* at 307–08.

220. *See Ridgway*, 454 U.S. at 58 (discussing *Yiatchos*).

221. *Id.* at 59 n.8. Despite the use of the term "misdirected," the Court concluded that *Ridgway* had acted within his rights.

222. *Id.* at 58–59.

223. *Id.*

224. *Id.* at 56.

225. *See, e.g., Wissner v. Wissner*, 338 U.S. 655, 661–62 (1950) (Minton, J., dissenting) ("[T]he nature of this dispute is a claim by the wife that she is the owner of a half portion of these proceeds because such proceeds are the fruit of funds originally hers.").

Court has found that preemption is warranted where the property at stake is an insurance policy belonging to such married servicemen, its reasoning is *a fortiori* more compelling in the copyright setting.

But an even broader point can be made. The federal insurance schemes at issue in the *Wissner/Yiatchos/Ridgway* line²²⁶ were all centrally concerned with parties—i.e., beneficiaries—other than the policyholder. That is, the purpose of those schemes was to provide ownership in the disputed property (the insurance proceeds) to another party when the policyholder died. In this sense, the federal regime in question (and the property it controlled) was in essence, and from the beginning, other-directed. In contrast, the Copyright Act is not centrally concerned with providing payments to parties other than the author.²²⁷ Although it does contain provisions for statutory succession upon the death of an author,²²⁸ those provisions are hardly its primary purpose in the same way that the distribution of post-mortem proceeds constitutes the essence of the federal plans at issue in *Wissner* and related cases. Thus, if the Supreme Court could hold in those cases that the federal interest in preserving the autonomy of the policyholder's choice trumped the claim of a spouse under community property law,²²⁹ one could say that (again, *a fortiori*) the federal claim in the copyright sphere should be even more compelling. In other words, if federal insurance schemes provide a right to designate a beneficiary that is personal and not subject to treatment as a shared asset subject to the interests of another,²³⁰ one could certainly say the same (and more) about a copyright.

Rodrigue does not delve very deeply into this line of cases, limiting itself to commenting on *Hisquierdo*'s remark that state law damage to the federal policy interest must be major in order to justify preemption.²³¹ It neglects to mention that *Hisquierdo* preempted state community property law on the

226. In this regard, one must also include *Hisquierdo v. Hisquierdo*, 439 U.S. 572 (1979), which concerned benefits under the Railroad Retirement Act.

227. See generally 17 U.S.C. § 501 (2000).

228. See, e.g., 17 U.S.C. §§ 304, 203 (establishing complex rules for succession to copyright and termination of interest ownership when an author dies before expiration of the copyright term).

229. Hart and Wechsler query whether *Ridgway* too readily discerned the federal interest to be in conflict with state property law, asking, "If such insurance policies cannot serve as the subject of binding family settlements, isn't their value to servicemen reduced?" RICHARD FALLON ET AL., HART AND WECHSLER'S THE FEDERAL COURTS AND THE FEDERAL SYSTEM 722 (2003). It is hardly self-evident that this is the value that appeals, or is meant to appeal, to servicemen. Rather, it would be the idea that after their death their loved ones will be cared for.

230. *Ridgway v. Ridgway*, 454 U.S. 46, 60 (1981).

231. *Hisquierdo*, 439 U.S. at 581 (citing *United States v. Yazell*, 382 U.S. 341, 352 (1966)).

grounds that even when a spouse helped to support her husband, a pensioner under the Railroad Retirement Act, her "sole contribution . . . [was] to the marital community that support[ed] the employee who has made railroad employment a career"—and that was not enough to justify the application of state community property law.²³² The same statement could be made about a spouse who supports an artist who produces a copyrighted work. The Copyright Act evinces numerous deliberate congressional choices to vest ownership in the author and the author alone.²³³ If state law impairs that policy decision (and its corollary that copyright's economic benefits reach the author), then, as *Hisquierdo* declares, the federal statute "pre-empts all State law that stands in its way."²³⁴ In short, *Rodrigue* is not only of questionable merit in its reasoning, but also in its conformity with relevant authority.

IV. Conclusion

Individually, any of the cases examined in this Article might appear aberrant or not overwhelmingly consequential. The *Tasini* district court's transmutation of a publisher's privilege into a full-fledged transfer was made inoperable in that case by the Second Circuit's reversal on other grounds, subsequently affirmed by the Supreme Court. Yet neither the Second Circuit nor the Supreme Court addressed the issue of the purported transfer by operation of law. Meanwhile, the Court has declined certiorari in *Rodrigue*, which elevated a beneficiary of copyright to ownership status. And the decision in *ITOFCA* is not the type of holding that generates a great deal of debate, despite its having effected a transfer in the complete absence of a writing mentioning either a transfer or a copyright.²³⁵ The cumulative effect of decisions like these, however, is arguably serious, in that it erodes the clear legislative intent and express language of a federal intellectual property statute at a time when the ownership of copyright is economically and commercially important.²³⁶ Aside from the authorial rights problem that is clearly raised in

232. *Id.* at 584.

233. See 17 U.S.C. § 201(a) (2000) (vesting initial ownership rights in the author or authors); see also 17 U.S.C. § 201(b) (2000) (ensuring that authorship transfers under work-for-hire rules be signed by both the author and the employer).

234. *Hisquierdo v. Hisquierdo*, 439 U.S. 572, 584 (1979).

235. Meanwhile, *ITOFCA* has been cited as authority for the proposition that "a writing need not use the term 'copyright' to effectuate a valid transfer." *Dick Corp. v. Sho-Lavalin Constructors, Inc.*, No. 04 C 1043, 2004 WL 2967556, at *2 (N.D. Ill. Nov. 24, 2004).

236. For example, one report found that the copyright industries (movies, video, music, publishing, radio, TV, video games, and software) accounted for about 6% of U.S. total GDP

these cases, there is a broader question involved when doctrine takes a direction increasingly divergent from what Congress intended when it enacted the statutory framework for copyrights. Meanwhile, these decisions, rather than being criticized, are relied upon as though they represent adequate approaches to the issues they address. For example, *Faulkner's* assertion that the issue of transfers by operation of law was fully analyzed in *Tasini*²³⁷ is likely to become the received wisdom, whereas in fact, the issue was hardly developed at all, despite the radical nature of the conclusion at which the *Tasini* district court arrived.²³⁸ For this reason, there is in fact some urgency to a fuller exploration of the issues raised in these cases, and rectification of the doctrinal record where it is necessary and appropriate.

(\$626.6 billion) and employed 4% of all U.S. workers in 2002. Stephen E. Siwek, *Copyright Industries in the U.S. Economy: The 2004 Report* (International Intellectual Property Alliance), 2004, at i. The copyright industries attained an estimated \$89 billion in foreign sales and exports, leading other industry sectors such as chemicals, motor vehicles, aircraft, and associated equipment sectors. *Id.* at ii. "The core copyright industries continue to grow far faster than the economy as a whole" *Id.* at 11.

237. *Faulkner v. Nat'l Geographic Soc'y*, 94 F. Supp. 2d 523, 533–34 (S.D.N.Y. 2003).

238. See *supra* Part III.A.1 (discussing in detail the errors of the *Tasini* Court).

NOTES
