

Intellectual Property in Tech Transfer, Estate and Business Opportunities

December 6, 2018



NEW MEXICO
STATE BAR FOUNDATION
CENTER FOR LEGAL EDUCATION

CLE Information



Overview

The Center for Legal Education (CLE) of the New Mexico State Bar Foundation is a self-sustaining, nonprofit entity dedicated to providing high quality, affordable, professional training and education programs to the legal community. Live credit options include live seminars, video webcasts, video replays and teleseminars. Self-study credit options include on-demand streaming videos from your computer and DVDs. CLE receives no subsidy from membership licensing fees.

CLE Credit Information

New Mexico

CLE will file New Mexico attorney CLE credits with the New Mexico Supreme Court MCLE Board within 30 days following programs. Credits for live programs and video replays are based on the attendee sign-in sheets at the registration desk. Credits for teleseminar and online courses—video webcasts and on-demand streaming videos—are based on phone call and website attendance reports accessed by staff. Certificates of attendance are not necessary. Credits for DVD courses must be filed by attendees.

Other States and Paralegal Division

CLE will provide certificates of attendance upon request. Attendees are responsible for forwarding certificates to the organizations to which they belong.

Center for Legal Education
New Mexico State Bar Foundation
P.O. Box 92860
Albuquerque, NM 87199-2860
505-797-6020 or 1-800-876-6227
cleonline@nmbar.org
www.nmbar.org



Purpose and Use of Materials

These materials reflect the opinions of the authors and/or the reference sources cited and are not necessarily the opinions of the Center for Legal Education (CLE) of the New Mexico State Bar Foundation (NMSBF), the State Bar of New Mexico (SBNM), or any Division, Committee or Section thereof. They were prepared to furnish the participants with a general discussion of certain specific types of legal issues and problems commonly incurred in connection with representing clients in matters related to the subject of these materials. The issues selected for comment, and the comment concerning the issues selected, are not intended to be all-inclusive in scope, nor a definitive expression of the substantive law of the subject matters.

The issues discussed herein are intended as illustrative of the types of issues which can arise in the course of representation and are not intended to address, nor do they address the broad range of substantive issues which could potentially arise in the scope of such representation.

The authors/speakers suggest that careful independent consideration, to include a review of more exhaustive reference sources, be undertaken in representation of a client regarding this subject, and therefore the practitioner should not solely rely upon these materials presented herein.

No representation or warranty is made concerning the application of the legal or other principles discussed by CLE instructors or authors to any specific fact situation, nor is any prediction made concerning how any particular judge, or other official, will interpret or apply such principles. The proper interpretation or application of these materials is a matter for the considered judgment of the individual practitioner, and therefore CLE, NMSBF and SBNM disclaim all liability.

Disclaimer

Publications of the Center for Legal Education of the NMSBF and the SBNM are designed to provide accurate and current information with regard to the subject matter covered as of the time each publication is printed and distributed. They are intended to help attorneys and other professionals maintain their professional competence. Publications are sold with the understanding that CLE, NMSBF and SBNM are not engaged in rendering legal, accounting, or other professional advice. If legal advice or other expert assistance is required, the service of a competent professional should be sought. Attorneys using CLE, NMSBF and SBNM publications in dealing with specific legal matters should also research the original source of authority cited in these publications.

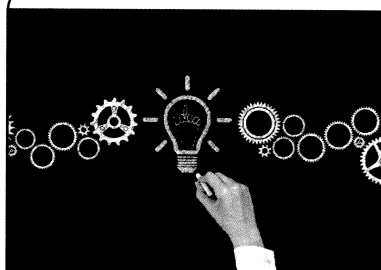
© Copyright 2018 by

Center for Legal Education of the New Mexico State Bar Foundation

The Center for Legal Education of the NMSBF owns the copyright to these materials. Permission is hereby granted for the copying of individual pages or portions of pages of this by photocopy or other similar processes, or by manual transcription, by or under the direction of licensed attorneys for use in the practice of law. Otherwise, all rights reserved, and no other use is permitted which will infringe the copyright without the express written consent of the Center for Legal Education of the NMSBF.

Photo Release

The majority of CLE programs are videotaped for later showings and are webcast over the Internet. In addition, a State Bar photographer may take photos of participants. These photos are for NMSBF and SBNM use only and may appear in publications and on the website. Your attendance constitutes consent for videotaping, photographing and its subsequent usage.



Intellectual Property in Tech Transfer, Estate and Business Opportunities

5.0 G

1.0 EP



Thursday, December 6, 2018 • 9 a.m.-4:45 p.m.
State Bar Center, Albuquerque

\$99 Non-member not seeking CLE credit

\$229 Early bird fee (Registration must be received by Nov. 6)

\$251 Intellectual Property section members, government and legal services attorneys, Young Lawyers division and Paralegal division members

\$279 Standard/ Webcast Fee

Registration and payment for the program must be received prior to the program date. A \$20 late fee will be incurred when registering the day of the program. This fee applies to live registrations only and does not apply to live webcasts.

Co-sponsor: Intellectual Property Law Section

In New Mexico, it is common for clients to spin companies off of IP developed by our regional national labs and universities, to plan estates with IP and to deal with complex IP community property issues. This year's annual IP CLE addresses such issues and other issues we face often here in New Mexico.

8:30 a.m. Registration and Continental Breakfast

9 a.m. **Panel: Legal Aspects of Tech Transfer**

Greg Doudnikoff, Sandia National Laboratories, Ryan B. Kennedy, Los Alamos National Labs, Melissa Silverstein, former head of tech transfer at University of Texas El Paso, now Melissa Silverstein Law PLLC Moderator: Helen Baca, Sandia National Laboratories

10:30 a.m. Break

10:45 a.m. **Collaborator or Contractor Relationships: IP Issues and Business Practices**

Helen Baca, Sandia National Laboratories and Luis Ortiz, Loza & Loza LLP

12:15 p.m. Lunch (provided at the State Bar Center)
 Intellectual Property Section Annual Meeting

1:30 p.m. **Valuing Trademarks: Case Studies and Examples**

Jeffrey Albright, Lewis Roca Rothgerber Christie LLP

2:30 p.m. Break

2:45 p.m. **Ethics in Estate Planning Involving IP (1.0 EP)**

Jeffrey Myers, Wilcox & Myers, PC

3:45 p.m. **When What's Done Actually Isn't: Community Property and Recapture**

Breanna Contreras, Bardacke Allison LLP

4:45 p.m. Adjournment and Reception

Presenter Biographies

Justin Muehlmeier currently serves as Chair of the Board of the IP Law Section of the NM State Bar. Muehlmeier is a registered patent attorney practicing all aspects of intellectual property and commercialization at Peacock Law P.C. Inspired by a circle of family and friends who were business owners and scientists, Muehlmeier earned undergraduate degrees in Physics/Astrophysics and Philosophy of Economics, and now makes it his career to assist all creative types in generating value from their ideas. Muehlmeier is also a classical guitarist, known as the go-to musician for legal and court events around the State. Prior to working at Peacock Law P.C., Muehlmeier served as a judicial law clerk to Justice Charles Daniels of the New Mexico Supreme Court.

Melissa Silverstein is a registered patent lawyer with 10+ years of experience in intellectual property law, technology commercialization and business law in academia and private practice. Silverstein launched Melissa Silverstein Law PLLC, an El Paso-based Intellectual Property Management and Technology Commercialization Law Firm, focusing on intellectual property protection, marketing, licensing, contract negotiation and business law. As former director of the University of Texas at El Paso's Office of Technology Commercialization, she managed UTEP's patent portfolio, including protecting, marketing, and licensing 150+ UTEP inventions in six technology fields, as well as drafting and negotiating all commercialization contracts. She joined the teaching team of the National Science Foundation's Innovation Corps (I-Corps) program held at the Arrowhead Center, a startup incubator at New Mexico State University.

Ryan B. Kennedy is a registered patent attorney practicing in Los Alamos, NM. His practice focuses primarily on the creation of innovative business models with the strategic patent portfolios to match in the areas of cybersecurity, encryption, space systems (BUS, communications, power), machine learning, and other global security platforms. He graduated from Swarthmore College with a degree in Physics, and was a part time graduate student in the Physics department at the University of New Mexico where he attended law school. He also received an LLM from Northwestern University in 2004, graduating with honors.

Specialties: Business models, IP monetization, patent strategy, patent prosecution, patent opinions, patent litigation, licensing, cooperative research and development, tax and corporate counseling regarding IP transactions.

Helen S. Baca, Ph.D., J.D. is an intellectual property (IP) attorney at Sandia National Laboratories. She enjoys working at the interface of law and science, in which a typical day can include learning about exciting research developments and applying legal strategies to protect that technical work. Prior to joining Sandia, she worked as an associate at a boutique IP firm, in which she specialized in handling complicated patent portfolios, performing investment diligence and drafting patent opinions. Baca graduated from the University of Pittsburgh School of Law (J.D.) and the University of Chicago (B.S., M.S., Ph.D. in chemistry).

Luis Ortiz has many years of in-depth intellectual property and business experience that he shares with entrepreneurs, innovators and executive in established companies, government technology transfer managers, and researchers in academia. Ortiz is a Certified Licensing Professional and registered patent attorney and has spent over 25 years representing and advising his clients and employers on intellectual property protection requirements, IP strategy, IP licensing and monetization, and IP litigation. Ortiz worked for the U.S. federal government, corporations and private law firms prior to founding the law firm of Ortiz & Lopez, PLLC in Dallas, Texas in 2001, which operated successfully for 17 years before merging with the intellectual property law firm of Loza & Loza, LLP where Ortiz is a partner. Ortiz has also founded, and remains involved in, several startup companies with an intellectual property development and monetization focus and has successfully monetized IP through licensing, acquisition and litigation. As an angel investor, Ortiz actively performs due diligence on startup companies. Ortiz is an inventor that has been granted over 80 United States patents in various fields including wireless communications, mobile applications, alternative energy, biometrics, and mobile payment transaction platforms.

Ortiz was born and raised in Santa Fe, N.M. Ortiz attended New Mexico State University where he earned a BS in Electrical Engineering Technology, the University of New Mexico where he earned a JD in law, and University of Phoenix where he earned an MBA with an emphasis in Technology Management. Ortiz is licensed to practice law in state and federal courts in Texas and New Mexico, is registered to practice before the U.S. Patent and Trademark Office, and is admitted to appear before the U.S. Court of Appeal for the Federal Circuit and the U.S. Court of Claims. Ortiz is also a retired Judge Advocate from the U.S. Air Force Reserve after 30 years of service as a reservist.

Jeffrey Albright is a partner of Lewis Roca Rothgerber Christie LLP. Albright was the initial chair of the State Bar IP Section and has served as chair of the IP Section on three separate occasions and remains a member of the board. A Martindale-Hubbell AV rated attorney each year since 2012, Albright's IP practice includes trademark litigation in federal court and before the Trademark Trial and Appeals Board, trademark prosecution, copyright materials (including theater productions, training manuals, combined works, games, music and art works), trade secrets, work for hire and license agreements. He has made numerous presentations at the State Bar of New Mexico and is a frequent contributor to the N.M. Lawyer magazine. He has published articles in the National Law Journal and the N.M. Lawyer Intellectual Property Law edition. A Best Lawyer and Fellow of the American Bar Association, Albright received the State Bar of New Mexico's Distinguished Service Award in 2015.

Jeffrey D. Myers is a shareholder and registered patent attorney with the law firm of Wilcox & Myers, P.C. practicing in the area of intellectual property. This includes U.S. and international patent protection of inventions; federal, state, and international protection of trademarks and industrial designs; and U.S. and international copyright protection. Myers represents large institutions, small businesses, and individual inventors, with intellectual property portfolios large and small. He received his B.S. degree in Mathematics and Computer Science from Marietta College, an M.S. in Computer Sciences from the University of Wisconsin-Madison, and his J.D. from the University of Wisconsin Law School. Myers is AV rated by Martindale-Hubbell and has been

listed in Best Lawyers of America for over twenty years.

Breanna Contreras is a graduate of Notre Dame Law School and practices with Bardacke Allison LLP in Santa Fe, N.M. where she represents a variety of clients in brand strategy, trademark and copyright registration and licensing, and enforcement of intellectual property rights. Contreras was born and raised in Albuquerque and received her undergraduate degree from the University of New Mexico. She heads the firm's trademark registration and maintenance practice and regularly works with lawyers around the world to secure and maintain trademark registrations for firm clients overseas. Contreras serves on the board of directors of the Intellectual Property Law Section.

Panel: Legal Aspects of Tech Transfer

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Collaborator or Contractor Relationships: IP Issues and Business Practices

[illegible]

Valuing Trademarks: Case Studies and Examples

Lewis Roca
ROTHGERBER CHRISTIE

VALUING TRADEMARKS: A CASE STUDY FROM CONCEPT/CREATION TO SALE

Prepared by

Jeffrey H. Albright
LEWIS ROCA ROTHGERBER CHRISTIE LLP
201 Third Street, Suite 1950
Albuquerque, NM 87102
Phone: (505) 764-5435
E-mail: Jalbright@lrrc.com

Albuquerque / Colorado Springs / Denver / Irvine / Las Vegas / Los Angeles / Phoenix / Reno / Silicon Valley / Tucson

lrrc.com

Lewis Roca
ROTHGERBER CHRISTIE

NEW MEXICO STATE BAR INTELLECTUAL PROPERTY LAW SECTION

Intellectual Property in Tech Transfer, Estate and Business Opportunities CLE

December 6, 2018

Albuquerque / Colorado Springs / Denver / Irvine / Las Vegas / Los Angeles / Phoenix / Reno / Silicon Valley / Tucson

lrrc.com

CASE STUDY - PHASES

OVERVIEW – BACKGROUND

PHASE I	CONCEPT/CREATION
PHASE II	DEVELOPMENT/REGISTRATIONS
PHASE III	MATURITY
PHASE IV	SALE/TRANSFER/ASSIGNMENTS

OVERVIEW: IP VALUATION CONSIDERATIONS - BACKGROUND

Threshold Issues

- Work for Hire
- Ownership: Individual/Company
- Long Term/Short Term Objectives

Tangible IP and Non-Tangible IP

- Trade Secrets
- Know-how
- Non-Compete Agreement

Valuation

- Goods/Services
- Copyrights/Trademarks
- Patents
- Goodwill

License Agreements (Exclusive, Non-Exclusive)

- Market Share

PHASE I – CONCEPT/CREATION

Initiative began as a copyright issue.
Master's thesis at University of Michigan.

Educational services, namely, providing in-home educational seminars in the fields of pregnancy, substance abuse prevention, labor and delivery preparation, post partum issues, breast feeding, basic child care, attachment and bonding, child growth and development, child safety, parenting skills, father involvement, problem solving and utilization of community, medical and mental health resources to pregnant women, first families and newborns.

PHASE I – CONCEPT/CREATION (CONTINUED)

- Not dependent on socio-economic status, race, age, ethnicity, or living environment.
- Draws extensively on materials from already well established organizations.
- Constant review and updating.
- Copyright and trademark registrations.

PHASE II – DEVELOPMENT/REGISTRATIONS CHALLENGES

- Partnership with Los Alamos National Lab Foundation
 - Co-ownership of Marks
 - Promotion of Services
- Work for Hire Issues Raised
 - Stylized Marks
 - Work Product
- Licensing Agreements

PHASE II – WORK FOR HIRE

Copyright Act of 1976 (17 U.S.C. § 101) defines work made for hire doctrine:

- 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 contribution to a collective work, as a part of a motion picture or other audio visual 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. [Emphasis added]

DETERMINING IF A PERSON IS AN EMPLOYEE

- 1) Is the person subject to day-to-day control by the company?
- 2) Does the company control the manner in which the result is to be accomplished in addition to the result sought?
- 3) Is the person working for just one company or does the person have other clients?

Note: Even if a contract exists, or other documents state that the person is an independent contractor, courts or the government may treat the person more as an employee, depending on other conditions.

OTHER FACTORS TO DETERMINE IF A PERSON IS AN EMPLOYEE

- 1) The person is referred to as an independent contractor in the agreement;
- 2) The person is characterized as an employee by the Internal Revenue Service;
- 3) The person is characterized as an employee by state workers' compensation authorities; or
- 4) Courts characterize a person as an independent contractor by their interpretation of copyright law.

U.S. SUPREME COURT

Community for Creative Non-Violence v. Reid,
490 U.S. 730 (1989)

The U.S. Supreme Court focused its attention “on the hiring party’s right to control the manner and means by which the product is accomplished.”

Supreme Court identified eleven factors which affect that determination. Not all must be present, and no single factor or a certain number of factors is determinative one way or the other.

FACTORS CONSIDERED IN *REID*

- 1) The skill required.
- 2) The source of the instrumentalities and the tools used.
- 3) The location of the work.
- 4) The duration of the relationship between the parties.
- 5) The extent of the hired party’s discretion over when and how long to work.
- 6) The method of payment (payroll, single check, etc.).

FACTORS CONSIDERED IN *REID* (CONTINUED)

- 7) The hired party's role in hiring and paying assistants.
- 8) Whether the work is part of the regular business of the hiring party.
- 9) Whether the hiring party is in the business.
- 10) The provision of the employee benefits.
- 11) The tax treatment of the hired party.

ADDITIONAL FACTORS FROM SIXTH CIRCUIT

*Hi-Tech Video Products, Inc. v. Capital
Cities/ABC, Inc.*, 53 F.3d
1093 (6th Cir. 1995)

- Consideration of the right to control work and actual control;
- The parties' perceptions;
- The scope of the businesses involved in the relationship.

PHASE III – LICENSING/EXPANSION /

- Quality Control/Standardization
- Exclusive/Non-Exclusive
- Valuation of Licenses
- Monitoring Violation – PB and J
- English/Spanish Works
- Creation of LLC
- National Assessment Rand Corporation/Networking

PHASE III - VALUATION – WHAT IS MY IP WORTH (OR) HOW MUCH SHOULD I PAY FOR IT IN LICENSES/AGREEMENTS? /

- Type
 - Trademark, copyright, patent, trade secret
- Term of the contract vs. term of IP
- Market share
- Ability/authorization to sublicense – exclusivity
- Trademarks – goods/services
- Goodwill

PHASE III – DETERMINING FEES

- A. Initial fees
- B. Continuing fees
- C. Post term fees
- D. Advertising/marketing fees
- E. Penalty fees
- F. Hidden fees

PHASE III – POTENTIAL SUCCESSIONS IN INTEREST

- Regional Hospitals
- National Institutions/Nationwide Health Care
- Academic Institute

PHASE III - REPORTED DECISIONS IN LICENSING

- | | |
|---------------------|--|
| Art Licensing | - <i>B. Lewis Productions, Inc. v. Angelove</i> , 2008 WL 1826486 (S.D.N.Y. 2008) |
| Merchandising | - <i>Wolf v. Walt Disney Pictures and Television</i> , 162 Cal. App. 4 th 1107, 76 Cal. Rptr. 3d 585 (2008) |
| Music | - <i>Parrish v. Unidisc Music, Inc.</i> , 21 Misc. 3d 1122(A), 2008 WL 4745597, 2008 N.Y. Slip Op. 52152 |
| Patent & Technology | - <i>Resqnet.com, Inc. v. Lanson, Inc.</i> , 533 F. Supp. 2d 397 (S.D.N.Y. 2008) |

PHASE III - REPORTED DECISIONS IN LICENSING (CONTINUED)

- | | |
|------------|--|
| Publishing | - <i>Harrison v. National Association of Realtors</i> , 2008 WL 4089007 (N.D. Ill. 2008) |
| Toys | - <i>Bowling v. Hasbro, Inc.</i> , 2008 WL 4694549 (D.R.I. 2008) |
| Trademark | - <i>Century 21 Real Estate v. Raritan Bay Realty Ltd.</i> , (E.D.N.Y. 2008) |

SOURCES FOR VALUATION

- “Royalty Rates for Technology”
Computers and Communications – Published by IPRA, Inc.
[Intellectual Property Research Associates]
- “Intellectual Property Valuation – Case Law Compendium”
(3rd Ed., 2017, Business Valuation Resources, LLC)

PHASE IV - SALE

- Contribution and Asset Purchase Agreement
- Purchased Assets/Excluded Assets
- Individual/Ownership/LLC
- Purchase Price/Goodwill
 - Fair Market Value
 - Independent Appraiser
 - Tax Considerations
- Gift of Assets
 - Purchase is 501(c)(3) and 509(a)(2)
 - Buyers Tax ID
 - Date
 - In Kind Contribution
 - Charitable Contribution Reduced by Payments

PHASE IV – SALE (CONTINUED)

- Authority
- Title to Assets – Moving Target
 - Trademarks
 - Licenses
 - Assignments
 - Copyrights
- Post Closing Provisions

PHASE IV – OTHER POTENTIAL DOCUMENTS

- Contribution and Asset Purchase Agreement
- Consulting Agreement
- Bill of Sale
- Post Closing Amendments

QUESTIONS

©2016 Lewis Roca Rothgerber Christie LLP / lrrc.com /

25



United States Patent and Trademark Office

[Home](#) | [Site Index](#) | [Search](#) | [FAQ](#) | [Glossary](#) | [Guides](#) | [Contacts](#) | [eBusiness](#) | [eBiz alerts](#) | [News](#) | [Help](#)

Trademarks > Trademark Electronic Search System (TESS)

TESS was last updated on Mon Nov 26 03:48:29 EST 2018

[TESS HOME](#) [NEW USER](#) [STRUCTURED](#) [FREE FORM](#) [BROWSE DICT](#) [SEARCH OG](#) [BOTTOM](#) [HELP](#) [PREV LIST](#) [CURR LIST](#)

[NEXT LIST](#) [FIRST DOC](#) [PREV DOC](#) [NEXT DOC](#) [LAST DOC](#)

[Logout](#) Please logout when you are done to release system resources allocated for you.

[Start](#) List At: OR [Jump](#) to record: **Record 1 out of 2**

[TSDR](#) [ASSIST States](#) [TADR States](#) (Use the "Back" button of the Internet Browser to return to TESS)

FIRSTBORN

Word Mark	FIRST BORN
Goods and Services	IC 035. US 101. G & S: PROMOTING THE SERVICES OF HOSPITALS THROUGH THE DISTRIBUTION OF PRINTED PROMOTIONAL MATERIALS AND BY RENDERING MERCHANDIZING ADVICE. FIRST USE: 19861113. FIRST USE IN COMMERCE: 19861113
Mark Drawing Code	(5) WORDS, LETTERS, AND/OR NUMBERS IN STYLIZED FORM
Serial Number	73636155
Filing Date	December 19, 1986
Current Basis	1A
Original Filing Basis	1A
Published for Opposition	September 1, 1987
Registration Number	1481844
Registration Date	March 22, 1988
Owner	(REGISTRANT) REINHARDT, JACLYN K. DBA AD VANTAGE MARKETING INDIVIDUAL UNITED STATES SUITE 101 8170 BEVERLY BOULEVARD LOS ANGELES CALIFORNIA 90048 (LAST LISTED OWNER) SANTA FE COMMUNITY COLLEGE FOUNDATION NON-PROFIT CORPORATION NEW MEXICO 6401 RICHARDS AVE. SANTA FE NEW MEXICO 87508
Assignment Recorded	ASSIGNMENT RECORDED

Attorney of Record Charles J. Piechota
Type of Mark SERVICE MARK
Register PRINCIPAL
Affidavit Text SECT 8 (6-YR). SECTION 8(10-YR) 20180920.
Renewal 2ND RENEWAL 20180920
Live/Dead Indicator LIVE

TESS HOME	NEW USER	STRUCTURED	FREE FORM	BROWSE DICT	SEARCH OG	TOP	HELP	PREV LIST	CURR LIST
NEXT LIST	FIRST DOC	PREV DOC	NEXT DOC	LAST DOC					

[| HOME](#) | [SITE INDEX](#) | [SEARCH](#) | [eBUSINESS](#) | [HELP](#) | [PRIVACY POLICY](#)



United States Patent and Trademark Office

[Home](#) | [Site Index](#) | [Search](#) | [FAQ](#) | [Glossary](#) | [Guides](#) | [Contacts](#) | [eBusiness](#) | [eBiz alerts](#) | [News](#) | [Help](#)

Trademarks > Trademark Electronic Search System (TESS)

TESS was last updated on Mon Nov 26 04:51:06 EST 2018

[TESS HOME](#) [NEW USER](#) [STRUCTURED](#) [FREE FORM](#) [BROWSE DICT](#) [SEARCH OG](#) [BOTTOM](#) [HELP](#) [PREV LIST](#) [CURR LIST](#)
[NEXT LIST](#) [FIRST DOC](#) [PREV DOC](#) [NEXT DOC](#) [LAST DOC](#)

[Logout](#)

Please logout when you are done to release system resources allocated for you.

[Start](#) List At: OR [Jump](#) to record: **Record 11 out of 31**

[TSDR](#)

[ASSIST STATUS](#)

[T TAD STATUS](#)

(Use the "Back" button of the Internet Browser to return to TESS)

FIRST BORN

Word Mark Goods and Services

FIRST BORN

IC 041. US 100 101 107. G & S: educational services, namely, providing in-home classes, workshops, hands-on training, and mentoring to new parents by licensed and non-licensed trained health educators in the fields of prenatal care and development, maternity, pregnancy, child physical and mental development, childbirth, parenting, preconception and post-partum issues, new parent and baby stress management, breast feeding and child feeding, basic infant care and safety, substance abuse prevention, and providing a clean indoor environment, and the distribution of training materials in connection therewith. FIRST USE: 19961000. FIRST USE IN COMMERCE: 19961000

Standard Characters Claimed

Mark Drawing Code

(4) STANDARD CHARACTER MARK

Trademark Search Facility Classification Code

NUM-1ST Marks containing 1ST or the word First

Serial Number

77171816

Filing Date

May 3, 2007

Current Basis

1A

Original Filing Basis

1B

Published for Opposition

February 12, 2008

Registration Number 3651731
Registration Date July 7, 2009
Owner (REGISTRANT) Gila Regional Medical Center BODY POLITIC AND CORPORATE NEW MEXICO
1313 E. 32nd Street Silver City NEW MEXICO 88061

(LAST LISTED OWNER) SANTA FE COMMUNITY COLLEGE FOUNDATION NON-PROFIT
CORPORATION NEW MEXICO 6401 RICHARDS AVE. SANTA FE NEW MEXICO 87508
Assignment Recorded ASSIGNMENT RECORDED
Attorney of Record Jeffrey H. Albright
Type of Mark SERVICE MARK
Register PRINCIPAL
Affidavit Text SECT 15. SECT 8 (6-YR).
Live/Dead Indicator LIVE

TESS HOME	NEW USER	STRUCTURED	FREE FORM	BROWSE DICT	SEARCH OG	TOP	HELP	PREV LIST	CURR LIST
NEXT LIST	FIRST DOC	PREV DOC	NEXT DOC	LAST DOC					

[|.HOME](#) | [SITE INDEX](#) | [SEARCH](#) | [eBUSINESS](#) | [HELP](#) | [PRIVACY POLICY](#)



United States Patent and Trademark Office

[Home](#) | [Site Index](#) | [Search](#) | [Guides](#) | [Contacts](#) | [eBusiness](#) | [eBiz alerts](#) | [News](#) | [Help](#)



Assignments on the Web > [Trademark Query](#)

Trademark Assignment Abstract of Title

Total Assignments: 3

Serial #: [77171816](#)

Filing Dt: 05/03/2007

Reg #: [3651731](#)

Reg. Dt: 07/07/2009

Registrant: Gila Regional Medical Center

Mark: FIRST BORN

Assignment: 1

Reel/Frame: [4013/0661](#)

Recorded: 06/30/2009

Pages: 5

Conveyance: ASSIGNS THE ENTIRE INTEREST

Assignor: [GILA REGIONAL MEDICAL CENTER](#)

Exec Dt: 06/11/2009

Entity Type: COUNTY AGENCY

Citizenship: UNITED STATES

Entity Type: INDIVIDUAL

Citizenship: UNITED STATES

Assignee: [JOHNSON, VICTORIA](#)

86 WAGON WHEEL LANE

SILVER CITY, NEW MEXICO 88061

Correspondent: TODD E. RINNER

P.O. BOX 1888

ALBUQUERQUE, NM 87103

Assignment: 2

Reel/Frame: [4477/0360](#)

Recorded: 02/11/2011

Pages: 4

Conveyance: TRADEMARK ASSIGNMENT

Assignor: [JOHNSON, VICTORIA](#)

Exec Dt: 01/28/2011

Entity Type: INDIVIDUAL

Citizenship: UNITED STATES

Entity Type: LIMITED LIABILITY COMPANY

Citizenship: NEW MEXICO

Assignee: [FIRST BORN PROGRAM, LLC](#)

86 WAGON WHEEL LANE

SILVER CITY, NEW MEXICO 88061

Correspondent: JEFFREY H. ALBRIGHT

201 THIRD STREET NW

SUITE 1950

ALBUQUERQUE, NM 87102

Assignment: 3

Reel/Frame: [6398/0213](#)

Recorded: 05/02/2018

Pages: 8

Conveyance: ASSIGNS THE ENTIRE INTEREST

Assignors: [JOHNSON, DONALD F.](#)

Exec Dt: 03/28/2018

Entity Type: INDIVIDUAL

Citizenship: NONE

Exec Dt: 03/28/2018

Entity Type: INDIVIDUAL

Citizenship: NONE

Exec Dt: 03/28/2018

Entity Type: LIMITED LIABILITY COMPANY

Citizenship: NONE

Entity Type: NON-PROFIT CORPORATION

Citizenship: NEW MEXICO

[JOHNSON, VICTORIA B.](#)

[FIRST BORN PROGRAM, LLC](#)

Assignee: [SANTA FE COMMUNITY COLLEGE FOUNDATION](#)

6401 RICHARDS AVE.

SANTA FE, NEW MEXICO 87508

Correspondent: CHARLES J. PIECHOTA
6100 UPTOWN BLVD. NE
SUITE 400
ALBUQUERQUE, NM 87110

Search Results as of: 11/27/2018 12:04 AM
If you have any comments or questions concerning the data displayed, contact PRD / Assignments at 571-272-3350. v.2.6
Web interface last modified: August 25, 2017 v.2.6

| [.HOME](#) | [INDEX](#) | [SEARCH](#) | [eBUSINESS](#) | [CONTACT US](#) | [PRIVACY STATEMENT](#)



United States Patent and Trademark Office

[Home](#) | [Site Index](#) | [Search](#) | [FAQ](#) | [Glossary](#) | [Guides](#) | [Contacts](#) | [eBusiness](#) | [eBiz alerts](#) | [News](#) | [Help](#)

Trademarks > Trademark Electronic Search System (TESS)

TESS was last updated on Tue Nov 27 05:21:05 EST 2018

[TESS HOME](#) | [NEW USER](#) | [STRUCTURED](#) | [FREE FORM](#) | [BROWSE DICT](#) | [SEARCH OG](#) | [BOTTOM](#) | [HELP](#)
[Logout](#)

Please logout when you are done to release system resources allocated for you.

Record 1 out of 1

[TSDR](#)[ANSWER STATUS](#)[CLAIM STATUS](#)

(Use the "Back" button of the Internet Browser to return to TESS)

**Goods and Services**

IC 041. US 100 101 107. G & S: Education services, namely, providing in-home educational seminars in the fields of pregnancy, substance abuse prevention, labor and delivery preparation, postpartum issues, breastfeeding, basic child care, attachment and bonding, child growth and development, child safety, parenting skills, father involvement, problem-solving and utilization of community, medical and mental health resources to pregnant women, first-time families and their newborns by degreed and non-degreed professionals and distribution of training materials in connection therewith. FIRST USE: 20061130. FIRST USE IN COMMERCE: 20061130

Mark Drawing Code

(2) DESIGN ONLY

Design Search Code

02.01.02 - Men depicted as shadows or silhouettes of men; Silhouettes of men
 02.05.02 - Children depicted in silhouettes or profiles of children; Silhouettes of children
 02.05.06 - Baby; Children, baby or babies
 02.07.04 - Families (adults and children); Groups, adults and children, including family groups

Trademark Search Facility Classification Code

GROT-HUM Exaggerated depiction of a human

Serial Number

77661590

Filing Date

February 2, 2009

Current Basis

1A

Original Filing Basis

1A

Published for Opposition

June 2, 2009

Registration Number

3669062

Registration Date

August 18, 2009

Owner (REGISTRANT) Victoria Johnson INDIVIDUAL UNITED STATES 86 Wagon Wheel Lane Silver City NEW MEXICO 88061

(REGISTRANT) Los Alamos National Laboratory Foundation CORPORATION NEW MEXICO 1112 Plaza del Norte Espanola NEW MEXICO 87532

(LAST LISTED OWNER) SANTA FE COMMUNITY COLLEGE FOUNDATION NON-PROFIT CORPORATION NEW MEXICO 6401 RICHARDS AVE. SANTA FE NEW MEXICO 87508

Assignment Recorded ASSIGNMENT RECORDED

Attorney of Record Jeffrey H. Albright

Description of Mark Color is not claimed as a feature of the mark. The mark consists of a silhouette image of a stylized human figure holding up a stylized infant figure.

Type of Mark SERVICE MARK

Register PRINCIPAL

Affidavit Text SECT 15. SECT 8 (6-YR).

Live/Dead Indicator LIVE

[TESS HOME](#)[NEW USER](#)[STRUCTURED](#)[FREE FORM](#)[BROWSE DICT](#)[SEARCH OG](#)[TOP](#)[HELP](#)

[|.HOME](#) | [SITE INDEX](#) | [SEARCH](#) | [eBUSINESS](#) | [HELP](#) | [PRIVACY POLICY](#)



United States Patent and Trademark Office

[Home](#) | [Site Index](#) | [Search](#) | [Guides](#) | [Contacts](#) | [eBusiness](#) | [eBiz alerts](#) | [News](#) | [Help](#)Assignments on the Web > [Trademark Query](#)

Trademark Assignment Abstract of Title

Total Assignments: 1

Serial #: [77661590](#)

Filing Dt: 02/02/2009

Reg #: [3669062](#)

Reg. Dt: 08/18/2009

Registrant: Victoria Johnson

Mark:

Assignment: 1

Reel/Frame: [6398/0213](#)

Recorded: 05/02/2018

Pages: 8

Conveyance: ASSIGNS THE ENTIRE INTEREST

Assignors: [JOHNSON, DONALD F.](#)

Exec Dt: 03/28/2018

Entity Type: INDIVIDUAL

Citizenship: NONE

Exec Dt: 03/28/2018

Entity Type: INDIVIDUAL

Citizenship: NONE

Exec Dt: 03/28/2018

Entity Type: LIMITED LIABILITY
COMPANY

Citizenship: NONE

Entity Type: NON-PROFIT CORPORATION

Citizenship: NEW MEXICO

[JOHNSON, VICTORIA B.](#)[FIRST BORN PROGRAM, LLC](#)Assignee: [SANTA FE COMMUNITY COLLEGE FOUNDATION](#)

6401 RICHARDS AVE.

SANTA FE, NEW MEXICO 87508

Correspondent: CHARLES J. PIECHOTA

6100 UPTOWN BLVD. NE

SUITE 400

ALBUQUERQUE, NM 87110

Search Results as of: 11/27/2018 09:49 AM
If you have any comments or questions concerning the data displayed, contact PRD / Assignments at 571-272-3350. v.2.6
Web interface last modified: August 25, 2017 v.2.6

[HOME](#) | [INDEX](#) | [SEARCH](#) | [eBUSINESS](#) | [CONTACT US](#) | [PRIVACY STATEMENT](#)

***Works Made for Hire* - Attorney Jeffrey H. Albright (Sept 2011, revised Nov. 2018)**

The January issue of *Copyright Law TODAY*, briefly discussed copyright ownership in the context of works-made-for-hire. Works-made-for-hire are particularly relevant to the creation of computer software programs and derivative works. Absent a specific work-for-hire agreement, this issue discusses some of the factors used to determine if a particular copyrighted work belongs to its author or to the author's employer under a work-for-hire.

Legislative Action Leading to the 1976 Copyright Act

In the legislative process leading up to the 1976 Copyright Act, authors' representatives expressed concern that freelance authors lacked the bargaining power to reject contractual clauses designating their works as "works made for hire." The motion picture industry and other producers and other producers and publishers of works involving many creative contributors were concerned about holdout problems complicating commercial exploitation if they did not own copyrights in works they commissioned outright and for the entire duration of copyright protection. Hence, work for hire was defined in the Act.

The Copyright Act of 1976 (17 U.S.C. § 101) defines the "work-made-for-hire" doctrine:

- (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 a 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. [Emphasis added.]

The determination of whether or not a person is an employee depends on answers to the following:

- (1) Is the person subject to day-to-day control by the company? (2) Does the company control the manner in which the result is to be accomplished in addition to the result sought? (3) Is the person working for just one company or does the person have other clients? Even if a contract, or other documents, state that the person is an independent contractor, courts or the government may treat the person more as an employee, depending on other conditions.

Additional factors may result in a person being considered an employee:

(1) the person is referred to as an independent contractor in the agreement; (2) the person is characterized as an employee by the Internal Revenue Service; (3) the person is characterized as an employee by state workers' compensation authorities; or (4) courts characterize the person as an independent contractor by their interpretation of copyright law. A significant case interpreting whether a person's work was made-for-hire or as an independent contractor was the U.S. Supreme Court case of *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989).

The U.S. Supreme Court focused its attention on "the hiring party's right to control the manner and means by which the product is accomplished." *Id.* The following eleven factors which affect that determination were identified. No single factor or a certain number of factors is determinative one way or the other.

- 1) the skill required
- 2) the source of the instrumentalities and tool
- 3) the location of the work
- 4) the duration of the relationship between the parties
- 5) the extent of the hired party's discretion over when and how long to work
- 6) the method of payment
- 7) the hired party's role in hiring and paying assistants
- 8) whether the work is part of the regular business of the hiring party
- 9) whether the hiring party is in business
- 10) the provision of the employee benefits
- 11) the tax treatment of the hired party

Other courts, however, have recognized other factors. In 1995, the Sixth Circuit Court of Appeals in *Hi-Tech Video Products, Inc. v. Capital Cities/ABC, Inc.*, 53 F.3d 1093 (6th Cir. 1995) included consideration of the right to control the work and actual control, the parties perceptions, and the scope of the businesses involved in the relationship.

Agreements to Avoid Work-for-Hire Issues Regarding Copyrightable Material

Explicit written agreements between two business entities can resolve whether a particular copyrightable work is work-made-for-hire. First, the agreement must state that the work falls within one of the nine enumerated categories for copyrights. Second, the agreement should specify whether the work is a made-for-hire-work. Such an agreement can be made even after the commencement of work. See *Zyware, Inc. v. Middlegate, Inc.*, U.S.P.Q.2d (S.D.N.Y. 1997). Third, as many of the factors listed above should be included in the terms of the contract. Those factors not included should include comments as to why the work is or is not a work-made-for-hire even if a factor does or does not exist. Finally, explicit language should be included as to who will register the copyright and whether or not the copyrightable work is or is not assignable to the employer or employee or if it will be co-owned by both the employer and the employee. Review of employee contracts or work-for-hire agreements by legal counsel is encouraged.

Duration under the 1976 Act

The 1976 Act moved to a unitary term of protection lasting for the life of the author plus 50 years (with some exception for joint works). In the case of corporate, anonymous, or pseudonymous entities, or works made for hire, 75 years from publication or 100 years from creation, whichever occurs first.

Noncash Charitable Contributions

► Attach to your tax return if you claimed a total deduction of over \$500 for all contributed property.

► Information about Form 8283 and its separate instructions is at www.irs.gov/form8283.

OMB No. 1545-0908

Attachment
Sequence No. **155**

Identifying number

Note. Figure the amount of your contribution deduction before completing this form. See your tax return instructions.

Section A. Donated Property of \$5,000 or Less and Publicly Traded Securities—List in this section **only** items (or groups of similar items) for which you claimed a deduction of \$5,000 or less. Also list publicly traded securities even if the deduction is more than \$5,000 (see instructions).

Part I Information on Donated Property—If you need more space, attach a statement.

	(a) Name and address of the donee organization	(b) If donated property is a vehicle (see instructions), check the box. Also enter the vehicle identification number (unless Form 1098-C is attached).	(c) Description of donated property (For a vehicle, enter the year, make, model, and mileage. For securities, enter the company name and the number of shares.)
1			
A		<input type="checkbox"/>	
B		<input type="checkbox"/>	
C		<input type="checkbox"/>	
D		<input type="checkbox"/>	
E		<input type="checkbox"/>	

Note. If the amount you claimed as a deduction for an item is \$500 or less, you do not have to complete columns (e), (f), and (g).

	(d) Date of the contribution	(e) Date acquired by donor (mo., yr.)	(f) How acquired by donor	(g) Donor's cost or adjusted basis	(h) Fair market value (see instructions)	(i) Method used to determine the fair market value
A						
B						
C						
D						
E						

Part II Partial Interests and Restricted Use Property—Complete lines 2a through 2e if you gave less than an entire interest in a property listed in Part I. Complete lines 3a through 3c if conditions were placed on a contribution listed in Part I; also attach the required statement (see instructions).

- 2a Enter the letter from Part I that identifies the property for which you gave less than an entire interest ►
If Part II applies to more than one property, attach a separate statement.
- b Total amount claimed as a deduction for the property listed in Part I: (1) For this tax year ►
(2) For any prior tax years ►

c Name and address of each organization to which any such contribution was made in a prior year (complete only if different from the donee organization above):

Name of charitable organization (donee)

Address (number, street, and room or suite no.)

City or town, state, and ZIP code

d For tangible property, enter the place where the property is located or kept ►

e Name of any person, other than the donee organization, having actual possession of the property ►

3a Is there a restriction, either temporary or permanent, on the donee's right to use or dispose of the donated property?

Yes	No

b Did you give to anyone (other than the donee organization or another organization participating with the donee organization in cooperative fundraising) the right to the income from the donated property or to the possession of the property, including the right to vote donated securities, to acquire the property by purchase or otherwise, or to designate the person having such income, possession, or right to acquire?

--	--

c Is there a restriction limiting the donated property for a particular use?

--	--

Name(s) shown on your income tax return

Identifying number

Section B. Donated Property Over \$5,000 (Except Publicly Traded Securities)—Complete this section for one item (or one group of similar items) for which you claimed a deduction of more than \$5,000 per item or group (except contributions of publicly traded securities reported in Section A). Provide a separate form for each property donated unless it is part of a group of similar items. An appraisal is generally required for property listed in Section B. See instructions.

Part I Information on Donated Property—To be completed by the taxpayer and/or the appraiser.

4 Check the box that describes the type of property donated:

- ☐ **a** Art* (contribution of \$20,000 or more) ☐ **d** Art* (contribution of less than \$20,000) ☐ **g** Collectibles** ☐ **j** Other
☐ **b** Qualified Conservation Contribution ☐ **e** Other Real Estate ☐ **h** Intellectual Property
☐ **c** Equipment ☐ **f** Securities ☐ **i** Vehicles

*Art includes paintings, sculptures, watercolors, prints, drawings, ceramics, antiques, decorative arts, textiles, carpets, silver, rare manuscripts, historical memorabilia, and other similar objects.

**Collectibles include coins, stamps, books, gems, jewelry, sports memorabilia, dolls, etc., but not art as defined above.

Note. In certain cases, you must attach a qualified appraisal of the property. See instructions.

5	(a) Description of donated property (If you need more space, attach a separate statement)	(b) If tangible property was donated, give a brief summary of the overall physical condition of the property at the time of the gift	(c) Appraised fair market value
A			
B			
C			
D			

	(d) Date acquired by donor (mo., yr.)	(e) How acquired by donor	(f) Donor's cost or adjusted basis	(g) For bargain sales, enter amount received	See instructions	
					(h) Amount claimed as a deduction	(i) Date of contribution
A						
B						
C						
D						

Part II Taxpayer (Donor) Statement—List each item included in Part I above that the appraisal identifies as having a value of \$500 or less. See instructions.

I declare that the following item(s) included in Part I above has to the best of my knowledge and belief an appraised value of not more than \$500 (per item). Enter identifying letter from Part I and describe the specific item. See instructions. ►

Signature of taxpayer (donor) ►

Date ►

Part III Declaration of Appraiser

I declare that I am not the donor, the donee, a party to the transaction in which the donor acquired the property, employed by, or related to any of the foregoing persons, or married to any person who is related to any of the foregoing persons. And, if regularly used by the donor, donee, or party to the transaction, I performed the majority of my appraisals during my tax year for other persons.

Also, I declare that I perform appraisals on a regular basis; and that because of my qualifications as described in the appraisal, I am qualified to make appraisals of the type of property being valued. I certify that the appraisal fees were not based on a percentage of the appraised property value. Furthermore, I understand that a false or fraudulent overstatement of the property value as described in the qualified appraisal or this Form 8283 may subject me to the penalty under section 6701(a) (aiding and abetting the understatement of tax liability). In addition, I understand that I may be subject to a penalty under section 6695A if I know, or reasonably should know, that my appraisal is to be used in connection with a return or claim for refund and a substantial or gross valuation misstatement results from my appraisal. I affirm that I have not been barred from presenting evidence or testimony by the Office of Professional Responsibility.

Sign

Here

Signature ►

Title ►

Date ►

Business address (including room or suite no.)

Identifying number

City or town, state, and ZIP code

Part IV Donee Acknowledgment—To be completed by the charitable organization.

This charitable organization acknowledges that it is a qualified organization under section 170(c) and that it received the donated property as described in Section B, Part I, above on the following date ►

Furthermore, this organization affirms that in the event it sells, exchanges, or otherwise disposes of the property described in Section B, Part I (or any portion thereof) within 3 years after the date of receipt, it will file **Form 8282**, Donee Information Return, with the IRS and give the donor a copy of that form. This acknowledgment does not represent agreement with the claimed fair market value.

Does the organization intend to use the property for an unrelated use? ► ☐ Yes ☐ No

Name of charitable organization (donee)

Employer identification number

Address (number, street, and room or suite no.)

City or town, state, and ZIP code

Authorized signature

Title

Date

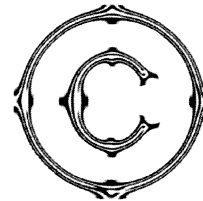
This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Ethics in Estate Planning Involving IP

Ethics in Estate Planning Involving IP

Jeffrey D. Myers
Registered Patent Attorney
Wilcox & Myers, P.C.
jdmyers@wilcoxlawnm.com

WILCOX & MYERS, P.C.



Patents
Copyrights
Trademarks
Trade Secrets
Rights of Publicity



Rights of Publicity



- Most pertinent to famous persons
- E.g., Elvis Presley, Marilyn Monroe
- State of residence important (survives death?)
- California arguably best state in which to be domiciled

Contract Terms

- Ownership / Assignment
- Licensing Agreements (e.g., book publishing)
 - Exclusive / Not
 - Royalty Rate
 - Indemnity
 - Insurance
 - Right to Sue



Estate Planning for Creators

- Why – Importance of Planning
- Who – Players
- What – Intangible Assets
- When – Timing is Important
- Where – Local, Global, and Digital
- How – Estate Planning Tools & Structures

WHY: Framing the Issue

- Creators can be complicated
 - Family Dynamics
 - Control of Oevre
- Significant financials at issue



WHO: Creators of IP= Inventors/Innovators

- **Science, Tech & Engineering Creators**
- **Written & Visual Creators**
- **Craft & Small Business Creators**
- **Entertainment Creators**

WHO: Players in the Creator's Estate Plan

- Beneficiaries = Individuals & Entities
- Administrators = Trustees; Personal Representatives; Executive Directors
- Artistic Advisors = Agents and Publicists; Curators; Business Managers; Licensing Managers; Valuation Experts

WHAT: Assets in the Creator's Estate Plan

- Intangible and Industry Specific
- Patent, Copyright, Trademark (Domain Names), Rights of Publicity
- Associated License Agreements and Contracts
- Digital Assets, e.g., websites social media, artistic and/or scientific data

WHEN: Timing is Important

- Sooner Rather Than Later (SRTL)
- Current planning needs depend on interested parties, current success, and predicted future success
- Protection often requires applications for registration of rights, renewals of registration, and assignment of assets

WHERE: It's a Small World, After All

- Global
 - US & Other Countries
 - World Intellectual Property Organization ("WIPO")
- Digital
 - Websites
 - Blogs
 - Social Media
 - Data (perhaps in the "Cloud")



HOW: Tools & Structures – The Three Amigos

- Plan = Vision & Goals
- Documents
 - Wills & Trusts
 - Creative Legacy Statement (Ethical Will)
 - Creative Inventory
- Liquidity
 - Estate tax liability & illiquidity issues
 - Minimizing Exposure

HOW: Tools & Structures – Entities

- Trusts
 - Revocable to Avoid Probate / Maintain Privacy
 - Irrevocable for Asset Protection
- Business Entities (e.g., LLCs)
 - IP Licensing Holding & Management
 - Asset Protection
- Endowments - Coordinate with Charity
- Private Foundations

Who is the Client?

- Living IP Creator?
- Trust Established by IP Creator (Trustee)
- Probate Estate of IP Creator (Personal Representative)
- Private Foundation

Identification of IP Assets

- Copyrights (books, music, websites, etc.)
- Trademarks (including name and signature if an artist or famous)
- Patent Rights (usually for scientist)
- Rights of Publicity (domiciliary state important to identify)
- Trade Secrets
- License Agreements

Docket Deadlines

- If pending applications, docket per normal
- If IP asset has not had application filed, consider whether and when to file
- If issued patent or trademark registration, docket per normal
- If copyright assignments or licenses, consider effect of 17 U.S.C. Sec. 203 (termination at 25-30 year mark)

Dealing with Assets in Estate Plan Itself

- If assisting with estate plan:
 - If revocable living trust, assign all IP to trust
 - Make sure that pourover provision in will transfers IP to trust (or other beneficiary)
 - Do not forget magic words in assignment (e.g., transfer trademarks and associated customer goodwill)
 - Consider how to implement any "Ethical Will"

Thank You!

- Contact Jeff at:
 - jdmyers@wilcoxlawnm.com
 - (505) 554-1115
- Seminar by Jeffrey D. Myers (Wilcox & Myers, P.C.) is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.



This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

When What's Done Actually
Isn't: Community Property and
Recapture

When What's Done Actually Isn't: Community Property & Recapture

**Breanna Contreras
Bardacke Allison LLP**

Part I:

Community Property & Copyrights

- 17 U.S.C. § 201
- 17 U.S.C. § 202
- 17 U.S.C. § 106
- NMSA 1978 § 40-3-12
- *Boutz v. Donaldson*, 128 N.M. 232, 1999-NMCA-131
- *In re Marriage of Worth*, 195 Cal. App. 3d 768 (Cal. Ct. App. 1987)
- *Rodrigue v. Rodrigue*, 218 F.3d 432 (5th Cir. 2000)

17 U.S.C. § 201. Ownership of copyright

(a) INITIAL OWNERSHIP.—Copyright in a work protected under this title vests initially in the author or authors of the work. The authors of a joint work are coowners of copyright in the work.

17 U.S.C. § 202. Ownership of copyright as distinct from ownership of material object

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, including the copy or phonorecord in which the work is first fixed, does not of itself convey any rights in the copyrighted work embodied in the object; nor, in the absence of an agreement, does transfer of ownership of a copyright or of any exclusive rights under a copyright convey property rights in any material object.

17 U.S.C. § 106. Exclusive rights in copyrighted works

Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

(1) to reproduce the copyrighted work in copies or phonorecords;

(2) to prepare derivative works based upon the copyrighted work;

(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;

(4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;

(5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and

(6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

West's New Mexico Statutes Annotated Chapter 40. Domestic Affairs Article 3. Property Rights
--

N. M. S. A. 1978, § 40-3-12

§ 40-3-12. Presumption of community property; presumption of separate property where property acquired by married woman prior to July 1, 1973

Currentness

A. Property acquired during marriage by either husband or wife, or both, is presumed to be community property.

B. Property or any interest therein acquired during marriage by a woman by an instrument in writing, in her name alone, or in her name and the name of another person not her husband, is presumed to be the separate property of the married woman if the instrument in writing was delivered and accepted prior to July 1, 1973. The date of execution or, in the absence of a date of execution, the date of acknowledgment, is presumed to be the date upon which delivery and acceptance occurred.

C. The presumptions contained in Subsection B of this section are conclusive in favor of any person dealing in good faith and for valuable consideration with a married woman or her legal representative or successor in interest.

Credits

L. 1973, Ch. 320, § 7.

Formerly 1953 Comp., § 57-4A-6.

Notes of Decisions (46)

NMSA 1978, § 40-3-12, NM ST § 40-3-12

Current through the end of the First Regular and Special Sessions of the 53rd Legislature (2017).

End of Document

© 2017 Thomson Reuters. No claim to original U.S. Government Works.

128 N.M. 232

Court of Appeals of New Mexico.

Stephanie Rae BOUTZ, a/k/a Stephanie B.
Donaldson, Petitioner-Appellee/Cross-Appellant,
v.

Stephen R. DONALDSON, Respondent-
Appellant/Cross-Appellee.

No. 19,450.

|
Sept. 20, 1999.

Mother sought increased child support. The District Court, Bernalillo County, Deborah Davis Walker, D.J., adopted most of recommendations of a special master and significantly increased father's child support obligation. Cross-appeals were taken. The Court of Appeals, Bosson, J., held that: (1) trial court did not abuse its discretion by declining to impute income to mother based on her alleged underemployment; (2) trial court erred by using arguably stale information when determining father's dividend income; (3) father was entitled to deduct from his income fixed overhead expenses incurred while he was "resting" from his occupation as a successful author; and (4) Federal Copyright Act did not preempt generic state law on child support, pursuant to which father's earnings as author of copyrighted works were included in his income.

Affirmed in part, reversed in part, and remanded.

West Headnotes (15)

[1] **Child Support**

➡ Imputed income of custodian

Trial court was not required to impute income to mother, as child support recipient, for investment income she would have earned had she not liquidated investments to meet demands of her unsuccessful bookstore business and expensive house remodeling, where mother made good faith efforts to succeed in business and only house she could find in safe, suitable neighborhood needed

capital improvements to provide space for children. NMSA 1978, § 40-4-11.1, subd. C(1).

3 Cases that cite this headnote

[2] **Child Support**

➡ Imputed income of obligor

Child Support

➡ Imputed income of custodian

The imputation of income for child support purposes depends on the evidence and the sound exercise of judicial discretion. NMSA 1978, § 40-4-11.1, subd. C(1).

1 Cases that cite this headnote

[3] **Child Support**

➡ Questions of law or fact

It is for the trial judge, subject to judicial review, to assess child support recipient's efforts, sincerity, conscientiousness, and credibility, and then to decide whether recipient has acted in good faith to earn and preserve as much money to support the children as could reasonably be expected under the circumstances. NMSA 1978, § 40-4-11.1, subd. C(1).

4 Cases that cite this headnote

[4] **Child Support**

➡ Questions of law or fact

The trial judge, as fact finder, assesses the reasons behind large expenditures of assets by child support recipient, for purposes of determining whether to impute income to recipient. NMSA 1978, § 40-4-11.1, subd. C(1).

Cases that cite this headnote

[5] **Child Support**

➡ Imputed income of custodian

Evidence that mother liquidated assets of her bookstore business and that liquidation proceeds were used to pay suppliers supported trial court's refusal to impute to mother, as

child support recipient, receipt of interest income on her loan to the business. NMSA 1978, § 40-4-11.1, subd. C(1).

Cases that cite this headnote

[6] **Child Support**

☞ Assets, investments, and holdings

Trial court should not have used arguably stale information from 1995 when determining father's 1996 dividend income for purposes of his child support obligation, where information regarding dividend income in first half of 1996 was available, father's financial advisors stated his investments changed from year to year, and mother's income projections were based on data from 1996. NMSA 1978, § 40-4-11.1, subd. B(2).

1 Cases that cite this headnote

[7] **Child Support**

☞ Assets, investments, and holdings

Father was entitled to deduct from his income, for purposes of determining child support obligation, fixed overhead expenses incurred in 1996 for his business as a successful author, although father was "resting" in 1996 and therefore had no income from literary efforts. NMSA 1978, § 40-4-11.1, subd. C(2)(b).

Cases that cite this headnote

[8] **Child Support**

☞ Calculation

Deduction of fixed overhead expenses that are required to produce gross income, for purposes of determining child support obligation, is not limited to expenses required to produce current income. NMSA 1978, § 40-4-11.1, subd. C(2)(b).

1 Cases that cite this headnote

[9] **Child Support**

☞ Construction, operation, and effect of guidelines

The definition of gross income in the child support guidelines represents a legislative effort to estimate actual cash flow, that is, the amount of money that will actually be available to support the children, and technical definitions that run contrary to this central purpose are disfavored. NMSA 1978, § 40-4-11.1, subd. C(2)(b).

4 Cases that cite this headnote

[10] **Child Support**

☞ Private school

Child Support

☞ Expenses

Trial court did not abuse its discretion by refusing father's request to require mother to pay tuition bills of \$1,250 per month on ground that father's child support obligation had become "so high" and instead including tuition as an "extraordinary educational expense" while giving father credit in a manner that reduced his monthly child support obligation under support guidelines. NMSA 1978, §§ 40-4-11.1, subds. A, I(2), 40-4-11.2.

1 Cases that cite this headnote

[11] **Child Support**

☞ Life insurance on obligor

Trial abused its discretion by refusing to consider merits of father's proposal to substitute his simplified employee pension (SEP) retirement account for declining term life insurance policy as means of securing future child support obligations, where father's agreement to make children beneficiaries until they reached age 21 appeared to obviate jurisdictional concerns cited as trial court's only reason for rejecting proposal, and mother's insistence on making children irrevocable beneficiaries appeared to be arbitrary.

Cases that cite this headnote

[12] **Child Support**

☞ Construction, operation, and effect of guidelines

Father was not entitled to have time children spent in school immediately after living in father's home credited to father under father's "constructive presence" theory when determining whether children spent at least 35 percent of year living with father, as basis for using "shared responsibility" schedule for determining father's child support obligation. NMSA 1978, § 40-4-11.1, subd. D(3).

Cases that cite this headnote

[13] **Child Support**

☞ Calculation

States

☞ Domestic Relations

Federal Copyright Act did not preempt generic state law on child support, pursuant to which father's earnings as author of copyrighted works were included in his income for purposes of determining his child support obligation. 17 U.S.C.A. §§ 201(d)(1), (e), 301(a), (b)(1).

1 Cases that cite this headnote

[14] **Child Support**

☞ Calculation

Trial court did not abuse its discretion by refusing mother's request to adjust father's income from municipal bonds upward to account for the tax-free nature of the income when determining father's child support obligation. NMSA 1978, § 40-4-11.1, subd. C(1, 2).

Cases that cite this headnote

[15] **Child Support**

☞ Tax consequences

The child support guidelines do not envision imputing income in anticipation of tax consequences.

1 Cases that cite this headnote

Attorneys and Law Firms

****519 *234** Cynthia A. Fry, Albuquerque, William N. Henderson, The Henderson Law Firm, Albuquerque, for Appellee/Cross-Appellant.

Kim E. Kaufman, Albuquerque, Donald R. Westervelt, Albuquerque, for Appellant/Cross-Appellee.

OPINION

BOSSON, J.

{1} Stephanie Rae Boutz (Mother) moved for and was granted an increase in child support from Stephen Donaldson (Father) after an evidentiary hearing before a court-appointed special master, followed by formal objections, briefing, and legal arguments to the trial court. The special master had been appointed, without any objection, to take evidence and make a report. As part of its order appointing the special master, the court indicated it would accept the report unless "clearly erroneous," and that standard of review was not challenged below nor on appeal. The court entered findings and conclusions that adopted almost all the recommendations in the special master's report, and the court then issued an order significantly increasing Father's child-support obligation. Father appeals the increase in child support as well as certain other aspects of the court order. Mother cross-appeals one aspect of the court order, in which the court declined to follow the special master's report, regarding how to compute Father's income from tax-exempt bonds. For the most part, we affirm the trial court's decision to adopt a portion of the special master's report, and we also affirm the court's decision not to adopt that portion of the report relating to the computation of Father's income. In certain particulars described more fully hereafter, we are persuaded by Father's argument on appeal, and to that extent we reverse and remand for further proceedings.

{2} Initially, we review whether, based on the evidence before the trial court of Father's increased income, the court correctly determined that circumstances had substantially changed in a manner materially affecting the welfare of the children and sufficient to modify the original child support order. *See* NMSA 1978, § 40-4-11.4 (1991). Under the original order, Father paid

child support at the rate of \$3000 per month. Based upon evidence presented to the special master, the ****520 *235** court determined that child support should be increased to \$4904 per month. In addition, Father was ordered to continue paying tuition for the children's private schooling at the same rate of \$1250 per month. Under Section 40-4-11 .4, a change in circumstances is presumed sufficient to justify modifying child support if the new circumstances "would result in a deviation upward or downward of more than twenty percent of the existing child support obligation." An increase in the basic, monthly child support of \$1904 from a previous monthly support of \$3000 is an increase that easily exceeds 20%. Even if we were to factor in the monthly tuition payments of \$1250, which Father continues to pay after the modification order, the percentage increase might be altered, but not the result. The "deviation upward" would still exceed 20% by a significant margin over the payments that Father was previously obligated to make. Therefore, based on the amount of the proposed increase, as compared with what Father was previously paying, we conclude that the change in circumstances is sufficient in an amount to justify a court-ordered modification of child support.

{3} We now turn to the court's income determinations for Father and Mother for the sample year 1996 that produced such a significant increase in child support. With respect to Mother's income, Father maintains that Mother was underemployed and that the court should have imputed a higher, potential income based on her proven capacity to earn money. *See* § 40-4-11.1(C)(1) (" 'income' means ... potential income if unemployed or underemployed"). Mother appears to have earned less than she otherwise might have during 1996 and the four previous years because she bought a bookstore and tried unsuccessfully to make it a going concern. The doors were closed in mid-1996, and the assets were liquidated. Mother had to liquidate certain savings and investments during that time due to expenses connected with the business, and she purchased a house for her family that required substantial, expensive remodeling to provide suitable living space for the children. Father requested that additional income be imputed to Mother based on (1) her acknowledged potential to earn more consistent with her earning capacity, and (2) additional investment income she would have earned if she had not liquidated part of her savings to meet the demands of the business and her new house.

{4} In rejecting these arguments, the special master specifically found that "both parties are acting in good faith in their respective employment endeavors and both have taken reasonable steps to provide support for their children." The special master also found that neither party presented sufficient evidence "to substantiate and quantify" their claims of in-kind income from financial arrangements regarding their respective homes, and therefore, "neither parties [sic] financial arrangements with regard to their home should be considered in determining income for child support purposes." The special master concluded that the record did not support Father's request "to impute income to Mother that she does not earn at this time." The trial court adopted these findings verbatim.

[1] [2] {5} Father attacks the court's refusal to impute income as an abuse of discretion and unsupported by the record. We disagree. Father cites no legal authority that would require the court to impute income to Mother, and we know of none. The imputation of income depends on the evidence and the sound exercise of judicial discretion. There was evidence that Mother made reasonable, good faith efforts to succeed in her business, including consulting with experts who gave her reason for optimism. There was evidence that Mother moved into newer housing to secure a safe, suitable neighborhood in which to raise young children. The only house she could find needed capital improvements to provide space for the children.

[3] [4] {6} It is for the trial judge, or in this case the special master, subject to judicial review, to assess Mother's efforts, sincerity, conscientiousness, and credibility, and then to decide whether Mother has acted in good faith to earn and preserve as much money to support her children as could reasonably be expected under the circumstances. ****521 *236** The judge as fact finder also assesses the reasons behind large expenditures of assets, such as Mother's purchase and remodeling of this house. As this court has previously stated, "the trial court [is] entitled to consider potential as well as actual, present income." *Talley v. Talley*, 115 N.M. 89, 91, 847 P.2d 323, 325 (Ct.App.1993). Here, both the trial court and the special master heard or reviewed the evidence pro and con, and each determined that this was not a case that called for imputing additional income to Mother. As interpreted by Father, the record

might have supported a contrary result, but the record does support the conclusion reached. This kind of close decision is the very essence of judging, and we will not disturb it on appeal just because the court could have reached, but was not required to reach, a different result. The trial court was within its discretion not to consider Mother underemployed by virtue of her reasonable-yet unsuccessful-efforts to establish a profitable business, and reasonable efforts to provide a home for her children. We affirm the court's decision not to impute additional income to Mother during the time leading up to the close of her business in mid-1996.

{7} Father also claims the court should have imputed to Mother additional income that she could have earned during the second half of 1996 after the business closed. However, as we read the special master's report, the court's findings and conclusion, and the transcript of the hearing before the special master, we believe Father's argument is based on a false premise because the court did essentially what Father requests. The record shows that after the book business closed, Mother used her client contacts to perform book-buying services for business, educational, and governmental entities. The record further shows that the court used the income from those efforts to project a monthly income for Mother for the rest of the year. The court, in effect, imputed to Mother a continuation of that income for the rest of the year. Contrary to Father's charge, the court did not relieve Mother of her continuing obligation to support herself and her children after her business closed.

{5} {8} On the other hand, the court did decline to impute to Mother any continued receipt of interest from a personal loan she had previously made to the business to keep it in operation. Father maintains there is no direct evidence in the record that these interest payments (unlike earnings from the business) actually ceased after mid-1996. Apparently, the record is as Father describes it. However, both the special master and the trial court appear to have reasonably inferred from the undisputed fact that the business closed in mid-1996 that the business had no further income with which to continue paying interest. See *Jurado v. Jurado*, 119 N.M. 522, 526, 892 P.2d 969, 973 (Ct.App.1995) (explaining that a reviewing court will make all reasonable inferences from the evidence to support the judgment below). Mother testified that she liquidated everything from the store except some bookcases and that all revenues went into the

bookstore to pay suppliers. In the absence of any contrary evidence from Father, the court properly inferred from the undisputed fact of a failed business that interest payments likely terminated, simultaneously with the demise of the revenue source for those payments.

{6} {9} Father initially challenged more than one aspect of how the court computed his own income for 1996. However, during briefing to this Court Father conceded all but one point regarding the method used for calculating his income. Father does continue to challenge how the court computed his dividend income for 1996. More specifically, Father argues that the court mistakenly rejected evidence of what Father actually received from dividends during the first half of 1996 (to be projected over the rest of the year), and used instead what Father had earned a year earlier in 1995. The court relied on 1995 figures, instead of first-half 1996 figures, despite evidence from Father's financial advisors that his dividend investments changed from year-to-year. The court did not explain its choice in this matter or its reliance on what was arguably stale information. In her brief to this Court, Mother does not support the trial court's choice of 1995 data, other than to claim no prejudice to Father.

****522** {10} ***237** We conclude that the court's use of 1995 dividend earnings was error. Use of income from other than the year in question (1996) contradicted findings of both the special master and the court that "[t]he determination of income for purposes of computing child support should be based on current income as determined from the evidence presented at the hearing." Compounding the error, the court based Mother's income projections upon more recent data from 1996. Calculating Mother's and Father's dividend earnings by different methods violates one of the express goals of the statute: "mak[ing] awards more equitable by ensuring more consistent treatment of persons in similar circumstances." Section 40-4-11.1(B)(2); see *Talley*, 115 N.M. at 91, 847 P.2d at 325. We reverse on this point and remand for revised calculation of Father's dividend income for 1996 based upon 1996 information.

{7} {11} Turning to the expense side of the ledger, Father claims error in the court's refusal to allow him to deduct from his income \$50,000 worth of fixed overhead expenses he incurred during 1996. Mother does not dispute that Father incurred these expenses during 1996 in the course of his business as a successful author. The court rejected

the expenses because Father's 1996 earnings were all from previous writings; he was not engaged in writing during 1996 and had no income from current literary efforts during that year. The court expressed concern that there might not be any future writings or that future income might not be available to support the children throughout their age of minority. The court concluded that this was an expense related to future income, not present income, "that may never occur," and was therefore "not appropriate" to deduct.

{12} The statute defines "gross income" from self-employment as "gross receipts minus ordinary and necessary expenses required to produce such income," but gross income "do[es] not include expenses determined by the court to be inappropriate for purposes of calculating child support." Section 40-4-11.1(C)(2)(b). We are not persuaded that the court's conclusion of "inappropriateness" is sufficiently supported either by evidence in the record or by the plain meaning and purpose of the statute.

{13} There was ample testimony as to the professional need for this kind of recurring overhead expense, even when Father was not actually writing. During 1996, Father was resting from prior creative, and lucrative efforts, but he had recurring, overhead expenses nonetheless. There was no evidence to the contrary. There was no evidence in the record that Father would not be writing again or earning money from such efforts, although the amount of projected earnings from such future efforts was subject to much debate. Even Mother allowed for Father's 1996 fixed overhead expenses when she submitted requested findings of fact to the special master. Mother's change of position to the court below on this issue, and to this Court, appears to be a late conversion.

[8] [9] {14} Mother now urges a narrow interpretation of the statute that would allow a deduction of only those expenses that are required to produce one's current income. We disagree. The definition of gross income in the child support guidelines represents a legislative effort to estimate "actual cash flow," that is the amount of money that will actually be available to support the children. See *Major v. Major*, 1998-NMCA-001 ¶ 9, 124 N.M. 436, 952 P.2d 37 (explaining that a self-employed parent's "actual cash flow" for child support purposes is the money "reasonably available to apply toward the

support of his [or her] children"). Technical definitions that run contrary to this central purpose are disfavored. See *Leeder v. Leeder*, 118 N.M. 603, 607, 884 P.2d 494, 497 (Ct.App.1994) ("[T]he statute is not adopting some peculiar definition of 'income' that is alien to common usage."). "[O]rdinary and necessary" business expenses are deducted from gross income presumably because gross figures would not be an accurate estimate of money actually available for child support. See § 40-4-11.1(C)(2)(b). Here, there is no question that this business expenditure decreased the amount of Father's gross income actually available for child support. Thus, allowance of this type of deduction in this instance is consistent with the statute's purpose. The kind of dollar-for-dollar match **523 *238 between income and expenses urged by Mother would lead to income distortions that would prove unreliable for purposes of calculating a reasonable child support obligation.

{15} Accordingly, the court was obligated to allow Father to deduct this type of expense as one "required to produce such income" under the statute. We reverse and remand on this point. The court on remand should consider how much of the \$50,000 Father can deduct, and it should enter findings explaining why either the full amount or a portion less than the full amount is deductible. For example, if the court were to determine that a portion of the overhead expense would not likely produce income during the children's minority, then only part of the expense might be justified as a deduction. Cf. *Kamm v. Kamm*, 67 Ohio St.3d 174, 616 N.E.2d 900, 903 (1993) (explaining that to support a deviation from child support guidelines, a court may consider the proximity in time of the acquisition of a capital asset to the date of termination of the child support obligation). There may be other instances that justify a deviation so as not to allow Father to deduct the entire amount during the current year.

[10] {16} Father next contends that the court erred by continuing his obligation of \$1250 per month for his children's private school education. The court included this amount as an "extraordinary educational expense" under Section 40-4-11.1(I)(2), and gave him credit in a manner that reduced his monthly child support payment under the guidelines. It is not altogether clear how Father maintains the court committed reversible error. Father acknowledges his original agreement with Mother to pay for private school tuition. He appears to argue that this additional obligation should have been grounds for

the court to deviate downward from the child support guidelines in computing his basic support obligation. *See* NMSA 1978, § 40-4-11.2 (1995). Alternatively, Father contends that his basic child support, as modified, is now so high that Mother should pay the tuition bills. We are not persuaded. Under either scenario, the statute authorizes the court to consider private school tuition in exactly the manner the court did in this instance. The child support guidelines constitute a “rebuttable presumption” from which the court may choose to deviate under certain circumstances in the sound discretion of the court, but the court is not required to do so. *See* § 40-4-11.1(A). Father cites no authority for such a proposition, or for anything but the unremarkable assertion that the court could have deviated from the guidelines but did not have to. *See Leeder*, 118 N.M. at 603, 884 P.2d at 494 (discussing departure from guidelines). We see no abuse of judicial discretion. *See Styka v. Styka*, 1999-NMCA-002, ¶ 47, 126 N.M. 515, 972 P.2d 16 (holding that the trial court did not abuse its discretion by ordering payment of private school tuition as an extraordinary educational expense).

[11] {17} Father also challenges the court's refusal to allow him to substitute his SEP retirement account for a declining term life insurance policy as a means of securing his future child support obligations. We agree with Father on this point as well. The court did not explain its rationale for rejecting the proposal other than jurisdictional concerns once the children passed the age of 19. However, in this instance Father was willing to obligate the SEP and make his children beneficiaries until his children reached the age of 21. While the court may not have had the jurisdictional power to compel Father to secure payments until age 21, if Father had protested, Father's concurrence appears to obviate the problem. Substitution of the SEP could be made an express, binding condition that relieves Father of his continuing obligation for life insurance premiums. Mother's insistence on Father making the children irrevocable beneficiaries of the SEP, even past age 21, appears arbitrary and unreasonable, and it is unsupported in Mother's answer brief. Accordingly, in the absence of any other rationale, we believe the court abused its discretion by not considering the merits of Father's proposal, and we remand for that purpose. Any future reasons for rejecting the SEP proposal should be explained in findings of fact.

[12] {18} Father also challenges as an abuse of discretion the court's use of Schedule A instead of Schedule B

to compute child **524 *239 support. Schedule B applies only in instances of “shared responsibility,” which according to Section 40-4-11.1(D)(3), only applies to situations in which the child spends at least 35% of the year “in each home,” and the court found that Father failed to demonstrate that he met this qualification. Father appeals, contending that it was an abuse of discretion not to credit him with the time the children spent in school immediately after being at Father's home when Mother automatically got credit for similar school time. But the statute does not refer to constructive presence or who had the child last. The statute focuses on the time spent “in each home,” and Father was unable to demonstrate this qualification unless the court counted time when the child manifestly was not in his home. Mother, on the other hand, exceeded the 35% statutory minimum even if time were not credited to her when the children were at school. Thus, there was no disparate treatment. The statute also speaks in terms of “twenty-four-hour-days,” for purposes of computing shared responsibility. *See* § 40-4-11.1(G). Evidently, the court decided not to count as a “twenty-four-hour-day” the little time spent with Father before leaving for school in the morning.

{19} The 35% statutory minimum is one method chosen by the Legislature to estimate when responsibility for children is shared sufficiently to alter the child support calculation. Even at best, this is only an approximation. In this case, there is no dispute that each child spends considerably more time in the physical custody of Mother than Father. Father conceded that “there's no question that [Mother] is the primary custodian, and I honor that fact.” The only question is whether the children are with Father fractionally more or less than the minimum of 35%, depending on the method of calculation. The court required Father to prove that he exceeded 35% according to a method that finds support in the statute. He could not do so. If Father could not prove that the children spent more than 35% of their time with him, then the court did not abuse its discretion. “When there exist reasons both supporting and detracting from a trial court decision, there is no abuse of discretion.” *Talley*, 115 N.M. at 92, 847 P.2d at 326. Father cites no case law to support his argument that the court abused its discretion, and we are not persuaded that the court erred.

[13] {20} As his final point, Father contends that the court acted in violation of the Federal Copyright Act, 17 U.S.C. § 201 (1994), when it included Father's earnings

from copyrighted works as part of his overall income for purposes of calculating child support. Father bases his claim of error on a theory of federal preemption. The Act provides that a copyright “vests initially in the author,” 17 U.S.C. § 201, and cautions that copyrights “are governed exclusively” by the Act and not by “the common law or statutes of any State,” 17 U.S.C. § 301(a) (1994). Father points to language in Section 201(e) of the Act that states may not “seize, expropriate, transfer, or exercise rights of ownership with respect to the copyright.” Even though Father consented in his original marital settlement agreement to include his copyright income for purposes of child support, he now reverses field, arguing that federal law precludes the State from any similar action in the future. Although Father concedes that his theory of preemption is not explicit in the statute, he relies on these Congressional expressions as an indication of Congressional intent to preempt the field.

{21} We find Father's argument novel but not persuasive. Significantly, Father cites no case law in his favor directly on point, and we have not located any. Father does make general reference to federal preemption case law and particularly to *Hisquierdo v. Hisquierdo*, 439 U.S. 572, 99 S.Ct. 802, 59 L.Ed.2d 1 (1979), in which the United States Supreme Court held that California's community property laws were preempted by the federal Railroad Retirement Act because that act vested ownership of retirement benefits exclusively in the employee spouse. But *Hisquierdo* did not involve the Copyright Act. On the other hand, the one case almost directly on point that does involve the Copyright Act supports Mother, not Father.

{22} In *Worth v. Worth*, 195 Cal.App.3d 768, 241 Cal.Rptr. 135, 139 (1987), the author-spouse contended that income from ****525 *240** copyrighted material could not be divided equally under California's community property law for fear of conflicting with the preemptive intent of the Copyright Act. The California appeals court disagreed, distinguishing *Hisquierdo* and the other cases cited by Father on the basis that the Copyright Act does not expressly make a copyright the exclusive separate property of one spouse. See *id.* Rather, the Copyright Act provides for co-ownership as well as transfer of all or part of a copyright even by operation of law. See *id.* at 139-40; see also 17 U.S.C. § 201(d)(1). The court concluded that the Act preempted only specific state copyright laws, not more general state laws concerning domestic relations, child support, or community property

law. See 17 U.S.C. § 301(b)(1) (“Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to ... subject matter that does not come within the subject matter of copyright.”). The California court held that income from a copyrighted work could be divided under state community property laws. See *Worth*, 241 Cal.Rptr. at 140.

{23} Our case does not go even as far as dividing the copyright as community property, or dividing copyrighted works, or even the income from the sale of such works. The trial court only included such income, as it passes unencumbered to Father, for purposes of calculating Father's ability to support his children. In short, the court's actions below are less intrusive on Father's copyright interest than the state judicial actions specifically approved by the California court in *Worth*. In the absence of any clear federal intent to preempt the effects of generic state law on child support, and relying on the discussion in the *Worth* opinion (although we need not adopt its holding, see *Rodrigue v. Rodrigue*, F.Supp.2d 534 (E.D.La.)), we are not persuaded that the Copyright Act preempts the court's consideration of Father's income from copyrighted sources.

[14] {24} Finally, Mother cross-appeals from the court's rejection of one special master recommendation concerning how to treat Father's tax-free income for purposes of calculating his ability to pay child support. In this instance, Father projected 1996 interest earnings of approximately \$80,000 from tax-free municipal bonds that the court appropriately included in Father's income. However, the special master recommended that a higher figure be used for child support purposes, one that would reflect the amount of pretax income it would take to produce a net yield on taxable bonds of \$80,000 after taxes are paid. The special master calculated a hypothetical, pretax figure of \$133,333 which it then recommended for use as income in the child support guidelines. As we understand it, the special master's recommendation was based on an assumption that income for computing the appropriate level of child support is presumed to be pretax income; in other words, that payment of future tax obligations is already factored into the child support guidelines in calculating how much will likely be available for child support. Accordingly, a parent who has income that will not be taxed, enjoys a windfall in terms of child support. To be consistent, the theory goes, the court should use a higher, hypothetical income figure

representing what it would take in taxable income, at an assumed tax rate, to yield this same \$80,000.

{25} We can discern no clear intent in the statute to consider hypothetical tax consequences of reported income before it is inserted into the child support tables. From a survey of the statutory language used in defining “gross income,” we see that the Legislature has included all kinds of income without any express regard for the varying effect of taxes. *See* § 40-4-11.1(C)(2). For instance, capital gains are included as statutory income, yet it is common knowledge that capital gains are afforded preferential tax treatment, leaving a greater percentage available as disposable income after payment of taxes. Therefore, to be consistent with Mother's argument, a parent would have to use an adjusted income figure for capital gains as well. Other forms of income included in the statute, such as social security payments, disability payments, annuities, and worker compensation may have different tax consequences either in whole or in part. Yet the statute is silent on these tax issues. Imputed income is allowed elsewhere in the ****526 *241** statutory scheme in reference to a parent who is unemployed or underemployed, yet the statute makes no such provision here. *See* § 40-4-11.1(C)(1).

{26} We are mindful that one of the driving forces behind the child support guidelines is efficiency and ease of administration. *See* § 40-4-11.1(B)(3). We should avoid “introducing such complexity into the process” without a clear indication of legislative intent. *Leeder*, 118 N.M. at 609, 884 P.2d at 499. Imputing income in the manner

advocated by Mother would inevitably complicate what is now a reasonably straightforward process.

[15] {27} We hold that the child support guidelines do not envision imputing income in anticipation of tax consequences. We also acknowledge the provisions in Section 40-4-11.1(A) that authorize a court to deviate from the guidelines when supported by a “statement of the reasons for the deviation.” In extraordinary circumstances, properly documented, a court might be authorized to deviate from the guidelines in consideration of tax consequence, as with many other factors that conceivably might justify such a deviation. However, in this instance the district court declined to deviate from the guidelines, and based on this record we are not persuaded by Mother's argument that the court abused its discretion in its decision.

CONCLUSION

{28} We affirm in part and reverse in part and remand for further proceedings consistent with this opinion. Each party shall bear his or her own costs and attorney fees on appeal.

{29} **IT IS SO ORDERED.**

HARTZ and SUTIN, JJ., concur.

All Citations

128 N.M. 232, 991 P.2d 517, 1999 -NMCA- 131

KeyCite Yellow Flag - Negative Treatment
Declined to Follow by *Berry v. Berry*, Hawai'i, May 11, 2012
195 Cal.App.3d 768, 241 Cal.Rptr. 135, 56 USLW
2307, 1988 Copr.L.Dec. P 26,208, 4 U.S.P.Q.2d 1730

In re the Marriage of SUSAN M. and FREDERICK
L. WORTH. SUSAN M. WORTH, Respondent,
v.
FREDERICK L. WORTH, Appellant

No. A035151.
Court of Appeal, First District, Division 1, California.
Oct 23, 1987.

SUMMARY

The trial court granted a wife's request for an order declaring that she would be entitled to one-half of any proceeds derived from her former husband's pending copyright infringement lawsuit and ordered the husband restrained from disbursing the proceeds of any verdict or settlement until the wife's portion was accounted for. During the marriage, the husband had published several books, including two books on trivia, and in the divorce decree had agreed to divide the royalties from those books equally. Thereafter, the husband had filed a lawsuit in federal court against the producers of a board game, alleging copyright infringement and claiming that certain questions used in the board game were plagiarized from the trivia books. (Superior Court of Alameda County, No. TR544567-9, Gordon S. Baranco, Judge.)

The Court of Appeal affirmed. It held that the copyrights on the trivia books constituted divisible community assets, finding no inconsistency between the federal copyright act (17 U.S.C. § 101 et seq.) and California's community property law so as to invoke the preemption doctrine. Because such assets had not been disposed of under the provisions of the interlocutory decree, the husband and wife remained as co-owners of an undivided interest in the copyrights, such that both parties were entitled to share equally in any of the proceeds directly or indirectly related to the pending federal lawsuit for copyright infringement. (Opinion by Racanelli, P. J., with Elkington, and Newsom, JJ., concurring.)

HEADNOTES

Classified to California Digest of Official Reports

(1a, 1b)

Dissolution of Marriage; Separation § 50.8--Division of Community and Quasi-Community Property--Copyright--Transfer by Operation of Law.

Although, under the federal copyright act (17 U.S.C. § 101 et seq.) a copyright vests initially in the author or authors of the work, it does not mean that the copyright belongs only to the author. If the artistic work is community property, then it must follow that the copyright itself obtains the same status. Thus, the trial court did not err in granting a wife's request for an order declaring that she would be entitled to one-half of any proceeds derived from her former husband's copyright infringement lawsuit against the producers of a board game who had allegedly plagiarized certain information from the husband's books, since the copyrights derived from the literary efforts, time and skill of the husband during the marriage, and as such must be considered community property. Moreover, since § 201(d)(1) of the act provides for the transfer of a copyright by operation of law, the copyright is automatically transferred to both spouses by operation of the California law of community property.

[See **Cal.Jur.3d**, Family Law, § 394 et seq.; **Am.Jur.2d**, Community Property, § 9 et seq.]

(2)

Husband and Wife § 6--Community and Separate Property Distinguished-- Artistic Work Created During Marriage--Partnership Model.

In view of the general proposition that all property acquired during marriage is community property, there seems little doubt that any artistic work created during marriage is community property. The principles of community property law do not require joint or qualitatively equal spousal efforts or contributions in acquiring the property. It is enough that the skill and effort of one spouse expended during the marriage resulted in the creation or acquisition of a property interest. California community property law is based on a partnership model in which each spouse contributes to and shares in the prosperity of the marriage. The community property concept recognizes the important role of each spouse in the success of the community and places husband and wife on an equal footing with respect to property accumulated

during marriage. Each spouse's effort, time and skill are community assets, and any benefit derived therefrom belongs to both.

(3)

Husband and Wife § 6--Community and Separate Property Distinguished-- Copyright--Intangible Property. Although a copyright is an intangible incorporeal right in the nature of a privilege or franchise, it is nevertheless personal property, and the community property doctrine encompasses intangible as well as tangible property. The fact that a copyright is intangible will not affect its community character or the community nature of any tangible benefits directly associated with the copyright.

(4)

Dissolution of Marriage; Separation § 50.8--Division of Community and Quasi-Community Property--Property Subject to Division--Copyright--Present Value.

A copyright has a present value based upon the ascertainable value of the underlying artistic work. A copyright on a literary work produced during marriage is as much a divisible community asset as the underlying artistic creation itself.

(5)

Dissolution of Marriage; Separation § 49--Division of Community and Quasi-Community Property--Jurisdiction--Copyright.

An interlocutory divorce decree providing for equal division of royalties from a husband's literary works created during the marriage and which reserved jurisdiction only to resolve issues regarding the reworking of a book did not deprive the trial court of jurisdiction to divide any proceeds resulting from a subsequent federal copyright infringement lawsuit, since the copyrights were community property. The stipulated judgment divided only the future book royalties and not the intangible copyrights. However, as property interests acquired during the marriage which remained undistributed under the terms of the interlocutory judgment, the husband and wife would hold title to such undivided interests in the copyrights as tenants in common.

(6)

Husband and Wife § 49--Actions--Federal Copyright Act--State Law-- Preemption.

Although California's community property laws provide for an equal interest to both spouses in the community assets, and the federal copyright act (17 U.S.C. § 101 et seq.) vests ownership of a copyright in the author of the work alone, there is no resulting irreconcilable conflict between state and federal law which compels a conclusion that the state law is preempted under the supremacy clause of the federal Constitution (U.S. Const., art. VI, cl. 2). Section 201 of the act (ownership of copyright) expressly provides for co-ownership as well as transfer of all or part of a copyright and provides only that a copyright vests "initially" in the author. Nothing is found in the act which either precludes acquisition of a community property interest by a spouse, or which is otherwise inconsistent with community property laws.

(7)

Copyright and Literary and Artistic Property § 11--Actions--Federal Copyright Act--Preemption--Marital Property.

The language of the federal copyright act, § 301 (17 U.S.C. § 301) (preemption with respect to other laws), reveals an intent by Congress to supersede only state copyright laws. State laws granting or protecting other rights (such as breach of contract, conversion, defamation, etc.) have not been preempted. Rights of ownership and division of marital property are in no way equivalent to rights within the scope of copyright under the act.

COUNSEL

McKeehan, Bernard & Wood, Steven M. Bernard and David James Trapp for Appellant.

Staley, Jobson & Bernal, Nancy L. Garretson and John F. Staley for Respondent.

RACANELLI, P. J.

This appeal presents the novel issue whether the marital community has an interest in a copyright. We conclude that it does, and we affirm the judgment.

Facts

During the marriage, appellant husband wrote and published several books, including two books on trivia: The Complete Unabridged Super Trivia Encyclopedia (1977) and The Complete Super Trivia Encyclopedia, Volume II (1981). In their 1982 divorce decree, husband and wife agreed to divide the royalties from those books equally.

In 1984, husband filed an action in federal court against the producers of the board game, "Trivial Pursuit," alleging copyright infringement claiming that certain questions used in the board game were plagiarized from husband's books. Thereafter, wife sought an order from the superior court declaring that she would be entitled to one-half of any proceeds derived from that lawsuit based upon the terms of the interlocutory decree. The trial court granted wife's request and ordered husband restrained from disbursing the proceeds of any verdict or settlement until wife's portion was accounted for. Husband now appeals.¹ *772

Discussion

I Copyright Law

Preliminarily, we undertake a brief odyssey into the somewhat arcane domain of copyright law. Patent and copyright protection is rooted in our federal Constitution: "The Congress shall have power ... [¶] To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." (U.S. Const., art. I, § 8, cl. 8.)

Congress has implemented its constitutional power through enactment of a copyright statute, most recently rewritten and codified as the Copyright Act of 1976 (17 U.S.C. § 101 et seq.) (Act).² The Act provides broad protection to any creation expressed in tangible form. (§ 102(a).)

The Act grants to a copyright holder exclusive rights over his own work to copy, perform, display, distribute for sale, and prepare derivative works. (§ 106.) Any person who infringes upon the copyright and copies, sells, or creates derivative works without permission is subject to both civil and criminal action. (§§ 501, 506.) The copyright holder may grant a license to others to make use of the copyrighted work (§ 201(d)) customarily in exchange for the copyright holder's right to receive royalties.³

Unlike patents or trademarks, copyright protection is self-executing. No registration or prior approval is needed, and the copyright exists as soon as the work is created. (§§ 102(a), 302(a).) However, registration and an affixed

copyright notice are required before the owner can bring suit for copyright infringement. (§§ 401, 408, 411(a).)

In a suit for copyright infringement, the copyright holder may obtain injunctive relief, impoundment of the infringing materials and damages. (§§ 502(a), 503, 504.) Recoverable damages include the copyright holder's actual damages plus any profits of the infringer not comprising a component of actual damages. (§ 504.) *773

II Copyright as Community Property

([1a]) Husband points out that under the Act a copyright in a protected work "vests initially in the author or authors of the work." (§ 201(a).) Thus, he argues, the copyright belongs only to the author. We disagree.

([2]) Our analysis begins with the general proposition that all property acquired during marriage is community property. (Civ. Code, § 5110.) Thus, there seems little doubt that any artistic work created during the marriage constitutes community property. (See *Lorraine v. Lorraine* (1935) 8 Cal.App.2d 687, 701 [48 P.2d 48] [patent is community property]; *Frankenheimer v. Frankenheimer* (1964) 231 Cal.App.2d 101 [41 Cal.Rptr. 636] [no spousal interest in husband's literary property acquired after divorce]; *Herwig v. United States* (1952) 122 Ct.Cl. 493 [105 F.Supp. 384] [proceeds from sale of film rights to wife's book taxable to each spouse].)

The fact that husband alone authored the trivia books is not determinative. The principles of community property law do not require joint or qualitatively equal spousal efforts or contributions in acquiring the property; it is enough that the skill and effort of one spouse expended during the marriage resulted in the creation or acquisition of a property interest.

"California community property law is based on a partnership model in which each spouse contributes to and shares in the prosperity of the marriage (*In re Marriage of Brigden* (1978) 80 Cal.App.3d 380, 389 [145 Cal.Rptr. 716]). The community property concept recognizes the important role of each spouse in the success of the community and places husband and wife on an equal footing with respect to property accumulated during marriage (*Meyer v. Kinzer and Wife* (1859) 12 Cal. 247, 251). Each spouse's effort, time and skill are community assets (*In re Marriage of Lopez* (1974) 38 Cal.App.3d 93, 105 [113 Cal.Rptr. 58]; *Somps v. Somps* (1967) 250

Cal.App.2d 328, 332 [58 Cal.Rptr. 304]; *Strohm v. Strohm* (1960) 182 Cal.App.2d 53, 62 [5 Cal.Rptr. 884]), and any benefit derived therefrom belongs to both (*Estate of Gold* (1915) 170 Cal. 621, 623 [151 P. 12])." (*In re Marriage of Hillerman* (1980) 109 Cal.App.3d 334, 337-338 [167 Cal.Rptr. 240].)

In the present case, husband conceived, wrote and published the trivia books during the marriage. Thus, the conclusion is inescapable that such literary works constituted community property. Indeed, at the time of the interlocutory decree, husband virtually conceded that the books were community property. Under the terms of the stipulated judgment (drafted by *774 husband's attorney), it is provided in pertinent part: "The parties agree that future royalties from the books ... listed on the Petition, along with all reprints shall be paid equally to Petitioner and Respondent. The parties agree that the literary agent for Respondent shall be joined as a party and that the agent shall pay directly to Petitioner her one-half interest in the royalties. The parties agree that the court shall reserve jurisdiction over any issues that may subsequently arise regarding the distinction between a re-edition or complete reworking of any book which is community property." The reference in the final sentence to "any book which is community property" strongly indicates the parties' understanding and agreement that the listed books, which include the trivia books, were community property.

Moreover, husband's agreement to divide the royalties manifests further acknowledgement that the books were considered to be community property. Under the community property doctrine, rents, issues and profits have the same character as the property source itself. (Civ. Code, §§ 5107, 5108.) In agreeing to wife's entitlement to one-half of the royalties, husband has at least tacitly conceded the community property nature of the books themselves.

([1b]) If the artistic work is community property, then it must follow that the copyright itself obtains the same status. Under copyright legislation, a copyright is automatically acquired upon expression of the work. (§§ 102(a), 302(a).) Here, husband registered the copyrights as well. Since the copyrights derived from the literary efforts, time and skill of husband during the marriage, such copyrights and related tangible benefits must be

considered community property. (See 1 Nimmer on Copyright (1987) § 6.13[B], p. 6-37.)

Moreover, the Act expressly provides for the transfer of a copyright by contract, will "or by operation of law." (§ 201(d)(1).) Consequently, notwithstanding that the copyright "vests *initially*" in the authoring spouse (§ 201(a), italics added), the copyright is automatically transferred to both spouses by operation of the California law of community property.

([3]) Of course, a copyright itself is an intangible interest separate and distinct from the tangible creative work. (§ 202.) Although a copyright is "... an intangible incorporeal right in the nature of a privilege or franchise ..." (*Remick Music Corp. v. Interstate Hotel Co. of Nebraska* (D.Neb. 1944) 58 F.Supp. 523, 542, affd., 157 F.2d 744, cert. den., 329 U.S. 809), it is nevertheless personal property. (*Stuff v. La Budde Feed & Grain Co.* (E.D.Wis. 1941) 42 F.Supp. 493.) And the community property doctrine encompasses *intangible* as well as tangible property. (*In re Marriage of Lopez* (1974) 38 Cal.App.3d 93, 107 [113 Cal.Rptr. 58], disapproved on *775 other grounds in *In re Marriage of Morrison* (1978) 20 Cal.3d 437, 453 [143 Cal.Rptr. 139, 573 P.2d 41] [goodwill of professional practice]; *Golden v. Golden* (1969) 270 Cal.App.2d 401 [75 Cal.Rptr. 735] [same].) The fact that a copyright is intangible will not affect its community character or the community nature of any tangible benefits directly associated with the copyright.

We are, of course, cognizant of those decisions which determined that a law school *education* acquired during the marriage is not a divisible community asset. (See *In re Marriage of Aufmuth* (1979) 89 Cal.App.3d 446, 461 [152 Cal.Rptr. 668], disapproved on another point in *In re Marriage of Lucas* (1980) 27 Cal.3d 808, 815 [166 Cal.Rptr. 853, 614 P.2d 285]; *Todd v. Todd* (1969) 272 Cal.App.2d 786, 791 [78 Cal.Rptr. 131].) In *In re Marriage of Aufmuth*, this court (Div. Four) reasoned that classification of a legal education, represented by a law degree, as a community "asset" would run counter to settled community property principles by requiring division of attributable postdissolution earnings which, by definition, constitute the separate property of the acquiring spouse.⁴ (89 Cal.App.3d at p. 461.)

([4]) We think a copyright is analytically distinguishable. A copyright *has* a present value based upon the

ascertainable value of the underlying artistic work. Its value normally would not depend on the postmarital efforts of the authoring spouse but rather on the tangible benefits directly or indirectly associated with the literary product.

In short, we conclude that a copyright on a literary work produced during the marriage is as much a divisible community asset as the underlying artistic creation itself.

III Agreement To Share Copyright

([5]) Husband next contends that the trial court lacked jurisdiction to divide any proceeds resulting from the federal lawsuit because paragraph 8 of the interlocutory decree, which provided for equal division of the royalties, reserved jurisdiction only to resolve “issues that may subsequently arise regarding the distinction between a re-edition or complete reworking of [a] book” The argument is specious. *776

The preprinted interlocutory judgment form contains a provision expressly reserving jurisdiction “to make such other and further orders as may be necessary to carry out the provisions of this judgment.” The questioned order here was obviously intended to carry out the provisions of paragraph 8 of the interlocutory decree providing for equal division of royalties.

Husband also asserts, however, that the stipulated judgment purported to divide only the *royalties* from the books and not the copyrights as construed below. We cannot agree.

Husband's thesis runs as follows: since a transfer of the literary property does not convey any of the statutory rights attached to the work (§ 202), his agreement to share the royalties did not effect a transfer to wife of an interest in the copyrights, without which she has no colorable claim to share in any proceeds arising from infringement of the statutory right to the exclusive use of the books to prepare derivative works (§ 106).

But the argument construct fails to take into account the community nature of the copyrights. Although the stipulated judgment divided only the future book royalties and not the intangible copyrights, nonetheless, as property interests acquired during the marriage which remained undistributed under the terms of the interlocutory judgment, husband and wife would hold title

to such undivided interests in the copyrights as tenants in common. (See *Henn v. Henn* (1980) 26 Cal.3d 323, 330 [161 Cal.Rptr. 502, 605 P.2d 10].) As a common owner of the copyright, wife would be entitled to share in *all* of the proceeds therefrom, including any settlement or award of damages resulting from the copyright infringement.

IV Federal Preemption

([6]) Finally, husband argues that under the ultimate standard of the supremacy clause (U.S. Const., art. VI, cl. 2), California's community property laws have been effectively preempted by the federal Copyright Act. Since community property laws provide for an equal interest to both spouses in the community assets, and the Copyright Act vests ownership of the copyright in the author of the work alone, husband argues, the resulting irreconcilable conflict between state and federal law compels a conclusion that the state law is preempted. (See 1 Nimmer on Copyright, *op. cit. supra*, § 6.13[A], p. 6-34.) We are not so persuaded.

Husband's principal reliance is placed on *Hisquierdo v. Hisquierdo* (1979) 439 U.S. 572 [59 L.Ed.2d 1, 99 S.Ct. 802], in which the court held that *777 California's community property laws were in fatal conflict with the federal Railroad Retirement Act which vested ownership of railroad retirement benefits exclusively in the railroad employee spouse. (See also *McCarty v. McCarty* (1981) 453 U.S. 210, 224 [69 L.Ed.2d 589, 600-601, 101 S.Ct. 2728] [military retirement pay not subject to state community property laws]; *Free v. Bland* (1962) 369 U.S. 663, 668-669 [8 L.Ed.2d 180, 184-185, 82 S.Ct. 1089] [U.S. Savings Bonds standing in name of husband “or” wife not subject to state community property laws]; *Wissner v. Wissner* (1950) 338 U.S. 655, 658 [94 L.Ed. 424, 428, 70 S.Ct. 398] [National Service Life Insurance policy not subject to state community property laws, and proceeds belong to named beneficiary].)

But *Hisquierdo* and the related cases invoking the preemption doctrine are readily distinguishable. In each of those cases, the ownership of federal benefits was expressly defined by Congress to be the separate property of the designated recipient. In sharp contrast, the Copyright Act expressly provides for co-ownership as well as transfer of all or part of a copyright. (§ 201(a), (d).) Moreover, section 201 of the Act provides only that the copyright “vests *initially* in the author” (*italics added*); and nothing is found in the Act which either precludes

the acquisition of a community property interest by a spouse, or which is otherwise inconsistent with community property law.⁵

([7]) Nor is husband's tandem reliance on the preemptive language of section 301 of the Act well placed.⁶ Section 301 reveals an intent by Congress to supersede only state *copyright* laws. In that regard, a state law will be preempted only if the rights granted under state law are "equivalent to any of the exclusive rights within the general scope of copyright as *778 specified by section 106" (§ 301(a).) State laws granting or protecting other rights (such as breach of contract, conversion, defamation, etc.) have not been preempted. (See *Werlin v. Reader's Digest Ass'n, Inc.* (S.D.N.Y. 1981) 528 F.Supp. 451, 465; 1 Nimmer on Copyright, *op. cit. supra*, § 1.01 [B]; Miller & Davis, Intellectual Property: Patents, Trademarks, and Copyright in a Nutshell (1983) § 27.1, pp. 405-408.) Rights of ownership and division of marital property are in no way equivalent to rights within the scope of copyright under the federal Copyright Act.

Conclusion

In summary, we conclude that the copyrights on the trivia books constituted divisible community assets. We find no inconsistency between the federal Copyright Act and California's community property law so as to invoke the preemption doctrine. Because such assets were not disposed of under the provisions of the interlocutory decree, husband and wife remain as co-owners of an undivided interest in the copyrights. Accordingly, both parties are entitled to share equally in any of the proceeds directly or indirectly related to the pending federal lawsuit for copyright infringement.

The judgment is affirmed. Respondent to recover costs on appeal.

Elkington, J., and Newsom, J., concurred. *779

Footnotes

- 1 During the pendency of this appeal, the federal district court ruled that husband has no claim of copyright infringement; that ruling was affirmed on appeal. (*Worth v. Selchow & Righter Co.* (9th Cir. 1987) 827 F.2d 569.) Husband has since informed this court of his intention to pursue further appeal. In view of the pending status of the federal litigation, we have elected to reach the merits of the present appeal. Of course, should the federal opinion be affirmed without any material modification, the present lawsuit would become moot.
- 2 Unless otherwise indicated, all further section references are to the Copyright Act of 1976, title 17 of the United States Code.
- 3 A royalty is generally defined to mean compensation given to the copyright owner for permission to use the copyrighted work. (Black's Law Dict. (5th ed. 1979) p. 1195.)
- 4 The underlying rationale has been impliedly validated by the Legislature in enacting Civil Code section 4800.3, which provides not for a division of the value of the degree but only for reimbursement to the community for contributions to a spouse's education and training. (See *In re Marriage of Sullivan* (1984) 37 Cal.3d 762 [209 Cal.Rptr. 354, 691 P.2d 1020].)
- 5 Husband suggests that under the patent and copyright clause of the United States Constitution, copyright protection cannot be extended to anyone but the author. We disagree. The term "author," within the constitutional text, may be construed to include the author's spouse under the principles of co-ownership or transferred ownership we have discussed.
- 6 Subdivision (a) of section 301 provides: "On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State."
Subdivision (b) of section 301 provides: "Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to -
"(1) subject matter that does not come within the subject matter of copyright as specified by sections 102 and 103, including works of authorship not fixed in any tangible medium of expression; or
"(2) any cause of action arising from undertakings commenced before January 1, 1978; or

KeyCite Yellow Flag - Negative Treatment
Distinguished by Dagel v. Resident News, LLC, N.D.Tex., June 8, 2012

218 F.3d 432

United States Court of Appeals,
Fifth Circuit.

George G. RODRIGUE, Jr. and
Richard Steiner, Plaintiffs–Appellees,

v.

Veronica Hidalgo RODRIGUE,
Defendant–Appellant.

No. 99–30334.

July 7, 2000.

As Revised Aug. 18, 2000.

Husband who had copyrighted his paintings sued former wife, seeking determination that paintings were not part of community property regime. The United States District Court for the Eastern District of Louisiana, Mary Ann Vial Lemmon, J., 55 F.Supp.2d 534, granted summary judgment for husband, and wife appealed. The Court of Appeals, Wiener, Circuit Judge, held that author-spouse in whom copyright vests maintains exclusive managerial control of copyright but, under Louisiana law, economic benefits of copyrighted work belong to the community while it exists and to former spouses in indivision thereafter.

Reversed and remanded with instructions.

West Headnotes (6)

[1] **Marriage and Cohabitation**

☞ Particular Property

Marriage and Cohabitation

☞ Management and use of property

Author-spouse in whom copyright vests maintains exclusive managerial control of copyright but, under Louisiana law, economic benefits of copyrighted work belong to the community while it exists and to former

spouses in indivision thereafter. 17 U.S.C.A. §§ 106, 201(a); LSA–C.C. arts. 2346, 2351.

6 Cases that cite this headnote

[2] **Property**

☞ Ownership and incidents thereof

Under Louisiana law, full ownership of property comprises three separate sub-bundles: (1) “usus,” the right to use or possess, i.e., hold, occupy, and utilize the property; (2) “abusus,” the right to abuse or alienate, i.e., transfer, lease, and encumber the property, and (3) “fructus,” the right to the fruits, i.e., to receive and enjoy earnings, profits, rents, and revenues produced by or derived from the property.

5 Cases that cite this headnote

[3] **Copyrights and Intellectual Property**

☞ Nature of statutory copyright

Under Louisiana law, copyright is a “movable.” LSA–C.C. art. 475.

2 Cases that cite this headnote

[4] **Marriage and Cohabitation**

☞ Community property

States

☞ Community property laws

Federal copyright law does not preempt Louisiana community property law to extent of denying entitlement of non-author spouse to undivided one-half interest in economic benefits of copyrighted works created by author during existence of community, and of derivatives of such works following its termination; copyright law does not occupy entire “field” and thereby totally eclipse all state marital property law, nor would designating copyrights community property to extent of economic benefit derived therefrom do substantial damage to important federal interests. U.S.C.A. Const. Art. 6, cl. 2; 17 U.S.C.A. § 301; LSA–C.C. arts. 2346, 2351.

5 Cases that cite this headnote

[5] **Marriage and Cohabitation**

☞ Community property

States

☞ Domestic Relations

State family and family-property law must do major damage to clear and substantial federal interests before Supremacy Clause will demand that state law be overridden. U.S.C.A. Const. Art. 6, cl. 2.

Cases that cite this headnote

[6] **Marriage and Cohabitation**

☞ Community property

States

☞ Community property laws

Louisiana's general rule of equal management of community property is pre-empted vis a vis copyrights and by Louisiana Civil Code provision for exclusive management of movables registered or issued in name of one spouse. U.S.C.A. Const. Art. 6, cl. 2; 17 U.S.C.A. § 301; LSA-C.C. arts. 2346, 2351.

5 Cases that cite this headnote

Attorneys and Law Firms

*433 Kyle D. Schonekas (argued), Patrick Shaw McGoey, Schoenekas, Evans & McGoey, New Orleans, LA, Cynthia Carrie LeBourgeois, Lafayette, LA, for Rodrigue, Plaintiff-Appellee.

Dane S. Ciolino (argued), Loyola Law School, New Orleans, LA, for Steiner, Plaintiff-Appellee.

Mark P. Seyler (argued), Robert E. Barkley, Jr., Barkley & Thompson, Cynthia A. Samuel, New Orleans, LA, for Rodrigue, Defendant-Appellant.

Appeal from the United States District Court for the Eastern District of Louisiana.

Before GARWOOD, WIENER and DENNIS, Circuit Judges.

Opinion

WIENER, Circuit Judge:

Our task in this appeal, before us under Federal Rule of Civil Procedure 54(b), is to sort out and reconcile the respective rights and obligations of authors under federal copyright law and their spouses under Louisiana community property law when those two legal regimes intersect. Defendant-Appellant Veronica Hidalgo Rodrigue ("Veronica") asks us to reverse the district court's ruling that, by virtue of copyright law, her ex-husband, Plaintiff-Appellee George Godfrey Rodrigue, Jr. ("George"), holds *all* ownership rights in intellectual property that he created during the parties' marriage, to the exclusion of any rights she might otherwise have in those creations by virtue of community property law. Agreeing with Veronica, we reverse and remand with instructions.

I.

Facts and Proceedings

George and Veronica were married in Louisiana in 1967 and were divorced there in 1993. In the absence of an election by them to have any other marital property regime apply, the Rodrigues' Louisiana marriage effected the "legal regime" of matrimonial property,¹ establishing between them a community of acquets and gains, commonly referred to simply as the community.²

During the marriage, George became a widely acclaimed, highly successful, and very prolific painter. He created numerous paintings both during the existence of the community and after its termination, a number of which depicted a stylized and easily recognizable image of a blue dog. Modeled after the family pet, Tiffany, the first blue dog painting was created in 1984. George obtained certificates of copyright for some but not all of his paintings.

Divorce terminated the community that had existed between Veronica and George throughout their

marriage.³ As a general proposition, the Louisiana Civil Code provides that, on termination of the community, the property formerly belonging to it becomes subject to the provisions governing *434 co-ownership⁴: “Each spouse owns an undivided one-half interest in former community property and its fruits and products”⁵ until partition.⁶

Following the dissolution of his marriage with Veronica, George and co-Plaintiff-Appellee Richard Steiner, George's former business associate, filed this action in federal court seeking a declaration that George is the sole owner of intellectual property rights in all the paintings, particularly the blue dog image. They also sought to enjoin Veronica from (1) seeking a declaration of her co-ownership of those works, (2) making image transfers, and (3) suing for copyright infringement. Veronica filed a counterclaim in an effort to obtain a declaration that she owns an undivided one-half interest in (1) all intellectual property rights (including, but not limited to, the blue dog) generated during the existence of the community and (2) all post-community artworks that are “derivative” of that intellectual property. Veronica also sought an accounting for her half-interest in the proceeds of post-community use of those copyrights and derivatives.

After the parties filed cross-motions for summary judgment, the district court granted George's, grounding its decision in federal copyright preemption of state community property law. Veronica filed a motion for reconsideration which the court did not address, entering instead an order dismissing all of her claims. Veronica filed a second motion for reconsideration which the court granted to the extent that the previous order purported to resolve all claims of all parties. The court certified the preemption issue for immediate appeal pursuant to Rule 54(b) and stayed the remaining issues.

In a scholarly and thorough analysis, the district court concluded that, as a matter of *conflict* preemption, subjecting copyrights on works of the author-spouse to Louisiana community property law would damage federal interests in national uniformity and efficient exchange of copyrights. The court held that, as a result of this conflict, the state marital property law is preempted and cannot appertain. The court also considered 17 U.S.C. § 301, the express preemption provision of the federal Copyright Act of 1976 (“the Copyright Act” or “the Act”)

but concluded that it did not apply because Louisiana's community property law does not purport to provide rights “equivalent” to those specified by the Act. And the court rejected Veronica's “transfer” argument that, even though § 201(a) of the Copyright Act specifies that a copyright “vests initially” in the author at the time of creation of the work, it is transferred to the community by operation of law immediately following such initial vesting.

In concluding that federal law preempts state law in this instance, the district court voiced particular concern about the practicability of copyright co-management by spouses. Still, in describing problems associated with co-management, the court flagged a possible solution: The author-spouse could retain and exercise sole management and control of the copyright without depriving the non author-spouse of the “more tangible benefits.” Instead of so holding, however, the court demurred to Congress to decide whether to adopt that approach.

We are convinced that the district court visualized the correct method for reconciling the apparent conflict, but we disagree about the need for a congressional fix. We therefore adopt the approach considered but rejected by that court, and we reverse.

II.

Analysis

We review the grant of summary judgment *de novo*, applying the same standards *435 as the district court.⁷

George contends that provisions of both the Copyright Act⁸ and the U.S. Constitution⁹ preempt state community property law, preventing his copyrighted artistic works from ever having become property of the community that was created by his marriage to Veronica and thereby exempting his copyrights from division and partition of the community after divorce. Section 201(a) of the Act specifies that a “[c]opyright in a work protected under this title vests initially in the author or authors of the work.” In facial contrast, Louisiana Civil Code article 2338 declares that “property acquired during the existence of the legal regime through the effort, skill, or industry of either spouse” is community property. George

insists that federal law, which specifies that the copyrights in the blue dog and other images “vest [] initially” in him as the “author,” cannot be harmonized with state law, which would hold those self-same copyrights to have been community property and to belong now to the two former spouses in indivision. He argues that, because, under the Supremacy Clause, state law is preempted to the extent that it conflicts with federal law, his copyrights are immune from Louisiana community property law.

[1] We do not disagree with George's general premise; we do disagree, though, with his expansive view of the scope of the conflict between copyright law and community property law, and thus with the extent of the preemptive effect of such conflict. We are satisfied that the conclusion we reach today—that an author-spouse in whom a copyright vests maintains exclusive managerial control of the copyright but that the economic benefits of the copyrighted work belong to the community while it exists and to the former spouses in indivision thereafter—is consistent with both federal copyright law and Louisiana community property law and is reconcilable under both.

We begin by delineating the precise scope of the language of § 201(a)¹⁰ on which George bases his sweeping preemption theory. This subsection pertains only to “copyright,” which, by the Act's own definition at § 106, is a finite bundle of but five fundamental rights, being the exclusive rights of reproduction, adaptation, publication, performance, and display.¹¹ Notably, none of these rights either expressly or implicitly include the exclusive right to enjoy income or any of the other economic benefits produced by or derived from copyrights.

Section 201(a) specifies that the copyright “vests” in the author. Except in its title,¹² this subsection never uses the words “own” or “ownership,” and the Act does not speak of ownership per se or globally, but only in the sense of the five *436 exclusive attributes listed in § 106. “To vest” means to give an immediate, fixed right of present or future enjoyment; to accrue to; to be fixed; to take effect.¹³ “To own” means to have a good legal title; to hold as property; to have a legal or rightful title to; to have; to possess.”¹⁴ When analyzed in the framework of the Act's inclusion of only five express attributes of ownership while omitting, *inter alia*, the attribute of enjoyment of economic benefits, Congress's reference to immediate vesting of the copyright, and not to vesting of ownership,

supports the more limited construction advocated by Veronica. We agree with her insistence that, in and of itself, “vesting” of the copyright and its five (and five only) statutorily delineated attributes in one spouse does not preclude classification of other attributes of ownership of a copyright as community property. Moreover, by its very title, § 201(a) addresses only *initial*—not *permanent*—vesting of the copyright in the author. And, even though the author's copyright arises at the moment of creation of the work,¹⁵ the Act explicitly allows for subsequent vesting in non-authors, either jointly with the author or subsequent to him by virtue of transfer of all or lesser portions of the copyright.¹⁶

True, the copyright “vests initially” in the “author,” and the “author” is the “originator,” the “maker,” the person to whom a work “owes its origin.”¹⁷ We do not question that George is the sole “author” of the copyrights here at issue. Neither do we mean to suggest that Veronica's co-ownership interests arise from co-authorship. We do conclude, though, that the language of § 201(a), providing that a bundle of but five specific rights, those listed in § 106, “vests initially” in the author, does not ineluctably conflict with any provision of Louisiana matrimonial property law that would recognize that Veronica does have an economic interest in George's copyrights.

[2] As a useful framework for understanding the Louisiana Civil Code provisions on which our holding ultimately rests, we begin with general concepts of Louisiana property law. In the Civil Law, the bundle of rights that together constitutes full ownership¹⁸ of property comprises *437 three separate sub-bundles: (1) *usus*—the right to use or possess, i.e., hold, occupy, and utilize the property; (2) *abusus*—the right to abuse or alienate, i.e., transfer, lease, and encumber the property, and (3) *fructus*—the right to the fruits, i.e., to receive and enjoy the earnings, profits, rents, and revenues produced by or derived from the property.¹⁹ In Louisiana, those three facets of ownership may be allocated in various combinations among different persons, with each having less than full ownership.²⁰ For example, the owner of a legal usufruct (“usufructuary”) has the right to use the property burdened with the usufruct (*usus*) and to enjoy the fruits of that property (*fructus*), but does not have the right to alienate the property (*abusus*); that right belongs to the naked owner, albeit subject to the usufruct.²¹

When the property in question is a copyright, allocation of these attributes of ownership within the community property framework, according to the rule we announce today, produces a division similar to usufruct but different in combination: The author-spouse alone holds the elements of *usus* and *abusus*—a combination that comprises the exclusive rights to possess, use, transfer, alienate, and encumber the copyright as he sees fit—free of any management, consent, or participation of the non-author spouse.²² Obviously, § 106's "five fundamental rights" of reproduction, adaptation, publication, performance, and display are includable harmoniously in the conjointment of *usus* and *abusus* in the author-spouse. But the community during its existence (and the former spouses or other successors after its termination) holds the element of *fructus*, i.e., the right to receive and enjoy the economic benefits produced by or derived from the copyright.²³ The exclusive right of the author-spouse to the *abusus* of the copyright, like that of the naked owner of property burdened by a usufruct, is nevertheless subject to the continuing *fructus* rights of the community so long as the copyright remains vested in the author-spouse, unless partition should modify the situation.

With those general Civil Law property concepts in mind, we turn next to the Civil *438 Code's articles on marital property. In broadest form, the Code embodies the concept of "equal management" of property belonging to the community: Each spouse, acting alone, has the right to manage, control, or dispose of community property.²⁴ If this general principle were to be applied across the board to copyrights created by one spouse in community, however, an irreconcilable conflict with the author-spouse's five exclusive § 106 rights of reproduction, adaptation, publication, performance, and display would result. In apparent recognition that such conflicts would likely occur in connection with "movables issued or registered in" the name of one of the spouses,²⁵ the Civil Code specifies, as an exception to equal management, that such spouse alone has exclusive management rights (the combination of *usus* and *abusus*) but preserves for the spouses jointly the right to enjoy the benefits (the *fructus*) of such property. We conclude that copyrights come within the category of exceptional movables contemplated by such provisions.²⁶

Numerous examples of exclusive management of community property and shared enjoyment of those assets exist: A paycheck issued by the employer in the name of the employee-spouse alone can be cashed, deposited, or otherwise negotiated only by that spouse; yet, the proceeds of the paycheck, representing earnings of one spouse in community, belong to the community. Likewise, a motor vehicle purchased with community funds but titled in the name of one spouse alone can be sold, leased, or encumbered only by the named spouse²⁷; yet the proceeds of any such disposition belong to the community. And when, during the existence of the community, one spouse joins an existing partnership or joins in the formation of a new one, the partner-spouse has the exclusive right to participate in the partnership and to manage, alienate, or encumber that interest; yet the economic benefits—and liabilities—flowing from the partnership belong to the community.²⁸

[3] In concluding that copyrights should be treated the same as paychecks, cars, and partnership interests, we rely initially on Louisiana Civil Code article 2351 which proclaims that "[a] spouse has the exclusive right to manage, alienate, encumber, or lease movables issued or registered in his name as provided by law." This right of exclusive management of those kinds of movables is not coterminous with the community but continues as long as the copyright is vested in the author-spouse, even after partition of the property formerly belonging to the community is complete.²⁹ Under Louisiana law a copyright *439 is a "movable,"³⁰ and under federal law a copyright is issued or registered in the name of the author-spouse.³¹ In compatible combination, these two systems of law provide for the author-spouse's *exclusive management* of copyrights created during the existence of the community and thereafter until completion of the partition of the property of the former community, while at the same time ensuring that the non author-spouse is not deprived of his or her right to one-half of the economic benefits of the copyright.

[4] The *economic benefits* that flow from particular types of one-spouse assets, including but not limited to cars, paychecks, partnership interests—and copyrights—can inure to the benefit of the community without doing violence to the legal results intended by the Louisiana Legislature or Congress in providing for vesting of title in one spouse only, results designed with third parties

in mind, not spouses or other co-owners. In the context of these clearly established concepts and principles, we conclude that federal copyright law does not conflict with, and therefore does not preempt, Louisiana community property law to the extent of denying the entitlement of the non-author spouse (Veronica) to an undivided one-half interest in the economic benefits of the copyrighted works created by the author (George) during the existence of the community, and of the derivatives of such works following its termination.

In confirmation of this conclusion, we look first to the express preemption provision in the Act itself. When we do so we reach the same initial conclusion as did the district court, that the Act does not mandate the monolithic preemption of Louisiana community property law *in toto*. Section 301(a) of the Act states that “all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright ... are governed exclusively by this title.” For openers, “the general scope of copyright” is not broad enough to cover the entire body of marital property law; that is, copyright law does not occupy the entire “field” and thereby totally eclipse all state marital property law.³² We do not understand George to quarrel with this basic premise.

Indeed, the Copyright Act, in defining the scope of its own preemptive effect, expressly acknowledges that state law continues to operate unless there is a direct and irreconcilable clash between a state law right and an exclusive right under the Act with which such state law right is equivalent. Section 301(b) expresses that “[n]othing in [§ 301(a) of the Copyright Act] annuls or limits any rights or remedies under the common law or statutes of any State with respect to ... activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106.”³³ To repeat, the only ownership rights that the Act grants exclusively to the author are the rights to (1) reproduce, (2) prepare derivative works, (3) distribute copies, (4) perform, and (5) display the work.³⁴ Among the entire “bundle” of rights comprising full ownership of property generally, the preemptive effect of federal copyright law extends only to this explicitly-enumerated, lesser-included quintet. As those five exclusive rights of the author conflict with Louisiana's general principle of equal management of community property, that principle cannot operate.

Instead *440 Civil Code article 2351's special exception for exclusive management by one spouse applies.

Notably absent from the Copyright Act's exclusive sub-bundle of five rights is the right to enjoy the earnings and profits of the copyright. Nothing in the copyright law purports to prevent non-preempted rights from being enjoyed by the community during its existence or thereafter by the former spouses in community as co-owners of equal, undivided interests.

The § 301 preemption provision of the Copyright Act was intended to accomplish a “fundamental and significant change” in the existing state of the law, under which published works were governed by federal copyright law and unpublished works were governed by the common law of copyright. The new statute substituted a single, uniform system in place of the existing anachronistic and highly complicated dual system. That goal was accomplished in part by specifying a limited preemption which trumps only those common law or state law rights that are *equivalent* to federal copyright,³⁵ such as state laws that purport to grant copyright protection to particular works. We discern nothing in the Act's plain wording or legislative history to indicate that Congress—fully aware of the existence of community property laws in a number of states—had any intention of preempting that entire body of non-federal law as well.³⁶ Our conclusion is buttressed by the explicit clarification in § 301(b)(3), noted above, that the preemptive effect does not extend beyond the subject matter of the Act.

[5] George nevertheless insists in the alternative that, even if § 301 preemption does not apply, “conflict preemption” does because designating copyrights as community property would do substantial damage to important federal interests.³⁷ In this argument, George fails (or refuses) to recognize the jurisprudential corollary that “[s]tate family and family-property law must do ‘major damage’ to ‘clear and substantial’ federal interests before the Supremacy Clause will demand that state law be overridden.”³⁸ He attempts to bolster his conflict preemption argument by demonizing the Louisiana Civil Code doctrine of equal management: If copyrights were to be deemed community property, George contends, both he and Veronica would have the right, acting alone, to control, encumber, or dispose of the copyrights, which in turn would impair federal interests in uniformity and

efficient exchange of rights to ensure predictability,³⁹ and in providing incentives to authors to create.⁴⁰ George argues that (1) copyrights will not be amenable to efficient or predictable exchange if spouses have equal rights to impair or dispose of such rights, possibly in conflicting manners, (2) predictability and uniformity will not be served if varying state laws are applied to copyright management issues, and (3) authors will have less incentive to create if they must share the fruits of their creative works. His reliance on these three arguments is misplaced.

***441 [6]** George's first contention is negated by our ready recognition today that the author-spouse has the exclusive right to manage and control the copyright, i.e., to deal with it in any manner that is not inconsistent with federal copyright law. This conclusion is supported by our acknowledgment that the general rule of equal management is pre-empted *vis à vis* copyrights and by Louisiana Civil Code article 2351's provision for the exclusive management of movables registered or issued in the name of one spouse. As equal management does not apply to copyrights, federal interests in predictability and efficiency are not impaired by it. A potential purchaser or licensee will still be able to obtain good "title" from the author-spouse alone free of interference from the other spouse.⁴¹

George's second contention does not persuade us that allowing differing state laws—in particular, community property laws that differ from state to state among the eight that presently have some version of such marital property regimes⁴²—to apply just to the economic benefit derived from copyrights will somehow damage the federal interests in predictability and uniformity. Indeed, the Act itself subjects copyrights to varying state laws for other purposes. For example, copyrights are expressly transferrable by conveyance,⁴³ and such conventional transfers are governed by individual, *non-uniform* state contract laws; yet no significant obstruction of federal interests has occurred to prompt preemption.⁴⁴ In like manner, copyrights are expressly transferable by testamentary disposition or in intestacy,⁴⁵ either of which is likely to produce co-ownership of undivided interests in the copyright among the author's heirs or legatees. State law governs such death-related transfers and the resulting co-ownerships they produce, and does

so routinely without impairing federal interests.⁴⁶ The litigation and management issues arising from contractual conveyance and post-mortem devolution of copyrights⁴⁷ has not resulted in obstruction of federal interests leading to preemption of state law, and we discern no reason why the community property result we decree today should fare differently.

As for George's third contention—that community entitlement to the "fruits" of copyrights would lessen the author's incentive ***442** to create or exploit his works, thereby conflicting with the federal interest in encouraging authorship—we decline to assume globally that the commercial and economic interests of spouses *during* marriage are so at odds that one spouse would be disinclined to create copyrightable works merely because the economic benefits of his endeavors would inure to the benefit of their community rather than to his separate estate. As for a former spouse's lack of incentive *following* divorce, we perceive the presence of the proverbial stick and carrot. To mix metaphors, the carrot is the half-a-loaf incentive of the author to exploit pre-divorce copyrights to the best of his ability rather than shelve them and receive no benefit whatsoever; the stick is exemplified by the provision of the Louisiana Civil Code that specifies an affirmative duty "to manage prudently" former community property that remains under one spouse's exclusive control.⁴⁸ Indeed, that article imposes a higher duty on a spouse managing *former* community property than the Code otherwise imposes on that same spouse during the marriage⁴⁹ or on a third party co-owner who is not a former spouse.⁵⁰ "The reason for imposing a higher standard of care in managing former community property is that, after termination of the community property regime, the law no longer assumes that a spouse who has former community property under his control will act in the best interest of both spouses in managing it."⁵¹ Although we need not and therefore do not reach the question of specific management duties, we observe that this affirmative duty imposed by Louisiana law refutes George's argument regarding a former spouse's disincentive to exploit fully a copyright simply because the economic benefits are subject to community property laws. We are convinced that the duty imposed by Louisiana is consistent with—not contrary to—the federal interest in encouraging authorship and exploitation of copyrights, just as we are convinced that most if not all authors will continue to exploit their copyrights after

termination of the community rather than cutting off their noses to spite their faces by letting copyrighted works languish.

III.

Conclusion

In the end, we disagree with the district court only to the extent that it held the conflict between Louisiana community property law and federal copyright law irreconcilable absent congressional intercession. We therefore reverse the court's grant of summary judgment declaring George alone to be the owner of the blue dog and other copyrights created during his marriage to Veronica. Accordingly, we remand this case, appealed pursuant to Rule 54(b), for entry of an appropriate ruling regarding Veronica's rights with respect to the copyrights and for consistent disposition of all remaining issues still pending before that court.

Specifically, we instruct the district court to determine on remand which copyrights are subject to the rules of community property law that we announce today, either directly as works created during the existence of the community of acquets and gains or derivatively as works created after the termination of the community but based on pre-divorce works.⁵² Even *443 though the parties briefed the issue of derivative works in the instant appeal, the district court has not yet ruled on it so that issue is not ripe for our consideration and disposition. In holding that George alone is the owner of all copyrights in the artistic works, the district court denied Veronica's cross-motion for a summary judgment declaring her economic interests in the copyrights, including determination of which post-divorce works were derivative of the artwork created during the marriage. That ruling, however, was not certified to be a final judgment ready for appeal under Rule 54(b). As we now hold that Veronica *does* have economic rights with respect to the copyrights at issue, the district court must determine on remand which works are derivative as well.

We further instruct the district court, following such determinations, to enter judgment recognizing Veronica's entitlement to an undivided one-half interest in the net economic benefits generated by or resulting from copyrighted works created by George during the existence of the community and from any derivatives thereof. Such judgment also must recognize George's continued entitlement to the exclusive control and management of the five rights in such intellectual property specified in § 106, albeit subject to any duty that he might ultimately be held to owe Veronica to "manage prudently" all such copyrights and derivatives thereof under his control.⁵³

We acknowledge that it is for the state court that has jurisdiction over judicial partition and settlement of the Rodrigue community to determine both the proper method for establishing the value of Veronica's share of these net economic benefits and the proper procedure for delivery of that share to her, whether that be, for example, by (1) an accounting based on the present value of the appraised fair market value of the fully exploited copyrights and derivatives during their expected lifetimes, (2) periodic accountings and payments to Veronica as the copyrights and derivatives are exploited and proceeds are derived from them, or (3) some other altogether different procedure.⁵⁴ It follows, of course, that Veronica may continue to pursue judicial partition of former community property in that forum.

Finally, in the interest of judicial economy, we reserve to this panel limited appellate jurisdiction over this case with respect to future appeals—if any—from judgments rendered by the district court on remand in implementation of our instructions.

REVERSED and REMANDED WITH INSTRUCTIONS.

All Citations

218 F.3d 432, 2000 Copr.L.Dec. P 28,115, 55 U.S.P.Q.2d 1321

Footnotes

1 La. Civ.Code art. 2334.

2 La. Civ.Code art. 2327.

3 La. Civ.Code art. 2356.

4 La. Civ.Code art. 2369.1.

5 La. Civ.Code art. 2369.2.

6 La. Civ.Code art. 2369.8.

7 *Gardes Directional Drilling v. U.S. Turnkey Exploration Co.*, 98 F.3d 860, 864 (5th Cir.1996).

8 17 U.S.C. § 101 *et seq.*

9 Art. I, § 8, cl. 8 ("The Congress shall have power ... [t]o promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.")

10 17 U.S.C. § 201(a) provides: "Initial Ownership.—Copyright 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."

11 17 U.S.C. § 106; H.R.Rep. No. 94–1476 at 61 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5674.

12 "The title of an act cannot control its words, but may furnish some aid in showing what was in the mind of the legislature." *Holy Trinity Church v. United States*, 143 U.S. 457, 462, 12 S.Ct. 511, 513, 36 L.Ed. 226 (1892). "While the title of an act will not limit the plain meaning of the text, it may be of aid in resolving ambiguity." *Maguire v. Commissioner*, 313 U.S. 1, 9, 61 S.Ct. 789, 794, 85 L.Ed. 1149 (1941) (citations omitted). We perceive no ambiguity here.

13 BLACK'S LAW DICTIONARY 1563 (6th ed.1990). We note in passing that the use of "vest" in statutes commonly has a temporal connotation, indicating the time at which an interest in property accrues to its rightful holder, rather than a substantive denotation of the nature or scope of the ownership of such an interest in property.

14 BLACK'S LAW DICTIONARY 1105 (6th ed.1990).

15 17 U.S.C. § 302(a); 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT, § 5.05(B)(1), at 5–59 (1998) [hereinafter NIMMER ON COPYRIGHT].

16 17 U.S.C. § 201(a), (d); *see Worth v. Worth*, 195 Cal.App.3d 768, 777, 241 Cal.Rptr. 135 (1987) (noting that Act "provides only that the copyright 'vests initially in the author'; and nothing is found in the Act which either precludes the acquisition of a community property interest by a spouse, or which is otherwise inconsistent with community property law").

17 *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 737, 109 S.Ct. 2166, 104 L.Ed.2d 811 (1989) ("As a general rule, the author is the party who actually creates the work, that is, the person who translates an idea into a fixed, tangible expression entitled to copyright protection."); *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 57–58, 4 S.Ct. 279, 28 L.Ed. 349 (1884) ("An author in that sense is 'he to whom anything owes its origin; originator; maker; one who completes a work of science or literature.'").

18 Both the terms "full ownership" and "perfect ownership" appear in the Civil Code articles and in Louisiana case law (at least one case also uses the term "complete ownership") and are used roughly interchangeably. We use the term "full ownership" here to connote ownership of all three sub-bundles that together constitute the bundle of all ownership rights in property. *See* La. Civ.Code 477 (providing that the "owner" of a thing may use, enjoy, and dispose of it); Andrew L. Gates III, *Partition of Land and Mineral Rights*, 43 LA. L.REV. 1119, 1129 (1983) ("[P]erfect, or full, ownership consists of the right to use, the right to enjoy, and the right to dispose of the property."); *see also* La. Civ.Code art. 478 cmt. b ("Under this revision ownership is no longer distinguished into perfect and imperfect ownership.").

19 *See Giroir v. Dumesnil*, 248 La. 1037, 184 So.2d 1, 6 (1966).

20 *Campbell v. Pasternack Holding Co.*, 625 So.2d 477, 480–81 (La.1993).

21 *Id.* at 484 n. 13; *In re Stein*, 508 So.2d 1377, 1380 (La.1987); *see also* La. Civ.Code arts. 538, 539.

22 We leave for another day the question whether the author-spouse, in exercising his exclusive rights to exploit and alienate the copyright both during the existence of the community and after its dissolution, has some agency or fiduciary-like duty to the non-author spouse, such as the duty to act in good faith and not in a manner contrary to her interests, akin to the obligation of a usufructuary to serve as a "prudent administrator" of the usufruct and to "faithfully fulfill" his obligations toward the naked owner, *see, e.g.*, La. Civ.Code art. 571, or to the duty of a mineral lessee to act as a "reasonably prudent administrator," even though not a fiduciary to his lessor. *See, e.g.*, La.Rev.Stat. § 31:122.

For reasons that are not apparent to us, neither party has invited us to consider Civil Code article 2369.3, which imposes an affirmative duty on a spouse "to preserve and to manage prudently former community property under his control" and makes him "answerable for any damage caused by his fault, default, or neglect." As we do not reach this issue, we merely flag this Civil Code article and note its congruity with the exclusive management approach to copyrights under community property law that we adopt today. *See also* KATHERINE SHAW SPAHT & LEE HARGRAVE, LOUISIANA CIVIL LAW TREATISE, MATRIMONIAL ESTATES § 7.20, at 436–37 (1997) (comparing former spouse's duty under § 2369.3 to usufructuary's duty as "prudent administrator").

- 23 See La. Civ.Code art. 551 (defining kinds of fruits: "Civil fruits are revenues derived from a thing by operation of law or by reason of a juridical act, such as rentals, interest, and certain corporate distributions."); La. Civ.Code art. 2339 ("The natural and civil fruits of the separate property of a spouse ... are community property...."). Note that, because the author enjoys the attribute of *fructus* jointly with the non-author spouse, the author does not acquire a full ownership of the copyright through the civilian doctrine of confusion. See La. Civ.Code art. 622.
- 24 La. Civ.Code art. 2346.
- 25 La. Civ.Code art. 2351.
- 26 We are cognizant of (and do not necessarily disapprove) the "transfer" approach of the California court in *Worth*, holding that, under § 201(a), the copyright "vests initially" in the author-spouse at the time of creation, and thereafter, according to § 201(d), is automatically transferred "by operation of [state community property] law," to the matrimonial community. *Worth v. Worth*, 195 Cal.App.3d 768, 774, 241 Cal.Rptr. 135 (1987). Our approach is consistent yet analytically distinct; the author-spouse alone (at the time of creation and at all times thereafter, absent voluntary transfer of the copyright) is vested with the § 106 five exclusive "fundamental rights"; those rights are never automatically transferred to the community. The *fruits* of the copyright, nevertheless, are community property at the "very instant" they are acquired. See *Beatty v. Vining*, 147 So.2d 37, 43 (La.App.1962).
- 27 See La. Civ.Code art. 2351.
- 28 La. Civ.Code art. 2352.
- 29 La. Civ.Code art. 2369.5 & cmt. a (creating exception to Civ.Code art. 2369.4). Civil Code article 2369.4 replaces the general rule of equal management that exists during the existence of the community with the rule that, on divorce, each spouse must obtain concurrence of the other to alienate, encumber, or lease former community property. But according to Civil Code article 2369.5, such concurrence is *not* required for community property managed *exclusively* by one spouse, even after divorce. This single-spouse management would continue after partition for as long as the copyright remains vested in the author-spouse, unless the situation is modified by the partition.
- 30 See La. Civ.Code art. 475 ("All things corporeal or incorporeal, that the law does not consider as immovables [e.g., tracts of land and their component parts, La. Civ.Code art. 462] are movables.").
- 31 17 U.S.C. § 201(a).
- 32 Compare this with ERISA's total preemption of the field of retirement or health benefits in the private sector. See, e.g., *Boggs v. Boggs*, 520 U.S. 833, 117 S.Ct. 1754, 138 L.Ed.2d 45 (1997).
- 33 17 U.S.C. § 301(b)(3).
- 34 17 U.S.C. § 106.
- 35 H.R.Rep. No. 94-1476 at 130-31 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5746-47; see also NIMMER ON COPYRIGHT § 1.01(B)(1), at 1-11 (citing same and clarifying meaning of "equivalent" rights).
- 36 See *Brown v. Ames*, 201 F.3d 654, 661 (5th Cir.2000) (noting that case for federal preemption is particularly weak when Congress is aware of operation of state law and nevertheless stands by both concepts and tolerates whatever tension might exist between them).
- 37 *Gade v. National Solid Wastes Management Assoc.*, 505 U.S. 88, 98, 112 S.Ct. 2374, 120 L.Ed.2d 73 (1992); *Hines v. Davidowitz*, 312 U.S. 52, 67, 61 S.Ct. 399, 85 L.Ed. 581 (1941) (state law is preempted if it "stands as an obstacle to the accomplishment of the full purposes and objectives of Congress").
- 38 *Hisquierdo v. Hisquierdo*, 439 U.S. 572, 581, 99 S.Ct. 802, 59 L.Ed.2d 1 (1979) (citing *United States v. Yazell*, 382 U.S. 341, 352, 86 S.Ct. 500, 15 L.Ed.2d 404 (1966)).
- 39 See *Brown*, 201 F.3d at 660 (citing legislative history).
- 40 See *Goldstein v. California*, 412 U.S. 546, 555, 93 S.Ct. 2303, 37 L.Ed.2d 163 (1973).
- 41 NIMMER ON COPYRIGHT § 6A.04, at 6A-26 to -27 (noting that solution for this "worst disorder" of "co-owner" spouses issuing rival grants of title to the copyrighted work would be to place sole management and control in author-spouse).
- 42 See David Nimmer, *Copyright Ownership by the Marital Community: Evaluating Worth*, 26 UCLA L. REV. 383, 384 n. 4 (1988) (listing eight states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, and Washington) [hereinafter Nimmer, UCLA L. REV.].
- 43 17 U.S.C. § 201(d)(1).
- 44 H.R.Rep. No. 94-1476, at 132 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5748 ("Nothing in this bill derogates from the rights of parties to contract with each other and to sue for breaches of contracts....").
- 45 17 U.S.C. § 201(d)(1).

- 46 See Nimmer, 26 UCLA L. REV., at 386–87 n. 13 (noting that proposition that inheritance of copyrights is governed by state laws is “too obvious to have spawned litigation”).
- 47 In addition to permitting these two means of copyright transfer, the Act defines “transfer of copyright ownership” to include “assignment, mortgage, exclusive license, or any other conveyance, alienation, or hypothecation of a copyright.” 17 U.S.C. § 101. Even though the Act explicitly prohibits involuntary transfers by any governmental body or other official or organization, 17 U.S.C. § 201(e), it specifies that “[t]raditional legal actions that may involve transfer of ownership, such as bankruptcy proceedings and mortgage foreclosures, are not within the scope of [the involuntary transfer] subsection.” H.R.Rep. No. 94–1476, at 124 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5739. These other types of transfer, like contractual conveyance and inheritance, are subject to varying state laws, yet Congress has not perceived any inherent obstruction of federal interests in such additional modes of alienation, and neither do we.
- 48 See *supra* n. 22 (citing La. Civ.Code art. 2369.3).
- 49 La. Civ.Code art. 2354 (liable for “fraud or bad faith”).
- 50 La. Civ.Code art. 799 (liable for damage “caused by his fault”); see La. Civ.Code art. 2369.3 cmt. a.
- 51 La. Civ.Code art. 2369.3 cmt. a; see Katherine Shaw Spaht, *Co-Ownership of Former Community Property: A Primer on the New Law*, 56 LA. L.REV. 677, 699 (1996).
- 52 See 17 U.S.C. § 101 (defining “derivative work”), § 103(a) (providing that subject matter of copyright includes derivative works).
- 53 La. Civ.Code art. 2369.3. *Cf. supra* n.22.
- 54 The court is required to apply the detailed rules in La.Rev.Stat. § 9:2801(4) in partitioning assets and liabilities formerly belonging to the community to ensure that each spouse receives property of equal net value.

End of Document

© 2017 Thomson Reuters. No claim to original U.S. Government Works.

Part II:

Recapture of Copyrights

- 17 U.S.C. § 203
- 17 U.S.C. § 304(c)
- 17 U.S.C. § 304(d)
- 37 C.F.R. § 201.10
- *Brumley v. Albert E. Brumley & Sons, Inc.*, 822 F.3d 926 (6th Cir. 2016)
- Compendium: Chapter 2300, available here:
<https://www.copyright.gov/comp3/chap2300/ch2300-recording.pdf>

clause of the subsection, under which the privilege of republishing the contribution under certain limited circumstances would be presumed, is an essential counterpart of the basic presumption. Under the language of this clause a publishing company could reprint a contribution from one issue in a later issue of its magazine, and could reprint an article from a 1980 edition of an encyclopedia in a 1990 revision of it; the publisher could not revise the contribution itself or include it in a new anthology or an entirely different magazine or other collective work.

Transfer of Ownership. The principle of unlimited alienability of copyright is stated in clause (1) of section 201(d). Under that provision the ownership of a copyright, or of any part of it, may be transferred by any means of conveyance or by operation of law, and is to be treated as personal property upon the death of the owner. The term "transfer of copyright ownership" is defined in section 101 to cover any "conveyance, alienation, or hypothecation," including assignments, mortgages, and exclusive licenses, but not including nonexclusive licenses. Representatives of motion picture producers have argued that foreclosures of copyright mortgages should not be left to varying State laws, and that the statute should establish a Federal foreclosure system. However, the benefits of such a system would be of very limited application, and would not justify the complicated statutory and procedural requirements that would have to be established.

Clause (2) of subsection (d) contains the first explicit statutory recognition of the principle of divisibility of copyright in our law. This provision, which has long been sought by authors and their representatives, and which has attracted wide support from other groups, means that any of the exclusive rights that go to make up a copyright, including those enumerated in section 106 and any subdivision of them, can be transferred and owned separately. The definition of "transfer of copyright ownership" in section 101 makes clear that the principle of divisibility applies whether or not the transfer is "limited in time or place of effect," and another definition in the same section provides that the term "copyright owner," with respect to any one exclusive right, refers to the owner of that particular right. The last sentence of section 201(d)(2) adds that the owner, with respect to the particular exclusive right he or she owns, is entitled "to all of the protection and remedies accorded to the copyright owner by this title." It is thus clear, for example, that a local broadcasting station holding an exclusive license to transmit a particular work within a particular geographic area and for a particular period of time, could sue, in its own name as copyright owner, someone who infringed that particular exclusive right.

Subsection (e) provides that when an individual author's ownership of a copyright, or of any of the exclusive rights under a copyright, have not previously been voluntarily transferred, 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.

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. It is the intent of the subsection that the author be entitled, despite any purported expropriation or involuntary transfer, to continue exercising all rights under the United States statute, and that the governmental body or organization may not enforce or exercise any rights under this title in that situation.

It may sometimes be difficult to ascertain whether a transfer of copyright is voluntary or is coerced by covert pressure. But subsection (e) would protect foreign authors against laws and decrees purporting to divest them of their rights under the United States copyright statute, and would protect authors within the foreign country who choose to resist such covert pressures.

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.

AMENDMENTS

1978—Subsec. (e). Pub. L. 95-598 inserted ", except as provided under title 11".

EFFECTIVE DATE OF 1978 AMENDMENT

Amendment effective Oct. 1, 1979, see section 402(a) of Pub. L. 95-598 set out as an Effective Date note preceding section 101 of Title 11, Bankruptcy.

§ 202. Ownership of copyright as distinct from ownership of material object

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, including the copy or phonorecord in which the work is first fixed, does not of itself convey any rights in the copyrighted work embodied in the object; nor, in the absence of an agreement, does transfer of ownership of a copyright or of any exclusive rights under a copyright convey property rights in any material object.

(Pub. L. 94-553, title I, § 101, Oct. 19, 1976, 90 Stat. 2568.)

HISTORICAL AND REVISION NOTES

HOUSE REPORT NO. 94-1476

The principle restated in section 202 is a fundamental and important one: that copyright ownership and ownership of a material object in which the copyrighted work is embodied are entirely separate things. Thus, transfer of a material object does not of itself carry any rights under the copyright, and this includes transfer of the copy or phonorecord—the original manuscript, the photographic negative, the unique painting or statue, the master tape recording, etc.—in which the work was first fixed. Conversely, transfer of a copyright does not necessarily require the conveyance of any material object.

As a result of the interaction of this section and the provisions of section 204(a) and 301, the bill would change a common law doctrine exemplified by the decision in *Pushman v. New York Graphic Society, Inc.*, 287 N.Y. 302, 39 N.E.2d 249 (1942). Under that doctrine, authors or artists are generally presumed to transfer common law literary property rights when they sell their manuscript or work of art, unless those rights are specifically reserved. This presumption would be reversed under the bill, since a specific written conveyance of rights would be required in order for a sale of any material object to carry with it a transfer of copyright.

§ 203. Termination of transfers and licenses granted by the author

(a) **CONDITIONS FOR TERMINATION.**—In the case of any work other than a work made for hire, the exclusive or nonexclusive grant of a transfer or license of copyright or of any right under a copyright, executed by the author on or after January 1, 1978, otherwise than by will, is subject to termination under the following conditions:

(1) In the case of a grant executed by one author, termination of the grant may be effected

by that author or, if the author is dead, by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's termination interest. In the case of a grant executed by two or more authors of a joint work, termination of the grant may be effected by a majority of the authors who executed it; if any of such authors is dead, the termination interest of any such author may be exercised as a unit by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's interest.

(2) Where an author is dead, his or her termination interest is owned, and may be exercised, as follows:

(A) The widow or widower owns the author's entire termination interest unless there are any surviving children or grandchildren of the author, in which case the widow or widower owns one-half of the author's interest.

(B) The author's surviving children, and the surviving children of any dead child of the author, own the author's entire termination interest unless there is a widow or widower, in which case the ownership of one-half of the author's interest is divided among them.

(C) The rights of the author's children and grandchildren are in all cases divided among them and exercised on a per stirpes basis according to the number of such author's children represented; the share of the children of a dead child in a termination interest can be exercised only by the action of a majority of them.

(D) In the event that the author's widow or widower, children, and grandchildren are not living, the author's executor, administrator, personal representative, or trustee shall own the author's entire termination interest.

(3) Termination of the grant may be effected at any time during a period of five years beginning at the end of thirty-five years from the date of execution of the grant; or, if the grant covers the right of publication of the work, the period begins at the end of thirty-five years from the date of publication of the work under the grant or at the end of forty years from the date of execution of the grant, whichever term ends earlier.

(4) The termination shall be effected by serving an advance notice in writing, signed by the number and proportion of owners of termination interests required under clauses (1) and (2) of this subsection, or by their duly authorized agents, upon the grantee or the grantee's successor in title.

(A) The notice shall state the effective date of the termination, which shall fall within the five-year period specified by clause (3) of this subsection, and the notice shall be served not less than two or more than ten years before that date. A copy of the notice shall be recorded in the Copyright Office before the effective date of termination, as a condition to its taking effect.

(B) The notice shall comply, in form, content, and manner of service, with require-

ments that the Register of Copyrights shall prescribe by regulation.

(5) Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.

(b) EFFECT OF TERMINATION.—Upon the effective date of termination, all rights under this title that were covered by the terminated grants revert to the author, authors, and other persons owning termination interests under clauses (1) and (2) of subsection (a), including those owners who did not join in signing the notice of termination under clause (4) of subsection (a), but with the following limitations:

(1) A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.

(2) The future rights that will revert upon termination of the grant become vested on the date the notice of termination has been served as provided by clause (4) of subsection (a). The rights vest in the author, authors, and other persons named in, and in the proportionate shares provided by, clauses (1) and (2) of subsection (a).

(3) Subject to the provisions of clause (4) of this subsection, a further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is signed by the same number and proportion of the owners, in whom the right has vested under clause (2) of this subsection, as are required to terminate the grant under clauses (1) and (2) of subsection (a). Such further grant or agreement is effective with respect to all of the persons in whom the right it covers has vested under clause (2) of this subsection, including those who did not join in signing it. If any person dies after rights under a terminated grant have vested in him or her, that person's legal representatives, legatees, or heirs at law represent him or her for purposes of this clause.

(4) A further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is made after the effective date of the termination. As an exception, however, an agreement for such a further grant may be made between the persons provided by clause (3) of this subsection and the original grantee or such grantee's successor in title, after the notice of termination has been served as provided by clause (4) of subsection (a).

(5) Termination of a grant under this section affects only those rights covered by the grants that arise under this title, and in no way affects rights arising under any other Federal, State, or foreign laws.

(6) Unless and until termination is effected under this section, the grant, if it does not provide otherwise, continues in effect for the term of copyright provided by this title.

(Pub. L. 94-553, title I, §101, Oct. 19, 1976, 90 Stat. 2569; Pub. L. 105-298, title I, §103, Oct. 27, 1998,

AMENDMENTS

2010—Subsec. (b). Pub. L. 111-295 substituted “any musical work, dramatic work, or literary work” for “the musical work”.

1998—Subsec. (a). Pub. L. 105-298 substituted “December 31, 2047” for “December 31, 2027” in second sentence.

1997—Pub. L. 105-80 designated existing provisions as subsec. (a) and added subsec. (b).

§ 304. Duration of copyright: Subsisting copyrights

(a) COPYRIGHTS IN THEIR FIRST TERM ON JANUARY 1, 1978.—(1)(A) Any copyright, the first term of which is subsisting on January 1, 1978, shall endure for 28 years from the date it was originally secured.

(B) In the case of—

(i) any posthumous work or of any periodical, cyclopedic, or other composite work upon which the copyright was originally secured by the proprietor thereof, or

(ii) any work copyrighted by a corporate body (otherwise than as assignee or licensee of the individual author) or by an employer for whom such work is made for hire,

the proprietor of such copyright shall be entitled to a renewal and extension of the copyright in such work for the further term of 67 years.

(C) In the case of any other copyrighted work, including a contribution by an individual author to a periodical or to a cyclopedic or other composite work—

(i) the author of such work, if the author is still living,

(ii) the widow, widower, or children of the author, if the author is not living,

(iii) the author's executors, if such author, widow, widower, or children are not living, or

(iv) the author's next of kin, in the absence of a will of the author,

shall be entitled to a renewal and extension of the copyright in such work for a further term of 67 years.

(2)(A) At the expiration of the original term of copyright in a work specified in paragraph (1)(B) of this subsection, the copyright shall endure for a renewed and extended further term of 67 years, which—

(i) if an application to register a claim to such further term has been made to the Copyright Office within 1 year before the expiration of the original term of copyright, and the claim is registered, shall vest, upon the beginning of such further term, in the proprietor of the copyright who is entitled to claim the renewal of copyright at the time the application is made; or

(ii) if no such application is made or the claim pursuant to such application is not registered, shall vest, upon the beginning of such further term, in the person or entity that was the proprietor of the copyright as of the last day of the original term of copyright.

(B) At the expiration of the original term of copyright in a work specified in paragraph (1)(C) of this subsection, the copyright shall endure for a renewed and extended further term of 67 years, which—

(i) if an application to register a claim to such further term has been made to the Copy-

right Office within 1 year before the expiration of the original term of copyright, and the claim is registered, shall vest, upon the beginning of such further term, in any person who is entitled under paragraph (1)(C) to the renewal and extension of the copyright at the time the application is made; or

(ii) if no such application is made or the claim pursuant to such application is not registered, shall vest, upon the beginning of such further term, in any person entitled under paragraph (1)(C), as of the last day of the original term of copyright, to the renewal and extension of the copyright.

(3)(A) An application to register a claim to the renewed and extended term of copyright in a work may be made to the Copyright Office—

(i) within 1 year before the expiration of the original term of copyright by any person entitled under paragraph (1)(B) or (C) to such further term of 67 years; and

(ii) at any time during the renewed and extended term by any person in whom such further term vested, under paragraph (2)(A) or (B), or by any successor or assign of such person, if the application is made in the name of such person.

(B) Such an application is not a condition of the renewal and extension of the copyright in a work for a further term of 67 years.

(4)(A) If an application to register a claim to the renewed and extended term of copyright in a work is not made within 1 year before the expiration of the original term of copyright in a work, or if the claim pursuant to such application is not registered, then a derivative work prepared under authority of a grant of a transfer or license of the copyright that is made before the expiration of the original term of copyright may continue to be used under the terms of the grant during the renewed and extended term of copyright without infringing the copyright, except that such use does not extend to the preparation during such renewed and extended term of other derivative works based upon the copyrighted work covered by such grant.

(B) If an application to register a claim to the renewed and extended term of copyright in a work is made within 1 year before its expiration, and the claim is registered, the certificate of such registration shall constitute prima facie evidence as to the validity of the copyright during its renewed and extended term and of the facts stated in the certificate. The evidentiary weight to be accorded the certificates of a registration of a renewed and extended term of copyright made after the end of that 1-year period shall be within the discretion of the court.

(b) COPYRIGHTS IN THEIR RENEWAL TERM AT THE TIME OF THE EFFECTIVE DATE OF THE SONNY BONO COPYRIGHT TERM EXTENSION ACT.—Any copyright still in its renewal term at the time that the Sonny Bono Copyright Term Extension Act becomes effective shall have a copyright term of 95 years from the date copyright was originally secured.

(c) TERMINATION OF TRANSFERS AND LICENSES COVERING EXTENDED RENEWAL TERM.—In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, other

than a copyright in a work made for hire, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by any of the persons designated by subsection (a)(1)(C) of this section, otherwise than by will, is subject to termination under the following conditions:

(1) In the case of a grant executed by a person or persons other than the author, termination of the grant may be effected by the surviving person or persons who executed it. In the case of a grant executed by one or more of the authors of the work, termination of the grant may be effected, to the extent of a particular author's share in the ownership of the renewal copyright, by the author who executed it or, if such author is dead, by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's termination interest.

(2) Where an author is dead, his or her termination interest is owned, and may be exercised, as follows:

(A) The widow or widower owns the author's entire termination interest unless there are any surviving children or grandchildren of the author, in which case the widow or widower owns one-half of the author's interest.

(B) The author's surviving children, and the surviving children of any dead child of the author, own the author's entire termination interest unless there is a widow or widower, in which case the ownership of one-half of the author's interest is divided among them.

(C) The rights of the author's children and grandchildren are in all cases divided among them and exercised on a per stirpes basis according to the number of such author's children represented; the share of the children of a dead child in a termination interest can be exercised only by the action of a majority of them.

(D) In the event that the author's widow or widower, children, and grandchildren are not living, the author's executor, administrator, personal representative, or trustee shall own the author's entire termination interest.

(3) Termination of the grant may be effected at any time during a period of five years beginning at the end of fifty-six years from the date copyright was originally secured, or beginning on January 1, 1978, whichever is later.

(4) The termination shall be effected by serving an advance notice in writing upon the grantee or the grantee's successor in title. In the case of a grant executed by a person or persons other than the author, the notice shall be signed by all of those entitled to terminate the grant under clause (1) of this subsection, or by their duly authorized agents. In the case of a grant executed by one or more of the authors of the work, the notice as to any one author's share shall be signed by that author or his or her duly authorized agent or, if that author is dead, by the number and proportion of the owners of his or her termination interest required under clauses (1) and (2) of this subsection, or by their duly authorized agents.

(A) The notice shall state the effective date of the termination, which shall fall within the five-year period specified by clause (3) of this subsection, or, in the case of a termination under subsection (d), within the five-year period specified by subsection (d)(2), and the notice shall be served not less than two or more than ten years before that date. A copy of the notice shall be recorded in the Copyright Office before the effective date of termination, as a condition to its taking effect.

(B) The notice shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation.

(5) Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.

(6) In the case of a grant executed by a person or persons other than the author, all rights under this title that were covered by the terminated grant revert, upon the effective date of termination, to all of those entitled to terminate the grant under clause (1) of this subsection. In the case of a grant executed by one or more of the authors of the work, all of a particular author's rights under this title that were covered by the terminated grant revert, upon the effective date of termination, to that author or, if that author is dead, to the persons owning his or her termination interest under clause (2) of this subsection, including those owners who did not join in signing the notice of termination under clause (4) of this subsection. In all cases the reversion of rights is subject to the following limitations:

(A) A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.

(B) The future rights that will revert upon termination of the grant become vested on the date the notice of termination has been served as provided by clause (4) of this subsection.

(C) Where the author's rights revert to two or more persons under clause (2) of this subsection, they shall vest in those persons in the proportionate shares provided by that clause. In such a case, and subject to the provisions of subclause (D) of this clause, a further grant, or agreement to make a further grant, of a particular author's share with respect to any right covered by a terminated grant is valid only if it is signed by the same number and proportion of the owners, in whom the right has vested under this clause, as are required to terminate the grant under clause (2) of this subsection. Such further grant or agreement is effective with respect to all of the persons in whom the right it covers has vested under this subclause, including those who did not join in signing it. If any person dies after rights under a terminated grant have vested in him

or her, that person's legal representatives, legatees, or heirs at law represent him or her for purposes of this subclause.

(D) A further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is made after the effective date of the termination. As an exception, however, an agreement for such a further grant may be made between the author or any of the persons provided by the first sentence of clause (6) of this subsection, or between the persons provided by subclause (C) of this clause, and the original grantee or such grantee's successor in title, after the notice of termination has been served as provided by clause (4) of this subsection.

(E) Termination of a grant under this subsection affects only those rights covered by the grant that arise under this title, and in no way affects rights arising under any other Federal, State, or foreign laws.

(F) Unless and until termination is effected under this subsection, the grant, if it does not provide otherwise, continues in effect for the remainder of the extended renewal term.

(d) **TERMINATION RIGHTS PROVIDED IN SUBSECTION (c) WHICH HAVE EXPIRED ON OR BEFORE THE EFFECTIVE DATE OF THE SONNY BONO COPYRIGHT TERM EXTENSION ACT.**—In the case of any copyright other than a work made for hire, subsisting in its renewal term on the effective date of the Sonny Bono Copyright Term Extension Act for which the termination right provided in subsection (c) has expired by such date, where the author or owner of the termination right has not previously exercised such termination right, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by any of the persons designated in subsection (a)(1)(C) of this section, other than by will, is subject to termination under the following conditions:

(1) The conditions specified in subsections (c)(1), (2), (4), (5), and (6) of this section apply to terminations of the last 20 years of copyright term as provided by the amendments made by the Sonny Bono Copyright Term Extension Act.

(2) Termination of the grant may be effected at any time during a period of 5 years beginning at the end of 75 years from the date copyright was originally secured.

(Pub. L. 94-553, title I, § 101, Oct. 19, 1976, 90 Stat. 2573; Pub. L. 102-307, title I, § 102(a), (d), June 26, 1992, 106 Stat. 264, 266; Pub. L. 105-80, § 12(a)(9), Nov. 13, 1997, 111 Stat. 1535; Pub. L. 105-298, title I, §§ 102(d)(1), 103, Oct. 27, 1998, 112 Stat. 2827, 2829; Pub. L. 107-273, div. C, title III, § 13210(10), Nov. 2, 2002, 116 Stat. 1910.)

HISTORICAL AND REVISION NOTES

HOUSE REPORT NO. 94-1476

The arguments in favor of lengthening the duration of copyright apply to subsisting as well as future copyrights. The bill's basic approach is to increase the present 56-year term to 75 years in the case of copyrights subsisting in both their first and their renewal terms.

Copyrights in Their First Term. Subsection (a) of section 304 reenacts and preserves the renewal provision, now in Section 24 of the statute [section 24 of former title 17], for all of the works presently in their first 28-year term. A great many of the present expectancies in these cases are the subject of existing contracts, and it would be unfair and immensely confusing to cut off or alter these interests. Renewal registration will be required during the 28th year of the copyright but the length of the renewal term will be increased from 28 to 47 years.

Although the bill preserves the language of the present renewal provision without any change in substance, the Committee intends that the reference to a "posthumous work" in this section has the meaning given to it in *Bartok v. Boosey & Hawkes, Inc.*, 523 F.2d 941 (2d Cir. 1975)—one as to which no copyright assignment or other contract for exploitation of the work has occurred during an author's lifetime, rather than one which is simply first published after the author's death.

Copyrights in Their Renewal Term. Renewed copyrights that are subsisting in their second term at any time during the period between December 31, 1976, and December 31, 1977, inclusive, would be extended under section 304(b) to run for a total of 75 years. This provision would add another 19 years to the duration of any renewed copyright whose second term started during the 28 years immediately preceding the effective date of the act (January 1, 1978). In addition, it would extend by varying lesser amounts the duration of renewal copyrights already extended under Public Laws 87-668, 89-142, 90-141, 90-416, 91-147, 91-555, 92-170, 92-566, and 93-573, all of which would otherwise expire on December 31, 1976. The subsection would also extend the duration of renewal copyrights whose second 28-year term is scheduled to expire during 1977. In none of these cases, however, would the total terms of copyright for the work be longer than 75 years.

Subsection (b) also covers the special situation of a subsisting first-term copyright that becomes eligible for renewal registration during the year before the act comes into effect. If a renewal registration is not made before the effective date [Jan. 1, 1978], the case is governed by the provisions of section 304(a) [subsec. (a) of this section]. If a renewal registration is made during the year before the new law takes effect, however, the copyright would be treated as if it were already subsisting in its second term and would be extended to the full period of 75 years without the need for further renewal.

Termination of Grants Covering Extended Term. An issue underlying the 19-year extension of renewal terms under both subsections (a) and (b) of section 304 [subsecs. (a) and (b) of this section] is whether, in a case where their rights have already been transferred, the author or the dependents of the author should be given a chance to benefit from the extended term. The arguments for granting rights of termination are even more persuasive under section 304 than they are under section 203; the extended term represents a completely new property right, and there are strong reasons for giving the author, who is the fundamental beneficiary of copyright under the Constitution, an opportunity to share in it.

Subsection (c) of section 304 is a close but not exact counterpart of section 203. In the case of either a first-term or renewal copyright already subsisting when the new statute becomes effective [Jan. 1, 1978], any grant of rights covering the renewal copyright in the work, executed before the effective date [Jan. 1, 1978], may be terminated under conditions and limitations similar to those provided in section 203. Except for transfers and licenses covering renewal copyrights already extended under Public Laws 87-668, 89-142, 90-141, 90-416, 91-147, 91-555, 92-170, 92-566, and 93-573, which would become subject to termination immediately upon the coming into effect of the revised law, the 5-year period during which termination could be made effective would start 56 years after copyright was originally secured.

The bill distinguishes between the persons who can terminate a grant under section 203 and those entitled

than one year after the person physically delivered or attempted to physically deliver the application, fee, deposit, or other material to the Copyright Office.

(d) *Return of certificate.* In cases where a certificate of registration or a certificate of recordation has already been issued, the original certificate must be returned to the Copyright Office along with the request under paragraph (b) of this section.

(e) *Satisfactory evidence.* In all cases the Register shall have discretion in determining whether materials submitted with a request under paragraph (b) of this section constitute satisfactory evidence. For purposes of paragraph (b) of this section, satisfactory evidence may include:

(1) A receipt from the United States Postal Service indicating the date on which the United States Postal Service received material for delivery to the Copyright Office by means of first class mail, Priority Mail, or Express Mail;

(2) A receipt from a delivery service such as, or comparable to, United Parcel Service, Federal Express, or Airborne Express, indicating the date on which the delivery service received material for delivery to the Copyright Office; and

(i) The date on which delivery was to be made to the Copyright Office, or

(ii) The period of time (*e.g.*, overnight, or two days) from receipt by the delivery service to the date on which delivery was to be made to the Copyright Office;

(3) A statement under penalty of perjury, pursuant to 28 U.S.C. 1746, from a person with actual knowledge of the facts relating to the attempt to deliver the material to the Copyright Office, setting forth with particularity facts which satisfy the Register that in the absence of the general disruption or suspension of postal or other transportation or communications services, including a disruption or suspension of a Copyright Office electronic system, or but for the misdelivery, misplacement, or loss of materials sent to the Copyright Office, the material would have been received by the Copyright Office by a particular date; or

(4) Other documentary evidence which the Register deems equivalent to

the evidence set forth in paragraphs (e)(1) and (2) of this section.

(f) *Presumption of receipt.* For purposes of paragraph (b) of this section, the Register shall presume that but for the general disruption or suspension of postal or other transportation or communications services, including a disruption or suspension of a Copyright Office electronic system, or but for the misdelivery, misplacement, or loss of materials sent to the Copyright Office:

(1) Materials deposited with the United States Postal Service for delivery by means of first class mail would have been received in the Copyright Office seven days after deposit with the United States Postal Service;

(2) Materials deposited with the United States Postal Service for delivery by means of Priority Mail would have been received in the Copyright Office three days after deposit with the United States Postal Service;

(3) Materials deposited with the United States Postal Service for delivery by means of Express Mail would have been received in the Copyright Office one day after deposit with the United States Postal Service;

(4) Materials deposited with a delivery service such as, or comparable to, United Parcel Service, Federal Express, or Airborne Express, would have been received in the Copyright Office on the date indicated on the receipt from the delivery service;

(5) Materials submitted or attempted to be submitted through a Copyright Office electronic system would have been received in the Copyright Office on the date the attempt was made. If it is unclear when an attempt was made, the Register will determine the effective date of receipt on a case-by-case basis.

[66 FR 62944, Dec. 4, 2001; 66 FR 63920, Dec. 11, 2001; 73 FR 37838, July 2, 2008; 78 FR 42874, July 18, 2013; 82 FR 9356, Feb. 6, 2017; 82 FR 22887, May 19, 2017]

§ 201.9 [Reserved]

§ 201.10 Notices of termination of transfers and licenses.

This section covers notices of termination of transfers and licenses under 17 U.S.C. 203, 304(c), and 304(d). A termination under section 304(d) is possible

§ 201.10

37 CFR Ch. II (7–1–17 Edition)

only if no termination was made under section 304(c), and federal copyright was originally secured on or between January 1, 1923, and October 26, 1939.

(a) *Form.* The Copyright Office does not provide printed forms for the use of persons serving notices of termination.

(b) *Contents.* (1) A notice of termination covering the extended renewal term under 17 U.S.C. 304(c) and 304(d) must include a clear identification of each of the following:

(i) Whether the termination is made under section 304(c) or under section 304(d);

(ii) The name of each grantee whose rights are being terminated, or the grantee's successor in title, and each address at which service of the notice is being made;

(iii) The title and the name of at least one author of, and the date copyright was originally secured in, each work to which the notice of termination applies; and, if possible and practicable, the original copyright registration number;

(iv) A brief statement reasonably identifying the grant to which the notice of termination applies;

(v) The effective date of termination;

(vi) If termination is made under section 304(d), a statement that termination of renewal term rights under section 304(c) has not been previously exercised; and

(vii) In the case of a termination of a grant executed by a person or persons other than the author, a listing of the surviving person or persons who executed the grant. In the case of a termination of a grant executed by one or more of the authors of the work where the termination is exercised by the successors of a deceased author, a listing of the names and relationships to that deceased author of all of the following, together with specific indication of the person or persons executing the notice who constitute more than one-half of that author's termination interest: That author's surviving widow or widower; and all of that author's surviving children; and, where any of that author's children are dead, all of the surviving children of any such deceased child of that author; however, instead of the information re-

quired by this paragraph (vii), the notice may contain both of the following:

(A) A statement of as much of such information as is currently available to the person or persons signing the notice, with a brief explanation of the reasons why full information is or may be lacking; together with

(B) A statement that, to the best knowledge and belief of the person or persons signing the notice, the notice has been signed by all persons whose signature is necessary to terminate the grant under 17 U.S.C. 304, or by their duly authorized agents.

(2) A notice of termination of an exclusive or nonexclusive grant of a transfer or license of copyright or of any right under a copyright, executed by the author on or after January 1, 1978, under 17 U.S.C. 203, must include a clear identification of each of the following:

(i) A statement that the termination is made under section 203;

(ii) The name of each grantee whose rights are being terminated, or the grantee's successor in title, and each address at which service of the notice is being made;

(iii) The date of execution of the grant being terminated and, if the grant covered the right of publication of a work, the date of publication of the work under the grant;

(iv) For each work to which the notice of termination applies, the title of the work and the name of the author or, in the case of a joint work, the authors who executed the grant being terminated; and, if possible and practicable, the original copyright registration number;

(v) A brief statement reasonably identifying the grant to which the notice of termination applies;

(vi) The effective date of termination; and

(vii) In the case of a termination of a grant executed by one or more of the authors of the work where the termination is exercised by the successors of a deceased author, a listing of the names and relationships to that deceased author of all of the following, together with specific indication of the person or persons executing the notice who constitute more than one-half of that author's termination interest:

That author's surviving widow or widower; and all of that author's surviving children; and, where any of that author's children are dead, all of the surviving children of any such deceased child of that author; however, instead of the information required by this paragraph (b)(2)(vii), the notice may contain both of the following:

(A) A statement of as much of such information as is currently available to the person or persons signing the notice, with a brief explanation of the reasons why full information is or may be lacking; together with

(B) A statement that, to the best knowledge and belief of the person or persons signing the notice, the notice has been signed by all persons whose signature is necessary to terminate the grant under 17 U.S.C. 203, or by their duly authorized agents.

(3) Clear identification of the information specified by paragraphs (b)(1) and (b)(2) of this section requires a complete and unambiguous statement of facts in the notice itself, without incorporation by reference of information in other documents or records.

(c) *Signature.* (1) In the case of a termination of a grant under section 304(c) or section 304(d) executed by a person or persons other than the author, the notice shall be signed by all of the surviving person or persons who executed the grant, or by their duly authorized agents.

(2) In the case of a termination of a grant under section 304(c) or section 304(d) executed by one or more of the authors of the work, the notice as to any one author's share shall be signed by that author or by his or her duly authorized agent. If that author is dead, the notice shall be signed by the number and proportion of the owners of that author's termination interest required under 17 U.S.C. 304(c) or 304(d), whichever applies, or by their duly authorized agents, and shall contain a brief statement of their relationship or relationships to that author.

(3) In the case of a termination of a grant under section 203 executed by one or more of the authors of the work, the notice shall be signed by each author who is terminating the grant or by his or her duly authorized agent. If that author is dead, the notice shall be

signed by the number and proportion of the owners of that author's termination interest required under 17 U.S.C. 203, or by their duly authorized agents, and shall contain a brief statement of their relationship or relationships to that author.

(4) Where a signature is by a duly authorized agent, it shall clearly identify the person or persons on whose behalf the agent is acting.

(5) The handwritten signature of each person effecting the termination shall either be accompanied by a statement of the full name and address of that person, typewritten or printed legibly by hand, or shall clearly correspond to such a statement elsewhere in the notice.

(d) *Service.* (1) The notice of termination shall be served upon each grantee whose rights are being terminated, or the grantee's successor in title, by personal service, or by first class mail sent to an address which, after a reasonable investigation, is found to be the last known address of the grantee or successor in title.

(2) The service provision of 17 U.S.C. 203, 304(c), or 304(d), whichever applies, will be satisfied if, before the notice of termination is served, a reasonable investigation is made by the person or persons executing the notice as to the current ownership of the rights being terminated, and based on such investigation:

(i) If there is no reason to believe that such rights have been transferred by the grantee to a successor in title, the notice is served on the grantee; or

(ii) If there is reason to believe that such rights have been transferred by the grantee to a particular successor in title, the notice is served on such successor in title.

(3) For purposes of paragraph (d)(2) of this section, a reasonable investigation includes, but is not limited to, a search of the records in the Copyright Office; in the case of a musical composition with respect to which performing rights are licensed by a performing rights society, a reasonable investigation also includes a report from that performing rights society identifying the person or persons claiming current ownership of the rights being terminated.

§ 201.10

37 CFR Ch. II (7-1-17 Edition)

(4) Compliance with the provisions of paragraphs (d)(2) and (d)(3) of this section will satisfy the service requirements of 17 U.S.C. 203, 304(c), or 304(d), whichever applies. However, as long as the statutory requirements have been met, the failure to comply with the regulatory provisions of paragraph (d)(2) or (d)(3) of this section will not affect the validity of the service.

(e) *Harmless errors.* (1) Harmless errors in a notice that do not materially affect the adequacy of the information required to serve the purposes of 17 U.S.C. 203, 304(c), or 304(d), whichever applies, shall not render the notice invalid.

(2) Without prejudice to the general rule provided by paragraph (e)(1) of this section, errors made in giving the date or registration number referred to in paragraph (b)(1)(iii), (b)(2)(iii), or (b)(2)(iv) of this section, or in complying with the provisions of paragraph (b)(1)(vii) or (b)(2)(vii) of this section, or in describing the precise relationships under paragraph (c)(2) or (c)(3) of this section, shall not affect the validity of the notice if the errors were made in good faith and without any intention to deceive, mislead, or conceal relevant information.

(f) *Recordation.* (1) A copy of the notice of termination will be recorded in the Copyright Office upon payment of the fee prescribed by paragraph (f)(2) of this section and upon compliance with the following provisions:

(i) The copy submitted for recordation shall be a complete and exact duplicate of the notice of termination as served and shall include the actual signature or signatures, or a reproduction of the actual signature or signatures, appearing on the notice; where separate copies of the same notice were served on more than one grantee or successor in title, only one copy need be submitted for recordation; and

(ii) The copy submitted for recordation shall be accompanied by a statement setting forth the date on which the notice was served and the manner of service, unless such information is contained in the notice. In instances where service is made by first class mail, the date of service shall be the day the notice of termination was de-

posited with the United States Postal Service.

(iii) The copy submitted for recordation must be legible per the requirements of § 201.4(c)(3).

(2) The fee for recordation of a document is prescribed in § 201.3(c).

(3) The date of recordation is the date when all of the elements required for recordation, including the prescribed fee and, if required, the statement referred to in paragraph (f)(1)(ii) of this section, have been received in the Copyright Office. After recordation, the document, including any accompanying statement, is returned to the sender with a certificate of recordation.

(4) Notwithstanding anything to the contrary in this section, the Copyright Office reserves the right to refuse recordation of a notice of termination as such if, in the judgment of the Copyright Office, such notice of termination is untimely. Conditions under which a notice of termination will be considered untimely include: the effective date of termination does not fall within the five-year period described in 17 U.S.C. 203(a)(3) or 304(c)(3), whichever applies; or the documents submitted indicate that the notice of termination was served less than two or more than ten years before the effective date of termination. If a notice of termination is untimely or if a document is submitted for recordation as a notice of termination on or after the effective date of termination, the Office will offer to record the document as a "document pertaining to copyright" pursuant to § 201.4, but the Office will not index the document as a notice of termination.

(5) In any case where an author agreed, prior to January 1, 1978, to a grant of a transfer or license of rights in a work that was not created until on or after January 1, 1978, a notice of termination of a grant under section 203 of title 17 may be recorded if it recites, as the date of execution, the date on which the work was created.

(6) A copy of the notice of termination shall be recorded in the Copyright Office before the effective date of termination, as a condition to its taking effect. However, the fact that the Office has recorded the notice does not

mean that it is otherwise sufficient under the law. Recordation of a notice of termination by the Copyright Office is without prejudice to any party claiming that the legal and formal requirements for issuing a valid notice have not been met, including before a court of competent jurisdiction.

(7) Notices of termination should be submitted to the address specified in § 201.1(c)(2).

(Pub. L. 94-553; 17 U.S.C. 304(c), 702, 708(11))

[42 FR 45920, Sept. 13, 1977, as amended at 56 FR 59885, Nov. 26, 1991; 60 FR 34168, June 30, 1995; 64 FR 29521, June 1, 1999; 64 FR 36574, July 7, 1999; 66 FR 34372, June 28, 2001; 67 FR 69136, Nov. 15, 2002; 67 FR 78176, Dec. 23, 2002; 68 FR 16959, Apr. 8, 2003; 71 FR 36486, June 27, 2006; 74 FR 12556, Mar. 25, 2009; 76 FR 32320, June 6, 2011; 78 FR 42874, July 18, 2013; 82 FR 9356, Feb. 6, 2017]

§ 201.11 Satellite carrier statements of account covering statutory licenses for secondary transmissions.

(a) *General.* This section prescribes rules pertaining to the deposit of Statements of Account and royalty fees in the Copyright Office as required by the satellite carrier license of 17 U.S.C. 119(b)(1), as amended by Public Law 111-175, in order for certain secondary transmissions by satellite carriers for private home viewing to be subject to statutory licensing.

(b) *Definitions.* (1) The terms *distributor*, *network station*, *private home viewing*, *satellite carrier*, *subscribe*, *subscriber*, *non-network station*, *unserved household*, *primary stream*, and *multicast stream*, have the meanings set forth in 17 U.S.C. 119(d), as amended by Public Law 111-175.

(2) The terms *primary transmission* and *secondary transmission* have the meanings set forth in section 111(f) of title 17 of the United States Code.

(c) *Accounting periods and deposit.* (1) Statements of Account shall cover semiannual accounting periods of January 1 through June 30, and July 1 through December 31, and shall be deposited in the Copyright Office, together with the total statutory royalty fee or the confirmed arbitration royalty fee for such accounting periods as prescribed by 17 U.S.C. 119(b)(1)(B), by no later than July 30, if the Statement of Account covers the January 1

through June 30 accounting period, and by no later than the immediately following January 30, if the Statement of Account covers the July 1 through December 31 accounting period.

(2) Upon receiving a Statement of Account and royalty fee, the Copyright Office will make an official record of the actual date when such statement and fee were physically received in the Copyright Office. Thereafter, the Licensing Division of the Copyright Office will examine the statement and fee for obvious errors or omissions appearing on the face of the documents, and will require that any such obvious errors or omissions be corrected before final processing of the documents is completed. If, as the result of communications between the Copyright Office and the satellite carrier, an additional fee is deposited or changes or additions are made in the Statement of Account, the date that additional deposit or information was actually received in the Office will be added to the official record of the case. However, completion by the Copyright Office of the final processing of a Statement of Account and royalty fee deposit shall establish only the fact of such completion and the date or dates of receipt shown in the official record. It shall in no case be considered a determination that the Statement of Account was, in fact, properly prepared and accurate, that the correct amount of the royalty fee had been deposited, that the statutory time limits for filing had been met, or that any other requirements to qualify for a statutory license have been satisfied.

(3) Statements of Account and royalty fees received before the end of the particular accounting period they purport to cover will not be processed by the Copyright Office. Statements of Account and royalty fees received after the filing deadlines of July 30 or January 30, respectively, will be accepted for whatever legal effect they may have, if any.

(4) In the Register's discretion, four years after the close of any calendar year, the Register may close out the royalty payments account for that calendar year, and may treat any funds remaining in such account and any

822 F.3d 926
United States Court of Appeals,
Sixth Circuit.

Jackson S. BRUMLEY; Albert E. Brumley, Jr.;
Rolene M. Brumley; Angela Wilhoite; W.J.
Brumley; Kristi Brumley Laxton; Mark Brumley;
Keri Brumley Pilcher, Plaintiffs–Appellees,

v.

ALBERT E. BRUMLEY & SONS, INC.;
Integrated Copyright Group, Inc.; Robert
B. Brumley, Defendants–Appellants.

No. 15–5429.

|
Argued: April 20, 2016.

|
Decided and Filed: May 16, 2016.

Synopsis

Background: Heirs of creator of copyrighted gospel song “I’ll Fly Away” brought action against copyright assignee seeking to terminate prior assignment of copyright. The United States District Court for the Middle District of Tennessee, 2010 WL 2746968, Aleta Arthur Trauger, J., in jury trial, determined that creator was statutory-author for purposes of copyright termination. Assignee appealed. The Court of Appeals, Boyce F. Martin, Jr., Circuit Judge, 727 F.3d 574, affirmed in part, reversed in part, and remanded. Following second trial, the District Court, Trauger, J., held in favor of heirs. Assignee appealed.

The Court of Appeals, Sutton, Circuit Judge, held that post-1978 bill of sale and assignment did not amount to termination notice.

Affirmed.

Attorneys and Law Firms

***927 ARGUED:** Barry I. Slotnick, Loeb & Loeb LLP, New York, New York, for Appellants. Larry L. Crain, Crain, Schuette & Associates, LLC., Brentwood, Tennessee, for Appellees. **ON BRIEF:** Barry I. Slotnick, Jonathan N. Strauss, Brittany Schaffer, Loeb & Loeb

LLP, New York, New York, for Appellants. Larry L. Crain, Crain, Schuette & Associates, LLC., Brentwood, Tennessee, for Appellees.

Before: SILER, SUTTON, and STRANCH, Circuit Judges.

OPINION

SUTTON, Circuit Judge.

Albert Brumley, author of the gospel song “I’ll Fly Away,” assigned the song’s copyright to his son Robert. That is something federal copyright law allows. During the term of a copyright, an author has relatively free rein: He may use it himself, he may assign or sell it to someone else, or he may license it to another. *See* 17 U.S.C. § 201(d).

Robert may have thought that he would retain control of the copyright as long as it (and he) existed. Federal copyright law says otherwise. One of “the more unusual provisions in the Copyright Act,” 3 Patry on Copyright § 7:42 (2016), allows songwriters (or their descendants) to terminate the songwriter’s assignment of a copyright to another party, *see* 17 U.S.C. §§ 203, 304(c). Termination allows the descendants to reap anew the profits from the copyright, a fruitful option if the author’s work increases in value over time. Four of Brumley’s six children now attempt to terminate his assignment to their brother, Robert. Because the four children have complied with the Copyright Act in exercising this right, we (like the district court) uphold their termination.

***928 I.**

A.

Congress enacted the first relevant Copyright Act in 1909. *See* Pub.L. No. 60–349, 35 Stat. 1075 (1909). The Act established an initial copyright term of twenty-eight years and allowed an author to renew the copyright for an additional twenty-eight years. *Id.* §§ 22, 23. If the author sold the copyright to someone else, only the author or his surviving spouse and children had the power to renew the copyright. That meant that, if “the author [sold] his copyright outright to a publisher for a comparatively small sum” and “the work prove[d] to be a great success,”

the author had the “exclusive right ... to take the renewal term.” H.R.Rep. No. 60–2222, at 14 (1909); see *Stewart v. Abend*, 495 U.S. 207, 218–19, 110 S.Ct. 1750, 109 L.Ed.2d 184 (1990).

But could an author bargain away this “exclusive” right to renewal? Yes, the Supreme Court answered, because “the Copyright Act of 1909 does not nullify agreements by authors to assign their renewal interests.” *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643, 657, 63 S.Ct. 773, 87 L.Ed. 1055 (1943). And that was true even if the author sold or assigned the renewal right at the same time that he assigned the copyright during the initial copyright term. *Id.* at 645–47, 63 S.Ct. 773.

Congress had other ideas. It authorized the Copyright Office of the Library of Congress to prepare a study. See Copyright Office, Copyright Law Revision: Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law at ix (1961). The report concluded that the 1909 renewal provision was designed to allow the renewal copyright to revert to an author so that he “could negotiate new contracts for the further exploitation of the work.” *Id.* at 53. But the renewal provision had “largely failed to accomplish its primary purpose” and resulted in much “confusion and litigation.” *Id.* The report laid out an assortment of possible solutions, including placing “certain limitations on the transfer of all rights.” *Id.* at 93.

Through the 1976 Act, effective in 1978, Congress did just that. See Pub.L. No. 94–553, 90 Stat. 2541 (1976). It created a “termination right” that allows an author to undo a prior transfer of his copyright and recapture all interests in the copyright for himself. If the work was transferred in 1978 or later, the author could terminate the transfer between thirty-five and forty years after the date the copyright was assigned to a third party. See 17 U.S.C. § 203(a)(3). If the work was copyrighted and transferred before 1978, however, a different set of provisions kicked in, with a timeline tied to the date the copyright was obtained. The author (or his successors as provided by the Act) could terminate between fifty-six and sixty-one years after the work was copyrighted, or for a period of five years after January 1, 1978, whichever was later. *Id.* § 304(c)(3).

At the same time it created these termination rights, the 1976 Act abolished the copyright renewal provision. See *id.* § 302(a). That meant a copyright would last longer than

it would under the 1909 Act, but it could never be renewed. Congress replaced the confusing and misinterpreted renewal provision with a new one: termination.

In 1998, Congress increased the length of the copyright term by an additional twenty years and provided a tandem termination right. See Pub.L. No. 105–298, § 102, 112 Stat. 2827, 2827–28 (1998). This termination right mirrors the 1976 Act's application to pre-1978 transfers. It merely provides an additional term during which the author may terminate: between seventy-five and eighty years after the *929 copyright was obtained. 17 U.S.C. § 304(d)(2).

Through the 1976 and 1998 Acts, Congress hoped to succeed where the 1909 Act had failed. Termination would help “relieve authors of the consequences of ill-advised and unremunerative grants that had been made before the author had a fair opportunity to appreciate the true value of his work product.” *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 172–73, 105 S.Ct. 638, 83 L.Ed.2d 556 (1985). Say a no-name author writes a quirky tale about a boy wizard with a scar on his forehead and assigns the rights for a song to a big publisher. Either § 203 or § 304 (depending on when she wrote and transferred the work) would allow her to get the rights back and renegotiate a new contract for better returns.

All agree that this is a one-shot deal. An author may exercise this termination right just once. Say a nun writes a memoir about her life—becoming a governess for six children, falling in love with their widowed father, and escaping from Nazi-occupied Austria—and assigns the rights to the story for a pittance. Under current law, she could terminate the assignment of the memoir after the story formed the basis for a successful Broadway musical. But she could not terminate a second assignment of the memoir if the story later became the basis for an even more successful movie.

B.

In the late 1920s, Albert Brumley composed the song “I’ll Fly Away,” a gospel spiritual celebrating death and resurrection, while he worked in the Oklahoma cotton fields. “Some glad morning when this life is o’er / I’ll fly away / To a home on God’s celestial shore / I’ll fly away,” the song goes. Johnny Cash and Alison Krauss have covered the song, as have many others, and it can be heard

on many a Sunday morning. Brumley sold his creation to a music publishing company, which copyrighted the song in 1932. In the late 1940s, Brumley purchased the company, bringing the song and its copyright home. Brumley at that point started a music publishing company of his own called “Albert E. Brumley & Sons.” R. 201 at 2. In 1975, Brumley and his wife Goldie sold Brumley & Sons (fittingly) to two of his sons, William and Robert, for \$100,000, “assign[ing] and transfer[ring] ... all of [the couple’s] right title and interest” in the song. App. 73.

Brumley died in 1977. Robert and William apparently sought to shore up their status as owners of the song’s copyright. In May 1979, they obtained from Goldie a “BILL OF SALE AND ASSIGNMENT.” *Id.* at 76. It stated that “in consideration of One Dollar ... and other good and valuable considerations,” Goldie “assigned and transferred ... all the right, title and interest ... in ... all rights to obtain renewals or copyrights in the future upon Works written or composed by ... Albert E. Brumley” to Brumley & Sons. *Id.* Robert bought out William’s interest in Brumley & Sons in 1986 for \$246,500, becoming the sole owner of the copyright.

Goldie died in 1988. Twenty years later, a sibling spat arose, tied (of all things) to the royalties from a gospel song. In April 2008, Albert, Jr., Betty, Jackson, and Thomas—four of Brumley’s children—served a termination notice on their brother, Robert, to share in the lucrative rights in “I’ll Fly Away,” which appears to generate roughly \$300,000 a year in royalties. The idea was to cut off Robert’s exclusive rights to the copyright and to permit all of the siblings to profit equally from the song. The termination notice purported to undo the 1975 assignment in which Brumley and his wife sold Brumley & Sons—and with it, the rights to the song—to *930 William and Robert. The four siblings recorded the termination notice with the U.S. Copyright Office shortly after serving it on Robert. (Some of the siblings have since passed away, but their spouses and children have carried on with the litigation.)

In December 2008, the four siblings filed this lawsuit against Robert and Brumley & Sons, seeking a declaration that their termination notice was effective. Robert and the company responded with two key defenses: (1) Albert’s song was a “work made for hire,” which is not eligible for termination, 17 U.S.C. § 304(c); and (2) Goldie relinquished any termination rights in the 1979 assignment

to Robert and William. The district court ruled as a matter of law that Goldie did not extinguish the family’s termination rights in 1979 and presided over a jury trial on the work-made-for-hire question. After the jury ruled in favor of the four siblings, Robert and the company appealed, challenging certain evidentiary rulings. Our court reversed and required a new trial. *Brumley v. Albert E. Brumley & Sons, Inc.*, 727 F.3d 574, 580 (6th Cir.2013). The second trial ended the same way—in favor of the four siblings. Robert appealed, challenging the district court’s interpretation of the 1979 assignment but not the jury’s finding that “I’ll Fly Away” was not a work made for hire.

II.

Because Albert transferred “I’ll Fly Away” before 1978, the termination provisions in § 304 of the Copyright Act govern. “In the case of any copyright subsisting in either its first or renewal term on January 1, 1978,” they say, “the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, ... otherwise than by will, is subject to termination.” 17 U.S.C. § 304(c); *see id.* § 304(d).

The termination provision has two salient features. One is that, so long as the author never exercised the termination right, it survives him. His “widow or widower owns the author’s entire termination interest unless there are any surviving children or grandchildren of the author, in which case the widow or widower owns one-half of the author’s interest” and “the ownership of one-half of the author’s interest is divided among the [surviving children and grandchildren].” *Id.* § 304(c)(2). When there is no surviving spouse, “[t]he author’s surviving children, and the surviving children of any dead child of the author, own the author’s entire termination interest.” *Id.* § 304(c)(2)(B). In order to terminate, a group that is “entitled to exercise a total of more than one-half of [the] author’s termination interest” must agree to the termination, give advance notice of the termination, and file everything within one of two windows of time. *See id.* § 304(c)(1), (c)(3), (c)(4), (d).

The other key feature of the termination right is that, at a minimum, agreements pre-dating 1978 that purport to bargain away all rights in a copyrighted work may not limit the termination right. Else, the purpose of transforming the “renewal right” regime into

a “termination right” regime would be thwarted. In the words of the statute: “Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.” *Id.* § 304(c)(5).

All of this means that, once Goldie passed away, each of the Brumley siblings held a one-sixth interest in the termination right, even though Robert and William held all of the rights to the copyright. It means the four siblings could exercise two-thirds of the termination interest with respect to a pre-1978 assignment—Brumley's 1975 sale to two of his sons—as allowed *931 under the 1976 Act. *See id.* § 304(c)(6). And it means that, when the four siblings agreed to the termination, they complied with the timeline, majority-share prerequisites, and other requirements established by the Act.

Or so it seems. What makes this case difficult is less a matter of statutory interpretation and more a matter of contract interpretation, namely the meaning of Goldie's 1979 assignment to William and Robert. Recall what happened in May of 1979: Through a “BILL OF SALE AND ASSIGNMENT” and “in consideration of One Dollar ... and other good and valuable considerations,” Goldie “assigned and transferred ... all the right, title and interest ... in ... all rights to obtain renewals or copyrights in the future upon Works written or composed by ... Albert E. Brumley” to Brumley & Sons, which William and Robert owned. App. 76. Notably, the parties do not argue that, as of 1979, Goldie had no authority to sell her termination right to her two sons under the copyright laws. They assume, as have two other courts of appeals, that the 1976 Act's prohibition on such assignments—making termination rights enforceable “notwithstanding any agreement to the contrary,” 17 U.S.C. § 304(c)(5)—applies only to pre-1978 agreements that could be construed to cut off a termination right. *See Penguin Group (USA) Inc. v. Steinbeck*, 537 F.3d 193, 202–04 (2d Cir.2008); *Milne ex rel. Coyne v. Stephen Slesinger, Inc.*, 430 F.3d 1036, 1043–45 (9th Cir.2005).

What matters, then, is what the 1979 agreement did—and did not do. Consistent with the district court's ruling, we interpret that agreement not to bargain away Goldie's termination right and not to replace the 1975 contract. Her termination right thus went to her children when she died in 1988, and the 1979 document does not stop the siblings' termination.

Robert offers several rejoinders. *First*, he argues that Goldie's 1979 document “effectively exercise[d] [her] termination interest [].” Appellants' Br. 26. But Goldie never exercised her termination right because the Copyright Act does not allow the sort of unofficial termination that Robert proposes. The Act and its implementing regulations describe several requirements of a termination notice, including that it must “state the effective date of the termination” and “be recorded in the Copyright Office.” 17 U.S.C. § 304(c)(4)(A); *see also* 37 C.F.R. § 201.10. Goldie's 1979 assignment did none of this. It does not give a termination date. It was never recorded with the Copyright Office. It does not even mention the word “termination.”

Even if that had not been the case, Goldie would have lacked the right to terminate on her own. In 1979 Goldie held a one-half share of the termination right because the other half passed in equal shares to the children when Albert died. 17 U.S.C. § 304(c)(2)(A). Only those who “are entitled to exercise a total of more than one-half of [the] termination interest” may terminate. *Id.* § 304(c)(1). She thus could not have terminated the 1975 grant in 1979 without at least one of her children joining her. None did. The 1979 contract does not amount to a termination notice.

Robert persists that, even if the 1979 document did not amount to a termination notice, (1) Goldie held 50% of the termination right in 1979, and (2) Goldie bargained away that termination right in the 1979 document, which means that any partial termination right that the four siblings now have does not suffice to terminate under the Act. The first premise of this argument is correct. *See id.* § 304(c)(3), (4)(a). The second premise is not. The 1979 document never mentions termination rights, even after the 1976 Act made them, as opposed to renewal rights, the brass- *932 ring authority that authors, their spouses, and their heirs could invoke to capture latent value in a work. The brief language of the 1979 document indeed nearly mirrors the assignment language of the 1975 assignment, which of course did not transfer any termination rights—because the concept did not yet exist and at any rate would not have been enforceable in view of the 1976 Act's prohibition on prior “agreement[s] to the contrary.” Last of all, the 1979 assignment does not purport to override the 1975 assignment, leaving a pre-1978 copyright agreement that could be terminated under the 1976 Act.

Second, Robert leans on cases from other circuits. They do not help. In *Milne ex rel. Coyne v. Stephen Slesinger, Inc.*, the Ninth Circuit confronted a situation that at first glance looks similar to ours. 430 F.3d 1036 (9th Cir.2005). A.A. Milne assigned an assortment of copyrights in works related to “Winnie the Pooh” to Slesinger in 1930. In 1983, Milne and Slesinger’s successors in interest renegotiated the contract, “provid[ing] for the revocation of the 1930 ... agreement[] in favor of the new agreement.” *Id.* at 1040. The Ninth Circuit held that, because the 1983 grant replaced the 1930 grant, the 1930 grant could not be terminated. *Id.* at 1048. The Ninth Circuit reached a similar conclusion in *DC Comics v. Pacific Pictures Corp.* It held that “as a matter of New York law,” a later contract “superseded” the prior one, “and therefore operated to revoke that assignment and re-grant the ... copyrights.” 545 Fed.Appx. 678, 680 (9th Cir.2013).

The key difference between *Milne* and *DC Comics* on the one hand and today’s case on the other is that the pre-1978 assignments in those cases were clearly revoked by the post-1978 assignments. Because the earlier contracts no longer existed, they could not be terminated. That is a far cry from our case, in which the 1975 contract remained alive and well—and subject to termination—at the time of termination.

Penguin Group (USA) Inc. v. Steinbeck is of a piece. 537 F.3d 193 (2d Cir.2008). John Steinbeck’s descendants sought to terminate some pre-1978 copyright assignments. But a post-1978 agreement stated that it “cancel[ed] and supersede[d] the previous agreements.” *Id.* at 200. “Because ... the [post-1978] Agreement terminated and superseded the [pre-1978] Agreement”—and thus had already allowed the author’s descendants to profit from the growing commercial success of their progenitor—the pre-1978 agreement could not be terminated. *Id.* at 202. By contrast, Goldie’s 1979 document by its terms does not replace the 1975 contract. It indeed never mentions the 1975 contract at all, much less mentions the sale of any termination rights.

Third, Robert maintains that state contract law (the law of Missouri, the parties agree) establishes that the 1979 document amounts to a second contract that supersedes the 1975 agreement. Otherwise, what was the point of the 1979 agreement? It must have done something, he says, pointing out the reluctance under Missouri law (and the

law of other States) to interpret a contract to do nothing. This is a fair point, but it runs into another fair point. If there is one thing clear about the 1976 Copyright Act (and its 1998 addendum), it is that Congress sought to permit authors and their heirs to capture latent value in copyrights; hence the replacement of the flawed renewal regime with the termination right regime. Even if, as the parties seem to assume, an author or heir may contract away (or extinguish) a termination right after 1978, we should not lightly assume that a contract bargains away this centerpiece feature of the 1976 Act. When “there [is no] evidence in the *933 record to support a finding that [a party] ... considered [its] termination rights under § 304(c), or ... intended to waive or relinquish them,” *Classic Media, Inc. v. Mewborn*, 532 F.3d 978, 989 (9th Cir.2008), courts should presume that a post-1978 agreement did not bargain away any termination rights.

The 1979 agreement, characterized most prominently by what it does not say, fails to contract away or extinguish termination rights. Entered into one year after the 1976 Act became effective, it says nothing about termination rights, says nothing about the existing 1975 agreement, and says nothing about replacing the 1975 agreement.

That the 1979 assignment has additional terms, moreover, does not mean it replaces the 1975 agreement. Missouri novation law tells us as much. Novation occurs when “a new contract or obligation” is substituted “for an old one which is thereby extinguished.” *W. Crawford Smith, Inc. v. Watkins*, 425 S.W.2d 276, 279 (Mo.Ct.App.1968). A party attempting to prove that a later contract has replaced an earlier one must show “extinguishment of the old contract.” *Am. Nat’l Ins. Co. v. Noble Commc’ns Co.*, 936 S.W.2d 124, 131 (Mo.Ct.App.1996). Novation “is never presumed,” and “[t]he controlling element in determining whether a novation has been accomplished is the intention of the parties.” *Watkins*, 425 S.W.2d at 279. Nothing in the 1979 document, which never mentions the 1975 agreement, indicates that it extinguished the 1975 agreement.

What then, Robert insists, did the 1979 assignment do? Here is one possibility. The 1975 agreement assigned “all of [the] right[,] title[,] and interest,” App. 74, to “I’ll Fly Away,” while the 1979 agreement elaborated that it did the same for “[a]ll copyright renewals” and “all rights to obtain renewals or copyrights in the future,” *id.* at 76. The broader language in the 1979 agreement would

cover royalties on derivative works and future renewals permitted by Congress—which gives the 1979 agreement some meaning, even if not the meaning Robert would prefer. Either way, the language of the 1979 agreement did not suffice to eliminate/exercise/terminate Goldie's termination right.

The alert reader may wonder why we decline to reject Robert's defense on another ground—that the 1979 agreement, if construed to assign or extinguish Goldie's termination rights, would amount to an impermissible “agreement to the contrary.” 17 U.S.C. § 304(c)(5) (In full: “Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.”). Two answers: The siblings have not argued the point, and it would not affect the outcome anyway given our interpretation of the 1979 agreement. The parties appear to accept the decisions of the Second and Ninth Circuits that termination rights, once vested after 1978, may be extinguished or bargained away. *See Steinbeck*, 537 F.3d at 204; *Milne*, 430 F.3d at 1044–45. While the caselaw on this issue appears to be one-sided, it deserves mention that *Nimmer on Copyright*, now a father-son treatise that seems to have cornered the market on copyrights for works about copyright law, takes a contrary view. *See M. Nimmer & D. Nimmer*, 3 *Nimmer on Copyright* § 11.07[A] (2015); *see also* Peter S. Menell & David Nimmer, *Pooh–Poohing Copyright Law's*

'Inalienable' Termination Rights, 57 J. Copyright Soc'y U.S.A. 799, 824–25 (2010).

Fourth, Robert claims that the district court made a mistake by failing to address his arguments related to his brother William's termination interests. Remember that in 1986, eleven years after Albert Brumley sold Brumley & Sons to Robert *934 and William, Robert bought William's interest in the company for roughly \$240,000. Robert claims that the district court should have considered whether William exercised or sold his termination interests when he agreed to the 1986 sale. The district court did not misstep. In the first place, because the four plaintiff siblings owned more than half of the termination right, they may terminate for the whole group under the Copyright Act. *See* 17 U.S.C. § 304(c)(1). In the second place, the 1986 agreement purported only to sell William's shares in the company to Robert. It said nothing about his legislatively created personal termination right, as opposed to his rights as a shareholder. That means that each of the six siblings (or their spouses and children, in appropriate sub-shares) now owns one-sixth of an interest in the copyright of “I'll Fly Away.” *See id.* § 304(c)(6).

For these reasons, we affirm.

All Citations

822 F.3d 926, 2016 Copr.L.Dec. P 30,929

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.