Divisibility of Exclusive Rights in Copyrighted Works Under U.S. Law

Submitted to:

Intellectual Property Court of the Russian Federation

by:

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This report is submitted in response to the Court's *spravka* distributed on May 21, 2018, requesting input on the following questions:

(1) Is it possible to form a share of an exclusive right (a share in co-ownership) by means of a last will and testament determining the shares of the heirs, or an agreement among co-holders based on a determination by the right holder as to the division of his exclusive right and assignment of part of that right to a different person?

(2) If a share in the coownership of an exclusive right is possible, do the provisions of Articles 250 and 255 of the Civil Code of the Russian Federation apply to such relationships by analogy?

(3) What happens with the "share" of an exclusive right belonging to several persons upon the death or liquidation of one of the co-holders?

(4) In the event of a dispute between co-holders regarding the process for assignment by co-holders of an exclusive right pursuant to Paragraph 3 of Article 1229 of the Civil Code, are the provisions of Article 446 of the Civil Code applicable?

The answer to the first question is necessarily yes under U.S. law, which provides the owners of exclusive rights with a maximum degree of flexibility to divide and distribute such rights. Responding to the third question, the share of an exclusive right will pass to the heirs of co-holders the way that any other property would, subject to the principles summarized below. The other two questions involve the application of Russian law that are uniquely beyond my expertise.

The following summary of relevant provisions in the U.S. Copyright Act may be useful to the Court in its consideration of these issues as a matter of contrast and comparison.

I. Exclusive Rights in Copyrighted Works

Section 106 of the U.S. Copyright Act defines the following exclusive rights embraced by ownership of copyright:

(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.

17 U.S.C. § 106.

In addition to the exclusive rights enumerated above, "moral rights," providing a right of certain authors to attribution and integrity, were added to the Copyright Act in 1990 in the form of Section 106A, which provides:

(a) [T]he author of a work of visual art—

(1) shall have the right—

(A) to claim authorship of that work, and

(B) to prevent the use of his or her name as the author of any work of visual art which he or she did not create;

(2) shall have the right to prevent the use of his or her name as the author of the work of visual art in the event of a distortion, mutilation, or other modification of the work which would be prejudicial to his or her honor or reputation; and

(3) . . . shall have the right—

(A) to prevent any intentional distortion, mutilation, or other modification of that work which would be prejudicial to his or her honor or reputation, and any intentional distortion, mutilation, or modification of that work is a violation of that right, and

(B) to prevent any destruction of a work of recognized stature, and any intentional or grossly negligent destruction of that work is a violation of that right.

(b) *Scope and exercise of rights.*--Only the author of a work of visual art has the rights conferred by subsection (a) in that work, whether or not the author is the copyright owner. The authors of a joint work of visual art are coowners of the rights conferred by subsection (a) in that work. * * *

(d) *Duration of rights*

(1) [T]he[se] . . . rights . . . shall endure for a term consisting of the life of the author. * * *

(3) In the case of a joint work prepared by two or more authors, the[se] rights shall endure for a term consisting of the life of the last surviving author. * * *

(e) *Transfer and waiver*

(1) The[se] rights may not be transferred, but . . . may be waived if the author expressly agrees to such waiver in a written instrument signed by the author. Such instrument shall specifically identify the work, and uses of that work, to which the waiver applies, and the waiver shall apply only to the work and uses so identified. In the case of a joint work prepared by two or more authors, a waiver of rights under this paragraph made by one such author waives such rights for all such authors.

(2) Ownership of the[se] rights . . . with respect to a work of visual art is distinct from ownership of any copy of that work, or of a copyright or any exclusive right under a copyright in that work. Transfer of ownership of any copy of a work of visual art, or of a copyright or any exclusive right under a copyright, shall not constitute a waiver of the[se] rights[.] Except as may otherwise be agreed by the author in a written instrument signed by the author, a waiver of the[se] rights with respect to a work of visual art shall not constitute a transfer of ownership of any copy of that work, or of ownership of a copyright or of any exclusive right under a copyright in that work.

15 U.S.C. § 106A.

II. Copyright Ownership

The ownership of copyright is set forth in Section 201 of the Copyright Act, which provides:

(a) *Initial Ownership.--Copyright* . . . vests initially in the author or authors of the work. The authors of a joint work are coowners of copyright in the work.

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

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

(d) *Transfer of Ownership*.—

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

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

(e) *Involuntary Transfer*.--When an individual author's ownership of a copyright, or of any of the exclusive rights under a copyright, has not previously been transferred voluntarily by

> that individual author, no action by any governmental body or other official or organization purporting to seize, expropriate, transfer, or exercise rights of ownership with respect to the copyright, or any of the exclusive rights under a copyright, shall be given effect under this title, except as provided under title 11.

17 U.S.C. § 201.

Divisibility. Section 101 of the U.S. Copyright Act defines “copyright owner” with respect to any of the exclusive rights comprised in a copyright as “the owner of that particular right.” Every holder of an exclusive right is, therefore, regarded as a “copyright owner” to the extent of the right possessed. There may be, and typically are, multiple copyright owners of a single work. For example, a novelist sells to a book publisher the right to print and distribute, but conveys to a motion picture company the right to make a film based on the novel.

Unitary Ownership vs. Divisibility. The treatment of an exclusive licensee as a copyright owner was introduced to the U.S. Copyright Act in 1976. Previously there was only one copyright owner, who was the holder of all rights; everyone else was a licensee. This principle of unitary ownership, known as “indivisibility,” was replaced in 1976 by the principle of “divisibility,” *i.e.,* the ability of the author to divide up the exclusive rights granted by the Act.

Divisibility of Rights vs. Indivisibility of Copyrighted Work. Divisibility does not refer to dividing up the work, but to dividing up rights in the work. Thus, while there is always only one protected original work of authorship, there is no such single “copyright” in that work. “Copyright” is simply the name given to the exclusive rights granted in Sections 106 and 106A4 and vests initially as a bundle in the author. After initial vesting, the author may disaggregate the bundle of exclusive rights by assignment or bequest. Rights may also be transferred by intestate succession or involuntarily by operation of law, such as bankruptcy, or community property laws. As long as the right is exclusive, the transferee is considered the “copyright owner” of that right and may enforce it separately without the consent of the owner of the other rights.

Collaborative Work. A "work of collaboration" is a work in the creation of which more than one natural person has participated. A work of collaboration is the joint property of all of its authors. The joint authors are entitled to exercise their rights by common accord. However, in the event of a failure to agree, the courts have jurisdiction. In instances where the contribution of each of the joint authors is of a different kind, each may, unless otherwise agreed, separately exploit his or her own personal contribution without, however, prejudicing the exploitation of the common work.

Composite Work. A "composite work" is a new work in which a preexisting work is incorporated without the collaboration of the author of the pre-existing work. A composite work is the property of the author who has produced it, subject to the rights of the author of the preexisting work.

Collective Work. A "collective work" is a work created at the initiative of a natural or legal person who edits it, publishes it and discloses it under his or her direction and name and in which the personal contributions of the various authors who participated in its production are merged in the overall work for which they were conceived, without it being possible to attribute to each author a separate right in the work as created. Unless proved otherwise, a collective work is the property of the natural or legal person under whose name it has been disclosed. The "author's rights" vest in that person.

III. Joint Authorship

The 1976 Act does not define “joint author” but instead defines “joint work”: “[A] work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole.” 17 U.S.C. § 101.

Joint Works v. Collective Works. The U.S. Copyright Act distinguishes between joint works and collective works such as periodicals. The key element of authorship in a collective work is the assembling of separate and independent works into a whole, which is not greater than the sum of its parts, but in its very nature is different from the parts; the collective whole exists as an independent entity, apart from the individual contributions collected. In collective works, the requisite joint authorship elements of merger and unity with respect to the individual contributions are lacking. There is a basic distinction between a "joint work," where the separate elements merge into a unified whole, and a 'collective work,' where they remain unintegrated and disparate.

Thus, photographs designed to illustrate a magazine article are not joint works with the article or the periodical since they are not merged into a unitary authorship whole, but instead are separate works placed in conjunction to the article. And an independently created computer program used to permit the search and retrieval of a preexisting collective work is not a joint work with the collective work. To begin with, the two works are not inseparable or interdependent within the meaning of the Act: they are merged not in the authorship sense, but only functionally. A later work combined with a new work does not result in joint authorship.

Independent and Inseparable Works. There are two forms of joint works: interdependent and inseparable. Classic examples of interdependent joint authorship in American popular culture include the collaborative musical works of Gilbert and Sullivan, the Gershwin brothers, and Rodgers and Hammerstein. These works are the result of the interdependent contributions of the collaborators, i.e., one person wrote the lyrics and the other the music, either of which could be an independent work, but which, when combined, form a single "interdependent" joint work.

By contrast, examples of an inseparable joint work include two or more individuals collaboratively writing a screenplay, or a work of visual art. In these cases, the collaborators' contributions are woven into a whole, and the individual contributions cannot be separated into different works.

Economic Consequences of Joint Ownership. Important economic consequences flow from a joint authorship relationship: Each joint author is a co-owner of the work and, as a "tenant in common" under U.S. law, possesses an equal, undivided interest in the whole, regardless of the relative extent or quality of his contribution. Thus, two joint authors each own a 50% interest in the whole, even if one author contributed only 10% of the work. Three joint authors each own a 33⅓% undivided interest in the whole, etc. Where there is doubt about whether the parties intended to create a joint work, some courts look at the percentage of material contributed, not for the purpose of assigning relative shares of ownership, but for the purpose of determining whether a joint authorship relationship exists at all. Joint authors may alter the respective ownership shares they are automatically vested with, but must do so in a signed, written statement, since such a reallocation effects a "transfer of copyright ownership."

As a co-owner in the whole, each joint author may utilize the work himself without the other's permission and even over the other author's objection. Obviously, then, co-authors are not liable to one another for infringement. A co-owner may also sue for infringement by third parties without joining the other co-owner in the litigation.

A license from one co-owner is a defense to a claim of infringement brought by the other, non-licensing joint owner. This is a significant point: a co-owner may unilaterally grant nonexclusive licenses; a joint author (or co-owner by assignment) is immune from an infringement claim by the other author or co-owner; and, a joint author has an independent right to use the work.

The only obligation of a co-owner is to account for any profits earned from the exploitation. A cause of action by one joint owner against another solely for such an accounting must be brought in state court, since it does not "arise under" the Copyright Act.

One joint author may also transfer all of his or her own exclusive proportional interest in the work without the other joint author's consent. One joint author may also convey his or her proportional renewal interest, and since a joint owner has an equal and undivided interest in the entirety of the work,

assignment of such a renewal interest will immunize the assignee from any claim of infringement by a non-assigning co-owner of the renewal term. A joint author (or co-owner) may not, however, transfer all interest in the work without the other co-owner's express written authorization, since that would result in an involuntary transfer of the other joint owner's undivided interest in the whole.

Where one co-owner sues successfully for infringement and receives an award of damages, the award should be for the full amount of the infringement and not the co-owner's proportional share. The non-suing co-owner may then collect its proportional share, and failing such payment may sue in state court for an accounting.

Another important aspect of joint ownership is the ability of one joint author to settle claims, including, in litigation by granting a nonexclusive retroactive license, without the other joint author's knowledge, or agreement.

The rules of joint ownership in the U.S. Copyright Act are based on economic rationale. By permitting each joint owner to exploit the work without interference from the other joint owner, the benefits of the rights granted are maximized. If each joint owner had to obtain permission from the other to prepare a derivative work, the number of derivative works would be reduced, representing a loss to at least one of the joint owners and to society. The ability of one joint owner to grant nonexclusive licenses facilitates licensing: if the permission of all joint owners were required for nonexclusive licenses, the transaction costs (to say nothing of the veto power) might prove prohibitive. At the same time, the bar on unilateral grants of exclusive licenses protects all joint owners from divestment or precipitous deals. In addition, when the relationship isn't working out, the divisibility of copyright ensures that joint owners who aren't getting along do not have to remain wedded for the duration of the copyright (a period exceeding any marriage): each joint author can get out of the copyright relationship simply by unilaterally transferring his or her exclusive rights to a third party without the need for judicial intervention.

Claims for Accounting Between Co-Owners. The obligation to account to joint authors or co-owners for revenues earned by exploiting the work arises not under the Copyright Act but under state law principles governing tenants in common, even though the determination of who is a joint author or co-owner lies exclusively under the Copyright Act.

Waste, Implied Negative Covenants, and Fiduciary Relations Between Joint Owners. Co-owners of copyright do not owe each other a duty not to “waste” or “deplete the copyright. These are real property concepts inapplicable to copyright. Unlike land, where one can see and test the property's continued utility, one cannot distinguish between a copyright co-owner's efforts to vigorously exploit the work and “over exploiting” which theoretically might lead to depletion of a copyright's economic value. The duty to account is for profits, not value. While there is no duty under U.S. law not to “waste” the value of a copyright, some courts have incongruously found that an “implied negative covenant” not to use the un-granted portion of the copyright to the detriment of co-owner licensees may arise. This issue is unsettled in the U.S.

Joint Ventures. Difficulties arise in the treatment of joint ventures since the term is used loosely. Other difficulties arise from state laws (which govern joint ventures) indicating that the parties are not bound by the labels they use in agreements. Thus, something that the parties call a “joint venture” may, in fact, be an ordinary contract or an exclusive agency agreement, and something declared not to be a joint venture may nevertheless be one.

The main elements of a joint venture are: (1) two or more persons must enter into a specific agreement to carry on an enterprise for profit; (2) their agreement must evidence their intent to be joint venturers; (3) each must make a contribution of property, financing, skill, knowledge, or effort; (4) each must have some degree of control over the venture; and (5) there must be a program for the sharing of both profits and losses.

Where there is a valid joint venture agreement, the joint venture is generally governed by the same principles applicable to partnerships. A joint venture may be incorporated, and this possibility, as well as the intersection between state law and the federal Copyright Act, may raise a number of issues surrounding copyright ownership. For example, where state law does not require that the joint venture agreement be in writing, section 204(a) of the Copyright Act, is absolute in requiring that for a non-author (whether an individual or a joint venture) to own copyright, there must be a written agreement signed by the copyright owner explicitly transferring rights. An oral agreement to form a joint venture and to have that joint venture own copyright is, as to copyright ownership, invalid. Given the ease with which joint ventures may be alleged and proved under the law of many states, acceptance of an oral agreement would fatally undermine the Copyright Act's written instrument requirement. If a copyrighted work has been created prior to the formation of the joint venture, the copyright is owned by the author and may be transferred to the joint venture, where it may form an important property of the venture. Once transferred, neither party may sue the joint venture for infringement, but the transfer must comply with 17 U.S.C.A. Section 204(a).

Problems with the ownership of the copyrights frequently arise when a joint venture falls apart or is dissolved. Absent an automatic reversion of the copyrights to the partners, the joint venture may remain the copyright owner and the partners may be enjoined from use of what had been their own work.

Where works are created during the existence of the joint venture by employees of the partners in furtherance of the business of the joint venture, who owns the copyright? Absent an agreement to the contrary, each partner owns an undivided interest in the whole, without regard to whether the partner (or more accurately, its employees) contributed to the creation of the work in question. This departs from the ordinary rules of joint authorship, which require that each joint author contribute more than a de minimis amount of expression. The reason for the departure is that the work is fictionally created by a single, juridical entity, the joint venture. If this result is not desired, the parties can specify a different outcome in the joint venture agreement. On the other hand, if the joint venture agreement specifies that all rights in works created by the partners during the existence of the venture will be owned by the joint venture, the partners will own a proportionate share of the joint venture, but the copyright will be owned by the joint venture unless transferred back to the partners. (The agreement on ownership may even occur in the joint venture agreement itself.) This is also the result if the joint venture is incorporated and the works are created by employees of the joint venture.

Originality and Joint Authorship. In order to be a “joint” author, one must be an “author.” To be an author, one must independently create and contribute at least some minimal amount of expression. The requirement that each joint author contribute expression has important implications. The requirement ensures that the scope of the joint authorship doctrine is not expanded to include editors, research assistants, actors in plays, and movie consultants. Instead, reward for such contribution is left to contract.

A writer frequently works with an editor who makes numerous useful revisions to the first draft, some of which will consist of additions of copyrightable expression. Both intend their contributions to be merged into inseparable parts of a unitary whole, yet very few editors and even fewer writers would expect the editor to be accorded the status of joint author, enjoying an undivided half interest in the copyright in the published work. Similarly, research assistants may on occasion contribute to an author some protectable expression or merely a sufficiently original selection of factual material as would be entitled to a copyright, yet not be entitled to be regarded as a joint author of the work in which the contributed material appears. What distinguishes the writer-editor relationship and the writer-researcher relationship from the true joint author relationship is the lack of intent of both participants in the venture to regard themselves as joint authors. In order to be a joint author, therefore, one must contribute expression, not mere ideas or other unprotectible material.

Nature of the Requisite Expression in Joint Authorship. Whether a putative author has contributed expression or merely ideas will vary according to the nature of the subject matter and the extent of his expertise. The inquiry into whether a putative joint author has contributed the requisite amount of expression is no different in principle from the inquiry into whether a sole author has imbued the work with a sufficient amount of creative material to satisfy the originality requirement. The difference

between the two inquiries lies only in the recognition that while a joint author must still be an author, his contribution need not stand on its own as a separately copyrightable work: the requisite originality in a joint work may instead be satisfied by considering the combined contributions of all joint authors. Nor must the contributions of each joint author be equal. The only requirement is the contribution of expression and an intent to be a joint author.

In specialized areas requiring professional or high-level training, such as architecture, computer programming, motion pictures, photography, and graphic works, it may not be easy to find a joint work where the commissioning party does not have training in the field. The lack of such training renders it less likely that such a party can contribute expression, as opposed to ideas. There are, of course, situations in which both parties have the same skill level or have complementary skills in creating a collaborative work drawing on multiple disciplines. For example, in creating music videos, the band and the video director may, in particular cases (those where the band's contribution goes beyond merely performing and includes authorship of the audiovisual work), both be joint authors if the requisite intent is present. With audio recording of musical concerts, and the making of sound recordings, the performers and the sound engineer/producer are, absent any special circumstances, classic joint authors.

A company whose employees create a work under a for-hire arrangement may be a joint author with an individual who is not for hire. The employees are not joint authors with the company; rather, the company is the sole author of their contributions.

Joint Authorship and Motion Pictures. Ordinary theatrical releases are subject to collective bargaining agreements and individual contracts that take care of ownership and use issues. While contracts are not always signed, the industry seems to generally function within customs that resolve disputes.

The same is not true, however, in the realm of low budget independent films. In one such case, *Garcia v. Google Inc.,* 786 F.3d 733 (9th Cir. 2015), an actress was bamboozled when a movie producer transformed her five-second acting performance into part of a blasphemous video proclamation against the Prophet Mohammed. The producer uploaded a trailer of the film, Innocence of Muslims, to YouTube. Millions of viewers soon watched it online, news outlets credited the film as a source of violence in the Middle East, and the actress received death threats. Asserting that she held a copyright interest in her fleeting performance, the actress sought a preliminary injunction requiring Google to remove the film from all of its platforms, including YouTube. The appellate court held that her copyright claim was “debatable” but entered a mandatory injunction requiring Google to remove the film. That injunction was later limited to versions of the film featuring the actress’ performance.

The plaintiff’s claim in *Garcia* has been criticized as “copyright cherry picking,” which would enable any contributor from a costume designer down to an extra or best boy to claim copyright in random bits and pieces of a unitary motion picture without satisfying the requirements of the Copyright Act. The plaintiff's ultimate contribution was five seconds of screen time; her two sentences of dialogue had been dubbed over. One of her primary objections rested on the words falsely attributed to her via dubbing. But she could not claim copyright in words she neither authored nor spoke. That left her with a legitimate complaint, but not one that could be vindicated under the law of copyright.” The plaintiff boxed herself into a corner: she disavowed any joint authorship interest, and instead claimed sole authorship of her five seconds of unspoken emoting. But she had clearly intended her contributions to be merged into the inseparable whole, and had not, at the time, considered her work as being separate: she had not fixed her contributions either. It was only after she was “bamboozled” that she asserted a separate claim. Her contributions were de minimis, a ground on which the case could have been decided. The court held that her theory of Copyright Act would result a legal morass by “splintering a movie into many different ‘works,’ even in the absence of an independent fixation. Simply put, as Google claimed, it ‘make[s] Swiss cheese of copyrights.’”

In another case involving a low-budget film, *16 Casa Duse LLC v. Merkin,* 791 F.3d 247 (2d Cir. 2015), a director, made substantial creative contributions to the work. However, defining “the” work was problematic. There was the finished work, which was to be exhibited theatrically until the parties'

wrangling impeded it. Then there was the raw footage. Because the Copyright Act affords protection to each work at the moment of its creation, copyright subsists even in such an unfinished work. As to the finished product, the parties' agreement provided that the work was not jointly authored, and there was no work for hire agreement. Because the director did contribute appreciable expression, the court held that he did not the expression. However, the expression was not owned by the defendant, because there was no work for agreement or transfer. The court could have found an implied license, but such a license would be subject to rescission. The only other option was to hold that the contributions, although of an appreciable amount of expression, were not owned by anyone because they were not a “work.” Any other conclusion would grant contributors like the plaintiff greater rights than joint authors, who have no right to interfere with a co-author's use of the copyrighted work because joint authorship entitles the co-authors to equal undivided interests in the work. The court found it unlikely that Congress intended for contributors who are not joint authors to have greater rights enabling them to hamstring authors' use of copyrighted works. The court held that the creation of “thousands of standalone copyrights” in a given work was likely not intended. *Garcia*, 786 F.3d at 743.7

As to the raw footage, though, the court took the view that defendant was the “dominant” author and that therefore plaintiff wasn't an author at all. This view has been criticized by commentators.