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Licensing Rights in Jointly-Owned Copyrights-You Can't Always Get What You Want

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Joint ownership of copyrights is a tricky issue in any transaction. It is one confronted regularly in digital media deals where rights in the underlying content are often owned by more than one person and licenses are granted retroactively. Recent decisions in the Second and Ninth Circuit Court of Appeals have caused tremendous concern about the eroding rights of copyright co-owners. In Davis v. Blige, the Second Circuit held that copyright co-owners cannot unilaterally issue retroactive licenses. And in Sybersound v. UAV Corp., the Ninth Circuit held that a copyright co-owner cannot grant an exclusive license without the consent of all the other co-owners. The combined effect of these decisions has been described as the "death of divisibility" in copyright law. These decisions threaten to pose considerable difficulties for anyone looking to acquire rights in a copyright that is owned by more than one individual. The question of retroactive licensing has been considered in a number of district court cases, however, Davis was the first time the issue had been considered by an appellate court. The case centered around two songs written by Mary J. Blige, Bruce Miller and others, all of whom were defendants in the case. The plaintiff, Sharice Davis, claimed that Blige's songs infringed her copyright in two songs she co-authored with Bruce Chambliss, the step-father of Blige and father of Miller. Miller however, claimed that Chambliss, who was not a party to the case, wrote the disputed compositions on his own and orally agreed to give all rights in the music to Miller. However, the crux of the case turned on a written agreement between Miller and Chambliss, created two days before Chambliss' first deposition. The agreement purported to retroactively transfer all rights in Chambliss' works to Miller from the date of their composition. This would make Miller a co-owner in the two disputed compositions and validate the licenses he gave to Blige to use the works. If the Court of Appeals had upheld the agreement, as the District Court did, Davis would have lost all of her claims for past infringement against the other defendants. The Second Circuit overturned the District Court decision, holding that a co-author cannot immunize a third party for past infringements by retroactively issuing a license for the infringed work. To support its decision, the Court of Appeals used the property theory of joint tenancy as a model for the rights of copyright co-owners. Each copyright co-owner had independent rights to use and license the work, subject only to a duty to account to the other co-owners for any profits that are made. A co-owner can only convey as much as he possesses and cannot, therefore, transfer or assign the rights of other co-owners. The court held that a

retroactive transfer would effectively allow a co-owner to assign away another co-owner's right to sue for accrued infringements. While Chambliss could release Miller and the others from liability from him for past infringements, he could not transfer or assign any rights Davis had against the defendants for accrued causes of action. By holding that licenses can only be issued prospectively, the court drew a line between a co-owners right to sue for past and future infringements. A copyright co-owner can unilaterally issue a non-exclusive license which prevents a co-owner from suing the licensee for any future use. However, a co-owner cannot issue a retroactive license that would prevent a co-owner from suing for infringements that have already occurred. This holding, the court believed, provides certainty for co-owners dealing with infringement actions and discourages infringement by ensuring that retroactive licenses aren't used to lower the cost of infringement. In *Sybersound*, the Ninth Circuit dealt with the question of a co-owner's right to license their copyright from a different perspective. Where Davis dealt whether a co-owner could unilaterally issue a retroactive license in order to cure past infringements, the question in *Sybersound* was whether a co-owner can unilaterally grant an exclusive license that gives the licensee co-ownership in the copyright. *Sybersound* had brought claims of infringement against five of its competitors in the karaoke industry for allegedly infringing *Sybersound*'s copyrights in nine songs. *Sybersound* had acquired its rights in these songs by way of agreement with TVT, a co-owner the copyrights along with other publishing companies. The agreement stated that TVT was making *Sybersound* the "exclusive assignee of TVT's copyrighted karaoke use interest and of TVT's right to sue," purportedly making *Sybersound* a co-owner in the copyright. The Ninth Circuit held that the agreement was invalid because TVT could not exclusively assign what it did not exclusively possess. TVT was only a co-owner of the copyright, and therefore, "as a co-owner of the copyright, TVT could not grant an exclusive right interest." For *Sybersonic* to acquire an exclusive license, each of the co-owners of the copyright would have to agree to the transfer. Since TVT could only unilaterally grant a non-exclusive license, *Sybersonic* did not have standing to sue and the infringement claims were dismissed. It had been a common practice in the media industry to obtain licenses after the fact. However, after *Davis*, that practice has become much more uncertain. The *Sybersound* decision might have a dampening effect on similar transactions as it seemingly makes it impossible for a copyright co-owner to grant an exclusive license of his proportional share in a copyright without the consent of his fellow co-owners. Left undiscussed in these decisions was the issue of the representations made by the co-owner of the copyrights in the underlying license agreements. One can assume that the licensees sought and obtained a representation that the licensors had the authority to grant the underlying rights and that use by the licensee of the copyrighted works would not infringe or violate any third party's rights. Obviously these rulings have rendered those representations false, exposing the co-owners to potential claims under the license agreements, including claims for indemnification. In confronting the commercial landscape created by these rulings, it is critical for licensees to carefully consider the rights they are obtaining in copyrighted works with multiple owners, particularly when rights are being granted on a retroactive or exclusive basis, to ensure that they will be able to exploit the rights as intended. For copyright co-owners, it is important that any representations they make be tailored to reflect their limitations on the rights they can grant so that they are not promising more than they can deliver. Our New Media, Entertainment and Technology practice group has extensive experience assisting our clients in understanding and analyzing the impact of new developments in the law on the design, development, implementation and operation of their respective business initiatives across all new media platforms, and we will continue to stay apprised of and routinely report on further developments in the treatment of co-ownership by the courts in this regard.

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