

# Copyright Co-Authorship: Be Prepared to Weather the Storms

Article By:

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The recent Third Circuit decision in ***Brownstein v. Lindsay***, --- F.3d ----, 2014 WL 306240 (3<sup>rd</sup> Cir. Jan. 29, 2014) clarified important issues related to the **statute of limitations for co-ownership claims**, as well as to a federal courts' ability to cancel or amend copyright registrations. For businesses, the holding should be a reminder that copyright ownership is not always what it seems – and that securing adequate representations and warranties about copyright ownership in a license or acquisition deal can be an important protection.

## Background Facts and Issues

The plaintiff and defendant co-created software, which the defendant registered (in two versions) with the Copyright Office, claiming to be the sole owner. The defendant gave the plaintiff copies of both registration certificates. Despite a gradual breakdown of the relationship between the parties, the plaintiff waited 14 years from receipt of copies of the copyright registrations to file a lawsuit claiming joint ownership.

## Statute of Limitations

The district court granted judgment as a matter of law on the joint ownership claim to the defendant, holding that a period of 14 years from notice via receipt of the copyright registration certificates in the defendant's name far exceeded the three year statute of limitations under the Copyright Act. *Id.* at 12-13. The Third Circuit reversed, holding that there was at least a colorable claim of joint authorship as to one of two related programs. *Id.* at 20. It emphasized that the registrations were "merely placeholders for the indivisible joint rights [the plaintiff] inherently held in the [works] with [the defendant.]" *Id.* at 22. The extent of the plaintiff's authorship and ownership were factual questions that required a jury determination. *Id.* at 24.

The Appeals Court held that "inquiry notice" began to run 1) when a cause of action first arose and 2) when [the plaintiff] should have known that a cause of action had arisen. *Id.* at p. 27. The first is governed by the "express determination" rule, and the second is governed by the "discovery rule." *Id.*

The "express determination" rule – adopted by the second, seventh, ninth, and now third Circuits –

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holds that "a joint authorship claim arises and an author is alerted to the potential violation of his rights when his authorship has been expressly repudiated by his co-author." *Id.* at p. 29 (internal citations omitted).

The "discovery rule" states that a cause of action accrues, when the "plaintiff would be able to discover his injury with due diligence if there were 'storm warnings' which gave the plaintiff 'sufficient information of possible wrongdoing.'" *Id.* at p. 28.

Combining the rules, "the discovery rule will only apply once a plaintiff's authorship has been expressly repudiated since he can only be on inquiry notice once his rights have been violated," such as through "storm warnings" of wrongdoing or other "evidence that a co-author has acted adversely to the plaintiff's status as co-author." *Id.* at p. 29. The court held that adverse actions did not begin when the defendant communicated that she was the author, which was true, but only began when she claimed to be the *sole* author and/or that the plaintiff was not a co-author, and that the plaintiff was aware of those claims. *Id.* at 30. The court held that copyright registration in the defendant's name alone did not constitute an "express repudiation" of the plaintiff's interests. *Id.* at 31. <sup>1</sup>

## **Courts' Abilities to Impact Copyright Registrations**

The District Court granted summary judgment on defendant's counterclaim to cancel the plaintiff's copyright registrations (issued only just prior to litigation commencing) for the same software that defendant had previously registered. The court held that it had authority to do so because the "plaintiff had no right to register the work." *Id.* at 14.

The Third Circuit again reversed, holding that federal courts cannot cancel registrations issued by the Copyright Office. *Id.* at 39-41 (contrasting this with the power of courts to cancel certain original design registrations under the Copyright Act, 17 U.S.C. § 1324, and under the Lanham Act, 15 U.S.C. § 1119). It can invalidate the underlying copyright, but not the registration itself – that remedy is solely available from the Copyright Office. *Brownstein*, p. 43. The Ninth Circuit and First Circuit had already adopted a similar rule, as have many other lower courts. *Sytek Semiconductor Co. v. Microchip Tech. Inc.*, 307 F.3d 775, 781 (9th Cir. 2002); *Torres-Negron v. J & N Records, LLC*, 504 F.3d 151, 158 (1<sup>st</sup> Cir. 2007). At most, the court "shall request the Register of Copyrights to advise the court whether the inaccurate information, if known, would have caused the Register of Copyrights to refuse registration," 17 U.S.C. § 411(b), and the Copyright Office can re-assess ownership of the registration upon further request by the interested party, 37 C.F.R. § 201.7.

## **Implications of the Decision**

With the Third Circuit's adoption of the discovery and express repudiation rules for joint ownership claims, it will be a favorable jurisdiction for plaintiffs bringing such claims. Since the Ninth Circuit, Seventh Circuit and Second Circuit have also adopted an "express repudiation" rule, the consistency of the Third Circuit's ruling in "*Brownstein*," effectively makes it the "law of the land."<sup>2</sup> However, even a successful litigant will not be able to have a federal court in the Third Circuit cancel a copyright registration – that remedy will be available solely from the Registrar of Copyrights. Litigants will need to plan ahead and seek remedies both in court and before the Registrar of Copyrights to accomplish all of their goals.

It is important to note that if your company or client is taking a license of copyrighted assets or purchasing a company whose copyright assets are significant elements of the deal, you should not be satisfied with general or vague warranties and representations that the licensor or seller "owns or

has the right to use" the relevant copyrights. Rather, you should obtain a warranty and representation that grants "sole ownership."

Avoid the Storm that co-authorship issues can create. Be aware of the risk that a third party claim can alter the value of copyright assets thereby altering the dynamics of a transaction and prepare accordingly.

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<sup>1</sup> The holding in "Brownstein," while distinguishable, is consistent with another recent case dealing with copyright ownership claims that we reported in November 2013 ("Seven Arts Filmed Entertainment v. Content Media and Paramount Pictures Corp. 108 USPQ 2d 1557). In "Seven Arts," the defendant, Paramount Pictures, was a distributor of motion pictures in which plaintiff claimed copyright ownership. Unlike the fact pattern in "Brownstein," Paramount was not claiming co-authorship in the films but rather simply repudiated the plaintiff's claims of ownership and infringement. The Ninth Circuit in "Seven Arts" held that because defendant had expressly rejected plaintiff's ownership claims ten years before the infringement action was filed, plaintiff's subsequent infringement action was barred by the three year statute of limitations. In contrast to Brownstein, the Ninth Circuit found that plaintiff was clearly on notice that its ownership claims were expressly repudiated, thus triggering the three year statute of limitations.

<sup>2</sup> See: *Zuill v. Shanahan*, 80 F.3d 1366, 1370-71 (9<sup>th</sup> Cir.1996); *Gaiman v. McFarlane*, 360 F.3d 644, 653 (7<sup>th</sup> Cir.2004); *Gary Friedrich Enters., LLC v. Marvel Characters, Inc.* 716 F.3d 302, 317 (2d Cir.2013).

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