

Think You Are a Co-Owner of a Copyright?— Think Again

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Many copyright owners co-own their copyrights with others, or at least they thought so until the decision came down in *Sybersound Records, Inc. v. UAV Corp.*, 517 F.3d 1137 (9th Cir. 2008). If your co-owned copyright interest came through an assignment from someone who was themselves a co-owner, rather than arising as a result of joint authorship, then you may be surprised to learn, as were the *Sybersound* plaintiffs, that you might not co-own the copyright interest that you thought you did.

As explained in the House Report on the Copyright Act of 1976, the default relationship between co-owners of a copyright is a tenancy in common. Each co-owner has an independent right to use or license the use of a work, subject to a duty of accounting to the other co-owners. And, as the *Sybersound* court noted, a co-owner has independent standing to sue for infringement and need not join the other co-owners. *Davis v. Blige*, 505 F.3d 90, 99 (2d Cir. 2007). Additionally, a co-owner's interest is freely alienable and may be transferred to another, subject only to the general requirements of a valid transfer of copyright. 17 U.S.C. Section 201(d).

For example, two writers might collaborate on writing the lyrics to a song and be co-owners of the copyright in those lyrics, each owning a 50 percent share. Each co-owner could license the use of the lyrics without permission from the other, subject only to a duty of accounting. If one of the co-owners decides to sue a third party for infringement, the other co-owner need not be joined. And if a co-owner decides to transfer his interest to a publishing company who can better exploit his interest, he may do so without the involvement of the other co-owner. This last point is critical: Though a co-owner can only transfer whatever interest he owns, and cannot purport to be transferring the entire copyright, the transfer nonetheless satisfies Section 201(d).

The Copyright Act of 1976 also introduced the principle of divisibility, such that the exclusive rights of copyright may be subdivided indefinitely and each subdivision of an exclusive right may be owned and enforced separately. Section 201(d), which governs transfers of ownership, provides that, "Any of the exclusive rights comprised in a copyright, including any subdivision of any of the rights specified by section 106, may be transferred ... and owned separately. The owner of any particular exclusive right is entitled, to the extent of that right, to all of the protection and remedies accorded to the copyright owner by this title." Thus, for example, a songwriter might separately transfer the film, television and stage rights in a work. There is almost no limit on how narrow the scope of a subdivided interest can be, although a bare right to sue on an accrued cause of action has been held to be an impermissible transfer. *Silvers v. Sony*, 402 F.3d 881 (9th Cir. 2005) (*en banc*). Section 201(d) simply requires that the transferred interest be an "exclusive" right or a subdivision of an exclusive right. So, of particular relevance here, the exclusive right to exploit a song for karaoke re-recordings ought to be among the permissible divisions of a copyright holder's bundle of rights.

The second sentence of Section 201(d) entails that the owner of any such exclusive right will, among other rights, also have standing to sue for infringement. Thus, both co-owners of a copyright and the owners of a subdivision of an exclusive copyright interest have in common that each can independently license, sue to protect and transfer their respective interests.

The *Sybersound* case presented a situation where the worlds of co-ownership and subdivided copyright interests collided. Here, *Sybersound* had received its karaoke rights from a music publisher, TVT Music Publishing, which was itself a co-owner of the copyrights in the nine songs at issue. So, while a co-owner of a copyright can certainly

transfer his entire interest to another, and while an owner of just the karaoke rights in a work should be able to transfer that interest, what happens when a subdivided interest in karaoke rights is itself co-owned? Can a co-owner of the karaoke rights in a work transfer that co-owned interest?

The court came to the surprising conclusion that such a transfer was impermissible without a like transfer from all the other co-owners. The court wrote, “We also consider whether the transfer of an interest in a divisible copyright interest from a copyright co-owner to Sybersound, unaccompanied by a like transfer from the other copyright co-owners, can be an assignment or exclusive license that gives the transferee a co-ownership interest in the copyright. We hold that it cannot.”

The court reasoned that Section 201(d) insists on the transfer of an *exclusive* right, and relied on Section 101, which defines a “transfer of copyright ownership” as “an assignment, mortgage, exclusive license, or any other conveyance, alienation, or hypothecation of a *copyright or any of the exclusive rights comprised in a copyright . . . but not including a non exclusive license.*” If one can only transfer an *exclusive* right, then the court concluded that “as a co-owner of the copyright, TVT could not grant an exclusive right in the karaoke-use interest of the nine referenced copyrights.” The court explained that “unless all the other co-owners of the copyright joined in granting an exclusive right to Sybersound, TVT, acting solely as a co-owner of the copyright, could grant only a nonexclusive license to Sybersound because TVT may not limit the other co-owners’ independent rights to exploit the copyright.”

The result here was that Sybersound learned it was not a co-owner of a copyright at all, but was instead merely a non-exclusive licensee, with no standing to bring an infringement claim. Thus, the 9th Circuit affirmed the dismissal of its copyright infringement claim.

No one disputes that a co-owner cannot limit the rights of the other co-owners or purport to transfer more than it owns, but the court’s reasoning proves too much, and notably, the court cites no authority for its reading of Section 201(d). If it is in virtue of being a co-owner that TVT fails to “exclusively”

own the karaoke rights and hence cannot transfer them to Sybersound, then TVT cannot transfer any rights at all, not even its entire share, as none of those are owned “exclusively” either. If that is to be the interpretation of “exclusive” then a copyright co-owner can never transfer its rights, because *by definition* a co-owner owns something less than the entirety of the copyright.

The court claimed it was not passing judgment on whether karaoke rights were a legitimate subdivided interest, but it is tempting to try to read this decision as saying that the problem only arises when a co-owner seeks to transfer a subdivided interest and not when it seeks to transfer its entire share. While this result would be more palatable, it is just as mistaken, and unsupportable from the opinion’s text.

Instead, the right reading of “exclusive” in Section 201(d) has to be one that makes both co-owned interests in copyrights and subdivided copyright interests freely alienable. This was the intent of Congress, as the House Report states, “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.”

A transfer of an exclusive right can be contrasted with the grant of a non-exclusive license. A non-exclusive license is generally characterized by a retention of the licensed right by the licensor. If a copyright holder gives you permission to make copies of her work, but retains the right to make copies herself and may give similar permission to others, then you have a non-exclusive license. However, if the copyright holder grants you all the rights she has with respect to whatever permission is at issue, leaving even herself without the right that has been given to you, then that must be interpreted as a transfer of an “exclusive” right of copyright, even where another co-owner may retain similar rights. Without such a reading of Section 201(d), co-owners can never transfer their rights.

That copyright co-owners cannot freely transfer their rights, which seems implied by the *Sybersound* opinion, presents a business impossibility for those in the movie, music, or software industries who routinely deal in the transfers of co-owned and subdivided interests in copyrights. The 9th Circuit declined to rehear the case *en banc*, and thus co-owners of copyrights will have to wait for further clarification of their ability to transfer their interests. In the meantime, the businesses that depend on these transactions daily will have little choice but to continue operating as they always have, and as Congress intended.

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