

No. _____

In the
Supreme Court of the United States

MICHAEL BAISDEN,

PETITIONER,

v.

I'M READY PRODUCTIONS, INC.; IMAGE
ENTERTAINMENT, INC.; A.L.W. ENTERTAINMENT, INC.;
GARY SHERRELL GUIDRY; JE'CARYOUS FRANKNEQUE
JOHNSON,

RESPONDENTS.

**On Petition for a Writ of Certiorari to the
United States Court of Appeals
for the Fifth Circuit**

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

Petitioner and one of the respondents entered into a written exclusive license for the performance of a stageplay and distribution of related merchandise using petitioner's copyrighted work. The original written exclusive license expired and was never renewed through a subsequent written agreement. Nonetheless, respondents subsequently performed the stageplay and distributed related merchandise. When petitioner sued for copyright infringement, respondents claimed that petitioner orally granted them the same exclusive licenses to exploit the work that they previously held pursuant to the expired written agreement. Petitioner vigorously disputed that the alleged oral agreement occurred.

Although 17 U.S.C. § 204(a) provides that “[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,” the Fifth Circuit ruled in respondents' favor on the theory that the “totality of the parties' conduct” established that respondents had an implied *nonexclusive* license not subject to section 204(a)'s writing requirement. That decision cannot be defended as an effort to divine the parties' actual intent—both the original written agreement and the alleged oral agreement were exclusive. Instead, the Fifth Circuit's decision to convert an alleged oral exclusive license into a nonexclusive license—rather than treat it as a nullity as section 204(a) requires—can only be understood as a brazen effort to circumvent section 204(a) and its writing requirement.

In its decision, the Fifth Circuit expressly acknowledges that “*other* circuits” would have rejected the possibility of an implied nonexclusive license under these circumstances, App. 13, and indeed, at least four courts of appeals have interpreted the Copyright Act to forbid the result reached by the Fifth Circuit. The question presented is:

Whether section 204(a)’s requirement that all transfers of copyright ownership, including exclusive licenses, be in writing can be evaded by the simple expedient of treating alleged oral exclusive licenses as implied nonexclusive licenses based on the “totality of the parties’ conduct.”

LIST OF PARTIES

Petitioner, who was plaintiff-appellant below, is Michael Baisden. Respondents are I'm Ready Productions, Inc.; Image Entertainment, Inc.; A.L.W. Entertainment, Inc.; Gary Sherrell Guidry; and Je'Caryous Frankneque Johnson.

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PETITION FOR CERTIORARI

To enhance predictability in copyright ownership and to protect copyright holders from mistaken or fraudulent claims that they orally conveyed their rights to someone else, Congress amended the Copyright Act in 1978 to require that all transfers of copyright ownership be memorialized in writing. Specifically, section 204(a) provides that “[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.” 17 U.S.C. § 204(a).

Section 204(a) applies both to complete transfers of copyright ownership and to transfers of particular exclusive rights comprised in the copyright (such as public performance), with the owner of “any particular exclusive right . . . entitled, to the extent of that right, to all of the protection and remedies accorded to the copyright owner by this title.” *Id.* § 201(d)(2). While section 204(a)’s writing requirement applies to exclusive licenses, it does not reach a nonexclusive license to exploit the work, which can be oral. *Id.* § 101. That difference in treatment has led a majority of the courts of appeals to recognize a narrow category of “implied nonexclusive licenses.” In recognition of the tension between “implied nonexclusive licenses” and section 204(a)’s writing requirement, these courts of appeals have limited such “implied nonexclusive licenses” to the narrow circumstance in which the copyright owner created the work at the licensee’s request and then handed the work over to the licensee

with the intention that the licensee copy and distribute it. In these circumstances, the licensee is the *raison d'être* of the copyrighted work, and the scope for any exception to section 204(a)'s writing requirement is strictly defined and limited.

This case involves the Fifth Circuit's dramatic expansion of this exception to recognize implied nonexclusive licenses wherever the court finds "the totality of the parties' conduct support[s] such an outcome." App. 13–14. In so holding, the Fifth Circuit expressly acknowledged that its newfound "totality of the parties' conduct" test directly conflicts with decisions of "*other* circuits" limiting the availability of implied nonexclusive licenses to the narrow circumstance just described. App. 13. Indeed, at least four courts of appeals have interpreted the Copyright Act to forbid finding a nonexclusive license under the facts of this case. The Fifth Circuit's ruling vastly expands the range of implied licenses from the narrow category of copyrighted works created at the request of the licensee to the entire universe of pre-existing copyrighted works. It also provides a mechanism for courts to circumvent section 204(a)'s writing requirement altogether, as this case dramatically illustrates, by treating alleged "oral exclusive licenses"—which are nullities under section 204(a)—as a basis for finding an implied nonexclusive license. If conduct evincing an intent to transfer *exclusive* rights can be the basis for finding an implied *nonexclusive* license, then the certainty Congress attempted to provide in section 204(a) is illusory.

Review by this Court is thus necessary both to resolve the undeniable conflict among the courts of

appeals regarding the circumstances giving rise to an implied nonexclusive license, and to prevent the decision below from eviscerating the writing requirement in direct contravention of Congress' mandate in enacting section 204(a).

OPINIONS AND ORDERS BELOW

The Fifth Circuit's panel decision is reported at 693 F.3d 491 and reproduced at App. 1. The Fifth Circuit's order denying rehearing en banc is unpublished and reproduced at App. 54. The district court's decision is reported at 804 F. Supp. 2d 549 and reproduced at App. 35.

BASIS FOR JURISDICTION

The Fifth Circuit entered its decision on August 31, 2012 and denied the petition for rehearing en banc on September 24, 2011. This Court's jurisdiction is invoked under 28 U.S.C. § 1254.

STATUTORY PROVISIONS INVOLVED

The relevant provisions of the Copyright Act of 1976, 17 U.S.C. §§ 103 & 204, are reproduced at App. 56–57. The most relevant provision, 17 U.S.C. § 204(a), provides as follows: “[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.”

STATEMENT OF THE CASE

Petitioner Michael Baisden is the host of a nationally syndicated radio show and the author of two best-selling novels, *Men Cry in the Dark* (“*Men Cry*”) and *The Maintenance Man*. App. 2. Respondents Gary Guidry and Je'Caryous Johnson

are the founders of respondent I'm Ready Productions ("IRP"), a theatrical production company. *Id.* On March 9, 2001, the parties entered a written agreement to give IRP the exclusive right to create and publicly perform an original screenplay based on *Men Cry*. *Id.* That agreement (the "2001 written agreement") was of limited duration, giving IRP exclusive performance and merchandising rights only for the three years following the execution of the agreement, with Baisden receiving in exchange a portion of the net profits from ticket and merchandise sales. App. 2–3. IRP developed the stageplay and it toured from January 2002 through November 2002. On March 9, 2004, the 2001 agreement expired by its own terms. App. 10.

In late 2005, IRP revived the stageplay for a second tour and then entered a distribution agreement with Image Entertainment, Inc. ("Image") under which Image would market and sell DVD recordings of the stageplay. App. 5. Image began mass distribution of the DVDs in February 2007. *Id.* Baisden was neither informed of nor compensated under the Image deal.

Beginning in May 2007, Baisden sent IRP a series of cease-and-desist letters regarding the Image DVD sales. *Id.* In February 2008, Baisden filed suit against IRP in the U.S. District Court for the Southern District of Texas, alleging, among other things, copyright infringement.¹ App. 5–6.

¹ The proceedings below also involved a dispute relating to IRP's stageplay of *The Maintenance Man*, but the question

I. The District Court Allows Respondents to Argue Baisden Orally Granted Them an Exclusive License to the Copyrighted Work, Contrary to Section 204(a)'s Writing Requirement for Transfers of Copyright Ownership.

During trial, respondents contended that they did not infringe Baisden's copyrights because the parties entered an oral agreement in the summer of 2005 giving IRP the identical exclusive rights that had been contained in the 2001 written agreement. App. 10. Baisden disputed that such an oral renewal or exclusive oral agreement ever occurred, and argued that in any event, section 204(a) of the Copyright Act would forbid such an oral exclusive agreement, because that provision expressly requires that exclusive copyright licenses be executed in writing. *See* 17 U.S.C. § 204(a); R4462–69, 4491, 4607–26. The district court nonetheless allowed respondents, over Baisden's objections, to testify extensively about alleged oral statements made by Baisden purportedly granting IRP exclusive rights in the copyrighted work, including exclusive merchandising rights permitting the DVD sales. Baisden vigorously disputed that he ever made such statements, and respondents did not present any third parties who could corroborate their allegations. Nonetheless, the jury entered a verdict in IRP's favor, holding among other things that Baisden had transferred the necessary copyright interests to

presented by this petition does not implicate that dispute and accordingly we do not recount it here.

IRP via an oral conversation between Baisden and the individual respondents. App. 10.

The district court denied Baisden's motion for judgment as a matter of law or, alternatively, a new trial. App. 6.

II. The Fifth Circuit Holds That Although Section 204(a) Requires That Exclusive Licenses Be Transferred in Writing, An Oral Attempt to Transfer an Exclusive License May Be Judicially Transformed Into an Implied Nonexclusive License Where “the Totality of the Parties’ Conduct Support[s] Such an Outcome.”

Baisden appealed to the Fifth Circuit, again explaining that respondents' testimony regarding an alleged oral agreement to grant IRP exclusive performance and merchandising rights could not provide a defense to Baisden's infringement claim because section 204(a) expressly and specifically requires that any “transfer of copyright ownership” be “in writing and signed by the owner of the rights conveyed.” 17 U.S.C. § 204(a). *See* Appellant's Br. (docketed by 5th Cir. Sept. 27, 2011) 37–38, 55–56; Appellant's Response and Reply Br. (docketed by 5th Cir. Jan. 2, 2012) 16–18, 28–33.

In its decision, the Fifth Circuit acknowledged section 204(a)'s writing requirement as well as IRP's failure to point to any evidence of a written agreement memorializing the transfer of exclusive rights alleged by IRP. App. 10–11. (“Defendants can point to no written instrument which conveyed [Baisden's] copyrights to IRP.”). The court also acknowledged

that other courts of appeals have limited the ability of alleged copyright infringers to claim an oral or implied nonexclusive license to a narrow circumstance not implicated here—*viz.*, where the copyright owner created the work at the other party’s request and then handed it over with the intent that the other party copy and distribute it. App. 13.

The court explained, however, that in contrast to “*other* circuits . . . we have never held that an implied license could not arise in other circumstances where the totality of the parties’ conduct supported such an outcome.” App. 13–14. (emphasis in original). The court then affirmed the verdict in respondents’ favor on the theory that the jury could have found that IRP held an implied nonexclusive license based on respondents’ testimony that the parties orally agreed in 2005 to transfer an *exclusive* license, specifically by orally agreeing to reinstate the exclusive licenses previously conveyed under the expired 2001 written agreement.² App. 11–12. The court rejected Baisden’s argument that both the purported oral agreement between Baisden and IRP and the distribution agreement between IRP and Image were for *exclusive* performance and merchandising rights and therefore could not possibly convey a nonexclusive license. The court held that there is “nothing to suggest” that IRP would not have accepted a nonexclusive license in the absence of a valid exclusive license, and therefore the

² The court also noted as less important respondents’ testimony that Baisden had signed copies of the DVDs prior to the Image deal, and later “acted dismissively” when he found out about the DVD sales. App. 11.

unsuccessful attempt to convey an exclusive license orally could be treated as a successful attempt to convey a nonexclusive license. App. 15.³

Baisden’s petition for rehearing or rehearing en banc was denied. App. 54.

REASONS FOR GRANTING THE PETITION

The Fifth Circuit’s “totality of the parties’ conduct” test is antithetical to section 204(a)’s writing requirement and in express and acknowledged conflict with the approach of the majority of circuits. Section 204(a) requires an exclusive license to be in writing, and treats an “oral exclusive license” as an oxymoron and a nullity. Nonetheless, the Fifth Circuit treated such oral exclusive licenses as the basis for an implied nonexclusive license. That decision cannot be understood as an effort to discern the parties’ actual intent—respondents themselves asserted that the alleged oral agreement was for an exclusive license. Instead, the decision can only be understood as a direct assault on Congress’ judgment in section 204(a) that a writing is required. The alleged oral agreement was deemed nonexclusive not because that is what the

³ The court observed that it found some of Baisden’s “arguments on implied nonexclusive license” waived because they were first raised in his reply brief, but did not specifically identify the waived arguments. App. 12–13. We thus have provided citations to Baisden’s opening brief establishing that the issues raised in this petition were properly presented below. In any event, this Court will review a question not pressed below “so long as it has been passed upon,” *United States v. Williams*, 504 U.S. 36, 41 (1992), and it is indisputable that the issues presented were fully adjudicated below.

parties intended, but because that was the only way the court of appeals could evade the perceived harshness of Congress' insistence that an exclusive license occur in writing or not at all.

The decision below is not only irreconcilable with section 204(a) and its writing requirement, it also is directly contrary to the approach of numerous other circuits, as the Fifth Circuit acknowledged. At least four courts of appeals have recognized implied nonexclusive licenses only in the "narrow circumstance" first outlined by the Ninth Circuit in *Effects Associates, Inc. v. Cohen*, 908 F.2d 555, 557 (9th Cir. 1990): (1) a person (the licensee) requests the creation of a work; (2) the creator (the licensor) makes that particular work and delivers it to the licensee; and (3) the licensor intends that the licensee copy and distribute the work. Even that limited exception is in some tension with section 204(a), but at least the *Effects Associates* test can be justified as an effort to discern the parties' actual intent and affects only a narrow class of works that would not exist but for the licensee's initiative. When a party requests that a creator make a particular work for them, it is reasonable to assume that the parties intended a nonexclusive relationship in which the licensee who initiated the creation of the work and the licensor both have an ability to exploit the work. Moreover, such a rule impacts only those works which owe their very existence to the licensee's initiative. The vast universe of pre-existing works are not implicated by the traditional *Effects Associates* test. But the decision below makes clear that the Fifth Circuit is not content with the narrowness of the *Effects Associates* test. To the contrary, while the Fifth

Circuit acknowledged “*other* circuits” have held that the *Effects Associates* test is exclusive, App. 13, it held that within its jurisdiction, an implied license will arise wherever “the totality of the parties’ conduct support[s] such an outcome.” App. 13–14.

As the Fifth Circuit acknowledged, the circuit conflict created by its decision is undeniable: The First, Second, Fourth, and Sixth Circuits have expressly rejected the possibility of an implied nonexclusive license outside the circumstances identified in *Effects Associates*, and district courts in the Seventh and Ninth Circuits have also understood the *Effects Associates* test to be the only mechanism for establishing an implied nonexclusive license under their circuit precedent. This Court’s review thus is crucial to restoring uniformity among the courts of appeals regarding the proper construction and application of section 204(a)’s writing requirement and the elements necessary to establish an implied nonexclusive license.

This Court’s review is also necessary to prevent the Fifth Circuit’s dramatic expansion of the nonexclusive license exception from wholly negating Congress’ “paramount goal” that the 1976 amendments to the Copyright Act, and in particular the writing requirement, restore “predictability and certainty” to copyright ownership. *Effects Assocs.*, 908 F.2d at 557 (quoting *Cnty. for Creative Non-Violence v. Reid*, 490 U.S. 730, 749 (1989)). If allowed to stand, the Fifth Circuit’s “totality of the parties’ conduct” test will expose copyright owners to exactly the sort of mistaken or fraudulent claims to their copyright interests that Congress intended the writing

requirement to prevent. Indeed, this case amply demonstrates the danger. The Fifth Circuit upheld respondents' exploitation of Baisden's work even though Baisden testified that there was no licensing agreement whatsoever—the precise result Congress sought to avoid. The court of appeals made no pretense that the parties actually intended to enter a nonexclusive license. Respondents testified that there was an oral exclusive license, and petitioner countered that there was no agreement at all. Finding an oral nonexclusive agreement thus does not comport with either side's testimony nor reflect the parties' intent from the alleged oral discussions. Instead, it flouts Congress' direction by making an end run around section 204(a).

Finally, the impact of the Fifth Circuit's decision is widespread. While the approach of the majority of circuits affects only copyrighted works created at the request of the licensee, the Fifth Circuit approach endangers all pre-existing copyrighted works. Any failed negotiation for an exclusive license or un-renewed agreement for an exclusive license becomes fodder for an argument that there was an implicit agreement for a nonexclusive license. If allowed to stand, the Fifth Circuit's decision will chill licensing discussions and produce that precise uncertainty that Congress sought to eliminate by enacting section 204(a). The Fifth Circuit will also become a haven for copyright infringers seeking a favorable forum in which to present sham claims of oral license. This Court's review is needed to restore certainty and predictability to copyright ownership consistent with Congress' manifest intent.

I. The Decision Below is Contrary to the Plain Text of Section 204(a) and Congress’ Purposes in Imposing a Writing Requirement on Copyright Transfers.

Section 204(a) of the Copyright Act provides: “A transfer of copyright ownership, other than by operation of law,⁴ 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.” 17 U.S.C. § 204(a). This writing requirement applies both to complete transfers of copyright ownership and to transfers of particular exclusive rights comprised in the copyright, with the owner of “any particular exclusive right . . . entitled, to the extent of that right, to all of the protection and remedies accorded to the copyright owner by this title.” *Id.* § 201(d)(2).

Courts have long recognized the importance of the writing requirement to “enhance[ing] predictability and certainty of copyright ownership—‘Congress’ paramount goal’ when it revised the [Copyright] Act in 1976.” *Effects Assocs.*, 908 F.2d at 557 (quoting *Cnty. for Creative Non-Violence*, 490 U.S. at 749). Section 204 “is intended ‘to protect copyright holders from

⁴ The few cases addressing the term “operation of law” generally concern a transfer by operation of state law, with the transfers at issue typically arising from a corporate merger or dissolution, bankruptcy, foreclosure, and the like. *See Taylor Corp. v. Four Seasons Greetings, LLC*, 403 F.3d 958, 963–64 (8th Cir. 2005); *Valdez v. Laffey Assocs.*, 2010 WL 1221404, at *6 (E.D.N.Y. Mar. 26, 2010) (noting scarcity of case law on transfer of copyright ownership by operation of law).

persons mistakenly or fraudulently claiming oral licenses.” *SCO Grp., Inc. v. Novell, Inc.*, 578 F.3d 1201, 1211 (10th Cir. 2009) (quoting *Eden Toys, Inc. v. Florelee Undergarment Co., Inc.*, 697 F.2d 27, 36 (2d Cir. 1982)); see also William F. Patry, 2 PATRY ON COPYRIGHT 5:106 (2011) (explaining that the purpose of the writing requirement is to “protect authors from those claiming, contrary to the author’s view of the facts, that he or she transferred rights in the work”). And “[s]ection 204 ensures that the creator of a work will not give away his copyright inadvertently[,] . . . forc[ing] a party who wants to use the copyrighted work to negotiate with the creator to determine precisely what rights are being transferred and at what price.” *Effects Assocs.*, 908 F.2d at 557.

The lower courts have cautiously recognized a “narrow exception to the writing requirement,” *Effects Assocs.*, 908 F.2d at 558–59, inferred from section 101’s definition of “copyright ownership” as “not including a nonexclusive license,” 17 U.S.C. § 101. See *Pamfiloff v. Giant Records, Inc.*, 794 F. Supp. 933, 939 (N.D. Cal. 1992) (“This conclusion is not contained in the language of the statute. Instead, it is inferred from the fact that a non-exclusive license is not an ownership interest.”). Any recognition of an “implied nonexclusive license” must be narrow lest “Congress’ paramount goal” be thwarted, for if an infringer knows he will be able to claim an implied nonexclusive license to excuse infringement, he will have little incentive “to negotiate with the creator to determine precisely what rights are being transferred and at what price.” *Effects Assocs.*, 908 F.2d at 557. For over twenty years, the vast majority of federal courts to address the issue have relied on a three-prong test,

first articulated by the Ninth Circuit in *Effects Associates, Inc. v. Cohen*, limiting the availability of implied nonexclusive licenses to the following circumstances: (1) the licensee requests the creation of a work; (2) the creator makes that particular work and delivers it to the licensee; and (3) the creator intends that the licensee copy and distribute the work. *Effects Assocs.*, 908 F.2d at 557.

The *Effects Associates* test has been applied by ten of the federal courts of appeals, as well as countless federal district courts. See *John G. Danielson, Inc. v. Winchester-Conant Props., Inc.*, 322 F.3d 26, 40–41 (1st Cir. 2003); *Atkins v. Fischer*, 331 F.3d 988, 991–93 (D.C. Cir. 2003); *Nelson-Salabes, Inc. v. Morningside Dev., LLC*, 284 F.3d 505, 514–15 (4th Cir. 2002); *SmithKline Beecham Consumer Healthcare, L.P. v. Watson Pharms., Inc.*, 211 F.3d 21, 25 (2d Cir. 2000); *Jacob Maxwell, Inc. v. Veeck*, 110 F.3d 749, 751–53 (11th Cir. 1997); *Johnson v. Jones*, 149 F.3d 494, 500–02 (6th Cir. 1998); *I.A.E., Inc. v. Shaver*, 74 F.3d 768, 775–76 (7th Cir. 1996); *Fosson v. Palace (Waterland), Ltd.*, 78 F.3d 1448, 1454–1455 (9th Cir. 1996); *MacLean Assocs. v. W.M. M. Mercer-Meidinger-Hansen, Inc.*, 952 F.2d 769, 778–79 (3d Cir. 1991); see also, e.g., *Zappa v. Rykodisc, Inc.*, 819 F. Supp. 2d 307, 319 (S.D.N.Y. 2011); *Bangkok Broad. & T.V. Co., Ltd. v. IPTV Corp.*, 742 F. Supp. 2d 1101, 1111 (C.D. Cal. 2010); *McIntosh v. N. Cal. Universal Enters. Co.*, 670 F. Supp. 2d 1069, 1090 (E.D. Cal. 2009); *Weinstein Co. v. Smokewood Entm’t Grp., LLC*, 664 F. Supp. 2d 332, 344 (S.D.N.Y. 2009); *Beholder Prods., Inc. v. Catona*, 629 F. Supp. 2d 490, 494 (E.D. Pa. 2009).

The Fifth Circuit itself previously applied the *Effects Associates* test in *Lulirama Ltd., Inc. v. Access Broadcast Services*, 128 F.3d 872, 879 (5th Cir. 1997). In the decision below, however, the panel held that *Lulirama* did not exclude the possibility that “an implied license could [also] . . . arise in other circumstances.” App. 13. The court of appeals then found that although IRP could not establish an implied nonexclusive license under the *Effects Associates* test, the jury could have found such a license based on the “totality of the parties’ conduct,” in particular the individual respondents’ testimony, vigorously contested by Baisden and uncorroborated by any third parties, that Baisden orally agreed in 2005 to allow IRP to retour the *Men Cry* stageplay and distribute related merchandise under the same terms as the 2001 agreement. App. 12. Although the alleged oral agreement would have granted IRP an *exclusive* license subject to section 204(a)’s writing requirement and the distribution agreement between IRP and Image likewise was *exclusive*, the Fifth Circuit held that under its “totality of the parties’ conduct” test, an invalid attempt to orally grant an exclusive license is sufficient to establish the conveyance of a valid nonexclusive license, so long as there is “nothing to suggest” that the licensee would not have accepted a nonexclusive license in the absence of a valid exclusive license. App. 15.

It is inconceivable that Congress intended section 204(a) to permit this bulldozing of the writing requirement. The plain statutory language makes clear that “[f]ailure to comply with Section 204(a) invalidates the agreement, without regard to any state law or equitable principles to the contrary,

without regard to whether the parties perform under the ‘contract,’ and regardless whether the putative transferor has agreed orally or otherwise in a noncontract that an agreement is in force.” Patry, 2 PATRY ON COPYRIGHT 5:106. In other words, an oral exclusive license is both an oxymoron and a nullity under section 204(a). To treat that invalid nullity as a basis for a valid nonexclusive license is antithetical to both the plain language of the Act and to Congress’ intent that strict enforcement of the writing requirement protect copyright owners from fraudulent distribution of their work.

Moreover, the Fifth Circuit’s suggestion that it would allow conversion of an invalid oral exclusive license into a valid implied nonexclusive license so long as there is “nothing to suggest” that the licensee would not have accepted a nonexclusive license in the absence of a valid exclusive one only underscores the problems with the Fifth Circuit’s analysis. App. 15. An accused infringer will always “accept” a nonexclusive license when the alternative is liability for infringement because there was no valid written exclusive license. Furthermore, the focus on what the accused infringer would have accepted is entirely misplaced. Congress imposed the writing requirement with the purpose of protecting the exclusive rights of copyright holders. Asking what someone who exploited the work without a valid written license would “accept” thus focuses on the wrong actor and asks a question Congress has already answered. Congress was not looking to excuse such infringement; it was looking to deter such infringement—and the need for any judicial inquiry

into what the parties' intended or would have preferred—by insisting on a writing.

The Fifth Circuit's rule is especially pernicious because it makes it impossible for a copyright owner to protect himself from fraudulent license claims—the very claims that Congress intended the writing requirement to prevent. Correctly interpreted, section 204(a) ensures that so long as a copyright owner does not sign a written agreement transferring his rights to someone else, he can rest assured that those rights remain with him. The Fifth Circuit's rule strips Baisden and indeed every copyright owner of that protection, in direct contravention of the statutory text and Congress' intent. It also makes it perilous to enter into a written exclusive license that complies with section 204(a), because a party can always claim an oral renewal that a court can then convert into an implied nonexclusive license.

The facts of this case make all this clear. In 2001, Baisden and IRP entered such a written agreement, fully complying with section 204(a) and specifying that the exclusive licenses transferred to IRP would expire after three years. When Baisden learned about IRP's subsequent DVD merchandising agreement with Image long after the 2001 written agreement expired, he sent cease-and-desist letters to respondents and eventually as a last resort brought suit against respondents for copyright infringement. Respondents' defense—that Baisden orally agreed to reinstate the exclusive licenses in the summer of 2005—was vigorously disputed by Baisden, uncorroborated by any third parties, and in all events squarely foreclosed by section 204(a). That should have been the end of

the matter: Without a written agreement, respondents had no legal right to distribute the DVDs and therefore Baisden's copyright infringement claim must prevail. Instead, apparently reluctant to enforce the writing requirement after the jury credited respondents' vigorously contested claims of an oral agreement, the Fifth Circuit decided to circumvent section 204(a) by recharacterizing the alleged oral license as nonexclusive and therefore insulated from the writing requirement. This result not only flies in the face of the statutory text and Congress' intent in enacting section 204(a), but is foreclosed by the parties' own testimony: Respondents claimed an exclusive oral license and Baisden disputed granting any license at all. *No one*, not even the Fifth Circuit, contends that any of the parties actually intended to convey an oral *nonexclusive* license. Thus, the Fifth Circuit decision cannot be defended as an exercise in divining the parties' actual intent. Indeed, the Fifth Circuit's ruling cannot be understood as anything other than a naked effort to circumvent section 204(a).⁵

⁵ The court of appeals' insensitivity toward Congress' interest in protecting copyright owners was also on display in its refusal to reverse the district court's declaration that Baisden's copyright in his novels is exclusive of IRP's derivative copyrights in the playscripts. App. 18–20. The Copyright Act is clear that a derivative work is copyrightable *only* if it represents an "original work of authorship" falling within one or more of the categories listed in section 102; and (2) the copyright in the "new version" covers only the material added by the later author, and has absolutely no effect on the copyright of the preexisting material. 17 U.S.C. §§ 102, 103, 106. The court of

This end run around the writing requirement cannot be tolerated. As one district court explained under similar circumstances, “a nonexclusive license [does not] function as a sort of consolation prize for [a party’s] failure to successfully secure an exclusive license. . . . [I]f accepted by the Court, [this interpretation of the Act] would undermine copyright owners’ statutory rights by turning every failed negotiation for an exclusive license into a potential claim for a non-exclusive license.” *Weinstein*, 664 F. Supp. 2d at 345 n.9; *see also Bangkok Broad.*, 742 F. Supp. 2d at 1112 (similarly rejecting a party’s attempt to establish a nonexclusive license bailed on an invalid oral conveyance of an exclusive license).

appeals recognized that “Baisden understandably fears that the district court’s declarations will result in a judicial transfer of copyrights not originally envisioned in the agreements,” App. 19, but nonetheless left the declarations intact based on its opinion that Baisden’s fears were unlikely to materialize. In so holding, the court of appeals was apparently oblivious to the fact that its dicta would do nothing to protect Baisden from potential purchasers relying on erroneous copyright deposits filed at the copyright office. In short, the court blatantly disregarded its duty to prevent the district court declarations from rendering Baisden’s exclusive copyrights subservient to IRP’s derivative copyrights, in clear contravention of the Copyright Act.

II. The Fifth Circuit’s “Totality of the Parties’ Conduct” Test Directly Conflicts with First, Second, Fourth, Sixth and Arguably Seventh and Ninth Circuit Decisions Applying the *Effects Associates* Test as the Sole Mechanism For Establishing an Implied Nonexclusive License.

The Fifth Circuit reached its problematic result only by expressly deviating from the approach of the majority of circuits in favor of its “totality of the parties’ conduct” approach. App. 13. In so holding, the Fifth Circuit indisputably created a direct conflict among the courts of appeals regarding the interpretation and application of section 204(a)’s writing requirement and dramatically widened the scope of the nonexclusive license exception.

There is no question that the Fifth Circuit’s decision below creates a direct conflict among the courts of appeals regarding whether the *Effects Associates* test is the exclusive mechanism for establishing an implied nonexclusive license. Indeed, the panel acknowledged the conflict when it distinguished *Lulirama* as only an observation that “other circuits” relied solely on the *Effects Associates* test, which did not preclude the development of a “totality of the parties’ conduct” test in the Fifth Circuit. App. 11–12 (emphasis in original). In contrast, the Second Circuit has explicitly stated that an implied nonexclusive license may be found “only in ‘narrow’ circumstances where one party ‘created a work at [the other’s] request and handed it over, intending that [the other] copy and distribute it.’” *SmithKline Beecham*, 211 F.3d at 25 (emphasis

added) (quoting *Effects Assocs.*, 908 F.2d at 558); see also *Zappa*, 819 F. Supp. 2d at 319 (same); *Weinstein*, 664 F. Supp. 2d at 344 (“[O]ur Circuit has followed the lead of other appeals courts and cautioned that implied non-exclusive licenses should be found ‘only in ‘narrow’ circumstances where one party ‘created a work at [the other’s] request and handed it over, intending that [the other] copy and distribute it.[.]’”) (quoting *SmithKline*, 211 F.3d at 25); *SHL Imaging, Inc. v. Artisan House, Inc.*, 117 F. Supp. 2d 301, 317 (S.D.N.Y. 2000) (“An implied license can only exist where an author creates a copyrighted work with knowledge and intent that the work would be used by another for a specific purpose.”).

The First, Fourth, and Sixth Circuits likewise have declined to find an implied nonexclusive license where the *Effects Associates* requirements are not satisfied. See *Danielson*, 322 F.3d at 40–41 (finding no implied nonexclusive license under the *Effects Associates* test); *Nelson-Salabes, Inc.*, 284 F.3d at 514–15 (same); *Johnson*, 149 F.3d at 500–02 (same). And district courts in the Seventh and Ninth Circuits have also understood the *Effects Associates* test to be the sole mechanism for establishing an implied nonexclusive license under their court of appeals precedent. See *Bangkok Broad.*, 742 F. Supp. 2d at 1111 (“[C]ourts find that a copyright owner has granted an implied, non-exclusive license only in limited circumstances, thereby following the *Effects* test.”); *McIntosh*, 670 F. Supp. 2d at 1090 (“[C]ourts have found implied licenses only in narrow circumstances where one party created a work at the other’s request and handed it over, intending that the other copy and distribute it.”) (internal quotations and

brackets omitted); *Glovaroma, Inc. v. Maljack Prods., Inc.*, 1998 WL 102742, at *2 (N.D. Ill. Feb. 26, 1998) (“The narrow exception only applies when the copyright holder created a work at another’s request and handed it over, intending the other to copy and distribute it.”).⁶

In stark contrast to the *Effects Associates* test, the Fifth Circuit’s newly minted “totality of the parties’ conduct” test has no discernible basis in any case law, let alone in the statutory text to which it is antithetical. The only citations in the decision that purport to “support [the panel’s] conclusion” are to an unpublished Ninth Circuit opinion applying the *Effects Associates* test and finding it “control[ling],” *Falcon Enters., Inc. v. Publishers Servs., Inc.*, 438 F. App’x 579, 581 (9th Cir. 2011); an earlier Fifth Circuit decision declining to address “whether a nonexclusive implied license was even created,” *Carson v. Dynegy, Inc.*, 344 F.3d 446, 451–53 (5th Cir. 2003); and a First Circuit decision recognizing that “[i]mplied licenses are found only in narrow circumstances” and *rejecting* the defendant’s claim of a nonexclusive license because the *Effects Associates* requirements were unsatisfied, *Danielson*, 322 F.3d at 41.

The decision below also suggests that the “totality of the parties’ conduct” test draws support from the Nimmer copyright treatise. See App. 13 (citing

⁶ The Third, Eleventh, and D.C. Circuits have also relied on the *Effects Associates* test, but have not specifically ruled on whether a nonexclusive license may arise under other circumstances. See *Atkins*, 331 F.3d at 991–93; *Jacob Maxwell*, 110 F.3d at 751–5; *Johnson*, 149 F.3d at 500–02.

Melville B. Nimmer & David Nimmer, 3 NIMMER ON COPYRIGHT 10.03[A] at 10–41 (1997)). Of course, an observation in a treatise has no force if not supported by statutory law or judicial precedent, and as just noted, the Fifth Circuit’s decision has no grounding in either. To the extent that Nimmer has been cited by other courts regarding nonexclusive licenses, it is typically for the simple proposition that nonexclusive licenses are not subject to section 204(a)’s writing requirement, *see, e.g., Effects Assocs.*, 908 F.2d at 558; *Maclean*, 952 F.2d at 778–79,⁷ not as support for broadly recognizing implied nonexclusive licenses based on disputed testimony that the parties orally agreed to convey an exclusive license but failed to satisfy the writing requirement.

⁷ Even that assertion has its detractors. *See* Ann Bartow, *The Hegemony of the Copyright Treatise*, 73 U. CIN. L. REV. 581, 632–35 (2004) (arguing that “there may be persuasive justifications in favor of requiring a writing for enforceable nonexclusive licenses” and criticizing courts for failing to consider whether Congress carved out nonexclusive licenses from the definition of copyright ownership in order to “emphasiz[e] the fact that a nonexclusive license does not convey an ownership interest in the underlying copyright” rather than with the intent of insulating nonexclusive licenses from section 204(a)). In all events, it is one thing to infer a nonexclusive license from conduct that actually supports a nonexclusive license, such as when an owner provides a work to multiple parties to exploit, but it is quite another thing to infer a nonexclusive license from conduct that suggests only an interest in establishing an exclusive relationship never effectuated in writing. To award a nonexclusive license as a “consolation prize” in the latter situation is to circumvent Congress’ intent plain and simple.

Indeed, Nimmer plainly rejects what the Fifth Circuit did here, which was to allow the alleged copyright infringer to avoid section 204(a)'s writing requirement by transforming a disputed and invalid attempt to orally convey an exclusive copyright license into a valid implied nonexclusive license. As Nimmer explains, to "accord partial significance to the attempted grant [of an exclusive license] by construing it as an effective, albeit nonexclusive license . . . would raise serious questions under contract law, as the enterprise would plainly contravene the mutual intent of the parties." Melville B. Nimmer & David Nimmer, 3 NIMMER ON COPYRIGHT § 10.03[A][7] (2002).

The reason for the unpopularity of the Fifth Circuit's approach is obvious. If alleged copyright infringers could avoid section 204(a) simply by claiming that the copyright owner's "conduct" conferred an implied license to use the copyrighted work, the writing requirement would have very little meaning and very little incentive value. Recognizing that Congress could not possibly have intended section 101's contemplation of nonexclusive licenses to gut section 204(a)'s mandate that copyright transfers occur only in writing, the vast majority of the courts of appeals have recognized implied nonexclusive licenses only under the very narrow and specific circumstances outlined in *Effects Associates*. While even that narrow test is in some tension with section 204(a)'s text, a narrow exception for circumstances in which the licensee is the *raison d'être* of the work is both defensible as an exercise in discerning the parties' intent and inapplicable to the vast majority of copyrighted works. When someone requests the creation of a copyrighted work, it is perhaps

reasonable to assume the exploitation of the work is intended, even if the creator retains nonexclusive rights. Moreover, a narrow rule for works created for the licensee poses no threat to the vast majority of pre-existing works.

In rejecting the *Effects Associates* test as the exclusive mechanism for establishing an implied nonexclusive license, the Fifth Circuit vastly expanded the universe of works that could be conveyed despite section 204(a)'s writing requirement. Literally any pre-existing work valuable enough to be the subject of a negotiation for an exclusive license now risks being deemed to have been the subject of an implied nonexclusive license, based on nothing more than the jury resolution of a he-said-she-said dispute over whether they actually agreed to an oral conveyance. That result is directly antithetical to "Congress' paramount goal" in enacting section 204(a). It is also directly contrary to the approach adopted by the majority of circuits, which recognize implied nonexclusive licenses only under narrow and defined circumstances, not whenever "the totality of the parties' conduct support[s] such an outcome." App. 13–14. This Court's review is necessary both to resolve the circuit split and restore Congress' intent.

III. The Decision Below Presents a Serious and Widespread Threat to All Copyright Ownership and Congress' Goals in Enacting the Copyright Act.

The Fifth Circuit's decision is of enormous significance to all copyright owners and the stability of the copyright system. In recognition of the tension between "implied nonexclusive licenses" and section

204(a)'s writing requirement, the majority of the courts of appeals have limited the availability of "implied nonexclusive licenses" to the narrow circumstance in which the licensee is the *raison d'être* of the copyrighted work. The Fifth Circuit's ruling expands the range of implied licenses from this strictly defined and limited category of copyrighted works to the entire universe of pre-existing copyrighted works. If allowed to stand, the decision below renders *every* copyright owner vulnerable to unauthorized distribution of his copyrighted work, restrained only by the infringer's ability to persuade a jury that the copyright owner implicitly agreed to the distribution. Every copyright owner faces the risk that a failed negotiation over an exclusive license will be deemed an oral argument that can be saved from invalidity by post hoc conversion into an implied nonexclusive license. Indeed, as this case illustrates, even a written exclusive license that fully complies with section 204(a) can be employed to circumvent section 204(a) if a jury credits an allegation that the parties orally agreed to extend the written license despite its expiration. It is difficult to imagine an interpretation of section 204(a) more antithetical to the statutory text and Congress' intent in enacting it.

While Congress insisted on a writing requirement to promote certainty, there is no test worse suited to promote certainty than the Fifth Circuit's "totality of the parties' conduct" test. The test brings to mind "th'ol' 'totality of the circumstances' test," which has been described as the "test most beloved by a court unwilling to be held to rules (and most feared by litigants who want to know what to expect)." *United States v. Mead Corp.*, 533 U.S. 218, 241 (2001) (Scalia,

J., dissenting). But the Fifth Circuit's test is actually worse than a totality of the circumstances test directed to divining whether the parties actually intended to enter a nonexclusive license. The Fifth Circuit asks not whether "the totality of the parties' conduct support[s]" the conclusion that the parties intended a nonexclusive license. Such an inquiry would still be contrary to the statute, but it at least would be directed to the parties' intent. Instead, the Fifth Circuit's test asks whether "the totality of the parties' conduct support[s] such an outcome." App. 13–14. The "outcome" appears to describe nothing more than whether under all the facts and circumstances the court prefers the outcome Congress directed or prefers to thwart that outcome by converting an invalid oral exclusive license into a valid nonexclusive license.

To be clear, that conversion can occur, as it did here, even in the absence of any evidence of an intent to enter into a nonexclusive license. The alleged infringer's alleged intent to enter into an oral exclusive arrangement, uncorroborated by third parties and contradicted by the copyright owner, is enough to justify a conversion. Likewise, a copyright owner's alleged lack of objection to the unknown use of the copyright cannot justify the judicial award of a license. This case thus perfectly illustrates the incompatibility of the Fifth Circuit's decision and the certainty desired by Congress in enacting section 204(a). If any conduct evincing an intent to orally transfer *exclusive* rights can be the basis for finding an implied *nonexclusive* license, then the certainty and protection Congress sought to offer in section 204(a) is illusory.

CONCLUSION

The Court should grant the petition.

Respectfully submitted,

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