



Copyright Transactions: Transfers, Licensing, and Misuse

Copyright
Eric E. Johnson
ericejohnson.com



Konomark
Most rights sharable

Let's start with
licenses

What is a license?

Licenses, in general

What is a license?

- It is a permission or consent for the licensee to do something otherwise within the licensor's exclusive rights. ("Exclusive rights" mean the right to exclude others.)
- It is legally cognizable as an affirmative defense to an action for infringement or misappropriation based on some form of intellectual property (copyright, patent, trademark, trade secret, or right of publicity).

- **There is no such thing as "breach of license"!**
- If someone has acted beyond the scope of the license, then the licensor might have an action for infringement of copyright (or infringement or misappropriation of some other intellectual property right, or maybe a trespass claim if we're talking about tangible property).

Is a license a contract? What's the difference?

Is a license a contract?

- Many courts say so.

"A license is a contract."

Global Communications, Inc. v. Directv, Inc., 4:12CV651-RH/CAS, 2013 WL 11325041, at *2 (N.D. Fla. Aug. 21, 2013) (patent infringement case)

"... a license is a contract ..."

Datatreasury Corp. v. Wells Fargo & Co., 522 F.3d 1368, 1371 (Fed. Cir. 2008)
(patent infringement case)

"... a license is a contract ..."

Foad Consulting Group, Inc. v. Azzalino, 270 F.3d 821, 828 (9th Cir. 2001)

- **But no, a license is not a contract.**
- **And courts that say a license is a contract are being hasty with language. They couldn't possibly really mean it, because if licenses were contracts, that would create a huge mess.**

Some key, practical differences between licenses and contracts:

- Requirement of consideration
 - Contracts need consideration; licenses don't.
- Persons against whom enforcement may be sought
 - Contracts bind only the contracting parties; licenses are good against co-owners and later owners.
- Changed minds
 - Contract law abhors specific performance; yet a putatively irrevocable license seems to endure as an affirmative defense despite claimed revocation.

A good article that explains this:

Christopher M. Newman, A License Is Not A "Contract Not to Sue": Disentangling Property and Contract in the Law of Copyright Licenses, 98 IOWA L. REV. 1101 (2013).

He reviews various scenarios of bizarre outcomes that “would all be fairly straightforward implications of the premise that a license is nothing but a ‘contract not to sue.’” Then he says, “Yet no one, I think, actually believes those arguments should prevail.”

"[P]racticing lawyers and judges already recognize on some level that a license is not simply a 'contract not to sue.' Yet many continue to pay lip service to this formulation, and it remains enshrined in the leading treatises on copyright and licensing. The result is that sometimes legal actors actually do fall back on the contract theory of license to analyze legal problems, often with inconsistent and counterproductive results."

- Christopher M. Newman, 98 Iowa L. Rev. 1101, 1106 (2013)

So:

- A license can be one thing *exchanged* in a contract (like money, goods, warranties)
- But ...
- A license is not a contract.
- And ...
- There is no such thing as breach of license.

So:

- A license can be one thing *exchanged* in a contract (like money, goods, warranties)
- But ...
- A license is not a contract.
- And ...
- **THERE IS NO SUCH THING AS BREACH OF LICENSE.**

Contractual
remedies
vs.
IP remedies

IP PITFALL:

Structuring a license
agreement so that you can
only get contractual
remedies instead of IP
remedies

Contract A: “I license you to make copies of the software for one year. You agree to pay me \$1,000 per month for 12 months.”

Contract B: “You agree to pay me \$1,000 per month for 12 months. I license you to make copies of the software for one year, conditioned upon the receipt of timely payments. If any payment is not made when due, the license ceases.”

What happens if you stop payment?

If you stop payment under Contract A and keep making copies (or otherwise doing things within the exclusive privilege of copyright), I can sue you for breach of contract, but not copyright infringement.

If you stop payment under Contract B and keep making copies (or otherwise doing things within the exclusive privilege of copyright), then I can sue you for copyright infringement as well as breach of contract.



Way better for the licensor!!!

Some particularities about copyright licenses

Copyright Licenses

- A copyright can be validly licensed on a non-exclusive basis by any of its co-owners
- A licensee need only obtain a license from just one co-owner to be protected from liability for infringement
- There is a duty to account among co-owners
 - i.e., co-owners must share licensing revenue



Copyright Licenses

Because a would-be-infringer / defendant only needs a license from one owner, this can sometimes allow a defendant to get a better deal – by approaching owners individually rather than having to deal with them collectively.

This can affect settlement dynamics.

Accordingly, co-owners may benefit from proactively transferring their ownership to a single entity they own share of.

For context,
compare patent
licenses ...

Patent Licenses

- A patent can be validly licensed on a non-exclusive basis by any of its co-owners
- A licensee need only obtain a license from just one co-owner to be protected from liability for infringement
- There is no duty to account among co-owners

Patent Licenses

- A patent can be validly licensed on a non-exclusive basis by any of its co-owners
- A licensee need only obtain a license from just one co-owner to be protected from liability for infringement
- There is no duty to account among co-owners

Key difference vs. copyright!

Patent Licenses

Because a would-be-infringer / defendant only needs a license from one owner **and they don't then have to share their compensation**, this can be a huge advantage for defendants, allowing them to approach owners individually and have them bid each other down.

This massively affects settlement dynamics.

Again, co-owners may benefit from proactively transferring their ownership to a single entity they own share of.

vs. copyright!

Express /
implied;
written / oral

Licenses can be express (oral or written) or implied, and be perfectly valid.

- Licenses can be express (oral or written) or implied, and be perfectly valid.
- But written licenses provide good evidence in case of a dispute.

- And written licenses get the benefit of a statutory provision providing priority against later transfers.

§ 205. Recordation of transfers and other documents

(e) Priority Between Conflicting Transfer of Ownership and Nonexclusive License. - A nonexclusive license, whether recorded or not, prevails over a conflicting transfer of copyright ownership if the license is evidenced by a written instrument signed by the owner of the rights licensed or such owner's duly authorized agent, and if-

- (1) the license was taken before execution of the transfer; or
- (2) the license was taken in good faith before recordation of the transfer and without notice of it.

Open-source
and sharing
licenses



Sharing licenses

- Open source software licenses enforce sharing-forward of software and keeping code open for others to improve upon
- GPL license is primary example
- Android operating system is an example of open-source licensed software



GPL

- GNU General Public License
- Allows anyone to use
- Allows anyone to make changes so long as they make the changed version available to the public
- Enforces sharing forward
- License behind Linux, Firefox, and much else, including much of the web's backend



Creative Commons licenses

- Like the GPL, but for entertainment media
- Photographs, text, music, but not software code
- Enforces sharing forward
- Available in different flavors for more sharing or less ...

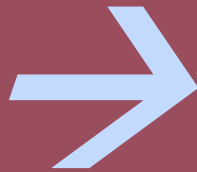


- Attribution
- Non Commercial
- No Derivatives
- Share Alike

Now let's do
transfers

First, I'm going to ***remind you*** of how much we already covered concerning transfers previously.

***The following
are all
previously
shown slides***



The following

**Previously
on ...**



**Copyright Authorship
and Ownership
(Including Works Made
for Hire — plus
Assignments, Transfers)**

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IP PITFALL:

Not securing copyright
ownership despite
paying for it

Two ways a work can constitute a “work made for hire”

- The work is prepared by an employee within the scope of employment
- The work is specially commissioned, under certain circumstances

Employee/scope-of-employment works

- To qualify, there must be a real, bona fide employee/employer relationship.
- The agreement of the parties about the status of their relationship does not control.
- Employment status is determined under the common law of agency. (*CCNV v. Reid*)
- A few of the factors courts look at:
 - Employer's control over the work
 - Employer's control over the employee
 - Employer is in the business of producing such works
 - Indicia of employment: Taxes withheld from employee's pay check, etc.
 - *More on next slide ...*

Employment vs. Independent Contractor Under Agency Principles (*CCNV*)

- hiring party's right to control the manner and means by which the product is accomplished
 - the skill required
 - the source of the instrumentalities and tools
 - the location of the work
 - the duration of the relationship between the parties
 - whether the hiring party has the right to assign additional projects to the hired party
 - the extent of the hired party's discretion over when and how long to work
 - the method of payment
 - the hired party's role in hiring and paying assistants
 - whether the work is part of the regular business of the hiring party
 - whether the hiring party is in business
 - the provision of employee benefits
 - the tax treatment of the hired party
- No one of these factors is determinative.

Assignments

- Even without qualifying for work-made-for-hire doctrine, a hirer can still get the copyright through an assignment.
- An assignment requires a writing signed by the assignor with express words of assignment.
- But being an assignee is not as good as being the author under work-made-for-hire doctrine ...
 - An author/assignor can recapture copyright around 35-40 years later through 17 U.S.C. § 203.
 - But if a work is a work-made-for-hire, then there is no statutory recapture.

Work-for-hire + assignment provision

22.1 Title. Company and University intend this to be a contract for services and each considers the Work and any and all documentation or other products and results of the services to be rendered by Company hereunder to be a work made for hire. Company acknowledges and agrees that the Work (and all rights therein) belongs to and shall be the sole and exclusive property of University.

22.2 Copyright Assignment. If for any reason the Work would not be considered a work-for-hire under applicable law, Company does hereby sell, assign, and transfer to University, its successors and assigns, the entire right, title and interest in and to the copyright in the Work and any registrations and copyright applications relating thereto and any renewals and extensions thereof, and in and to all works based upon, derived from, or incorporating the Work, and in and to all income, royalties, damages, claims and payments now or hereafter due or payable with respect thereto, and in and to all causes of action, either in law or in equity for past, present, or future infringement based on the copyrights, and in and to all rights corresponding to the foregoing throughout the world.

Company agrees to execute all papers and to perform such other proper acts as University may deem necessary to secure for University or its designee the rights herein assigned.

(From: "Miscellaneous Sample Clauses - University of Texas System")

Work-for-hire + assignment provision

I like to add something that speaks to a specific category of specially commissioned work, such as “collective work”:

The parties acknowledge that Photographer’s work and services hereunder have been specially ordered or commissioned by Hirer for use by Hirer as a contribution to a collective work.

This is the belt-and-suspenders approach.

(From: “Miscellaneous System”)

Work-for-hire + assignment provision

I like to add something that speaks to a specific category of specially commissioned work, such as “collective work”:

The parties acknowledge that Photographer’s work and services hereunder have been specially ordered or commissioned by Hirer for use by Hirer as a contribution to a collective work.

That, in fact, is what I did for my own wedding. And yes, they really were for a collective work ...

This is the belt-and-suspenders approach.

(From: “Miscellaneous System”)



Here you can see the digital photo album, which we put online. At the bottom of the page, it says, "Photos with 'HW' prefix taken by Scott Jo. Photos with 'IMG' prefix taken by Andrei Butura. All photos copyright 2004 by Kit & Eric."

Photos with "HW" prefix taken by Scott Jo. Photos with "IMG" prefix taken by Andrei Butura.
All photos copyright 2004 by Kit & Eric.



© 2004 Kit & Eric



Copyright Renewals and Terminations

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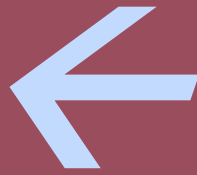
Currently, there are two ways to
recapture transferred copyrights:

17 U.S.C. § 304(c)

- for pre-1978 transfers
- (that's '09 Act times)

17 U.S.C. § 203

- for post-1977 transfers
- **(that's '76 Act times)**



*Those were all
previously
shown slides*

Now, I'm going to
give you some new
slides and new
material.

Exclusive licenses

- A transfer of less than the entire copyright is called an “exclusive license.”
- It’s one of the sticks in the bundle — if you are using the property-is-a-bundle-of-sticks metaphor.
- If I own a copyrighted motion picture, I could give you an exclusive license ...
- for theatrical distribution in North America for a period of now until two years from now, *or*
- for video streaming in the United States for the next six months, *or*
- for dubbing into French and distributing the French language version in Europe, Africa, and the Middle East for the duration of the copyright term, *or*
- whatever other way I might want to divide up my copyright.

Exclusive licenses

- Note that “exclusive license” is really a misnomer ... because a “license” is a consent for someone to do something that you otherwise have a right to prevent—such as
 - punching you in the face,
 - pitching a tent on your land,
 - reproducing your copyrighted song, etc.
- Those things are always nonexclusive. Just because I let you punch me in the face doesn’t mean that you can get all possessive and start suing other people who punch me in the face.
- But in copyright terminology, a transfer of less than the entire copyright is called an “exclusive license.”
- With an exclusive license, you’re transferring ownership of something – not just giving a permission.

Validity of transfers

- Transfers – including exclusive licenses and assignments, must be in writing, signed by the grantor, to be valid.

§ 204. Execution of transfers of copyright ownership

(a) A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent.

- If there is more than one owner of the copyright, then an assignment of the entire copyright, of course, requires all owners to make the grant.
- And to get a valid exclusive license of a copyright with more than one owner, you need all owners to make the grant. Otherwise one person would be able to transfer ownership of someone else's property!

Priority of ownership, recordation

- If it's important, then as the transferee, you should record the transfer with the copyright office.
- The sooner you record it, the better.

§ 205. Recordation of transfers and other documents

(a) **Conditions for Recordation.** - Any transfer of copyright ownership or other document pertaining to a copyright may be recorded in the Copyright Office if the document filed for recordation bears the actual signature of the person who executed it, or if it is accompanied by a sworn or official certification that it is a true copy of the original, signed document. A sworn or official certification may be submitted to the Copyright Office electronically, pursuant to regulations established by the Register of Copyrights.

(b) **Certificate of Recordation.** - The Register of Copyrights shall, upon receipt of a document as provided by subsection (a) and of the fee provided by section 708, record the document and return it with a certificate of recordation.