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### Assigning Infringement Claims: *Silvers v. Sony Pictures*

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# ASSIGNING INFRINGEMENT CLAIMS: *SILVERS V. SONY PICTURES*

*Heather Sanborn*

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## ASSIGNING INFRINGEMENT CLAIMS: *SILVERS V. SONY PICTURES*

*Heather Sanborn\**

### I. INTRODUCTION

The Copyright Act establishes protection for original, creative works of authorship as a means of providing *ex ante* incentives for creativity.<sup>1</sup> But how real is that protection? Imagine that you have written a script and managed to have your play produced in a local community theater. A few years later, you find that a major Hollywood studio has taken your script, adapted it slightly, and made it into the next summer blockbuster, raking in millions without ever obtaining a license from you. Of course, you can sue them for infringement. But how much will that litigation cost and what are the risks of losing the suit? You will have to fight against a defendant with almost unlimited financial resources, so even if your case is strong, there is a real risk that you may not prevail. A better option might be to sell your accrued infringement claim to a third party who is better able to take on the financial risk of the litigation. This allows you to retain your copyright in the script and walk away with a tidy sum, without risking your life savings trying to win in a David-versus-Goliath fight against the Hollywood studio. But can you transfer the accrued claim without also selling your rights in the copyright itself? Will the third party investor have standing to bring the suit if he does not also own the copyright in the script?

Recently, the Ninth Circuit answered no to both these questions.<sup>2</sup> In *Silvers v. Sony Pictures Entertainment, Inc.*, the court, sitting en banc, found that accrued claims for infringement may be assigned only along with the underlying copyright.<sup>3</sup> The majority's decision is, however, riddled with problems. First, the majority ignores the common law background against which all statutes must be interpreted. Second, the majority opts for a logically inconsistent reading of the Copyright Act to justify its holding. Third, the majority draws an untenable analogy between standing to sue in patent and copyright cases. Finally, the court's conclusion contravenes the basic purposes of the Copyright Act: to provide *ex ante* incentives for creativity by providing protection to copyright holders, regardless of their wealth. This Note introduces the concepts central to the *Silvers* opinion by examining the standing rules under both the Copyright and Patent Acts. It then turns to an examination of the *Silvers* case itself, taking each of the problems created by the majority opinion in turn.

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\* J.D., 2007, University of Maine School of Law. The Author wishes to thank Tom Ward for sparking her interest in the intricacies of intellectual property and recommending this case for comment.

1. Mark A. Lemley, *Ex Ante versus Ex Post Justifications for Intellectual Property*, 71 U. CHI. L. REV. 129, 129 (2004) ("The standard justification for intellectual property is *ex ante*: the goal of intellectual property is to influence behavior that occurs before the right comes into being.")

2. *Silvers v. Sony Pictures Entm't, Inc.*, 330 F.3d 1204 (9th Cir. 2003), *rev'd en banc*, 402 F.3d 881 (9th Cir. 2005).

3. *Silvers v. Sony Pictures Entm't, Inc.*, 402 F.3d at 883.

## II. THE NATURE OF COPYRIGHT OWNERSHIP

The 1909 Copyright Act set in place a doctrine of indivisibility of ownership: a copyright owner “possessed an indivisible ‘bundle of rights,’ which were ‘incapable of assignment in parts.’”<sup>4</sup> An assignment conveyed the totality of rights in the copyrighted work; anything less was considered a “mere license.”<sup>5</sup> Licensees, whether exclusive or non-exclusive, lacked standing to sue and lacked the ability to record their licenses in the Copyright Office.<sup>6</sup> Licensees were also prohibited from reselling or sublicensing the rights they had acquired without express permission of the copyright owner.<sup>7</sup>

With the passage of the 1976 Copyright Act, Congress unbundled copyright ownership.<sup>8</sup> The 1976 Act provided that “[a]ny of the exclusive rights comprised in a copyright, including any subdivision of any of the rights specified by section 106, may be transferred . . . and owned separately.”<sup>9</sup> Copyright ownership could be divided into an infinite number of discrete exclusive licenses, as the exclusive rights to reproduce, prepare derivative works, distribute copies, perform, display, and transmit under § 106 could each be further subdivided by medium and by geographic and temporal scope.<sup>10</sup> This new statutory scheme effectively equated exclusive licensees with assignees under the old Act.<sup>11</sup> Exclusive license holders could now sue in their own name for infringement of their assigned rights: “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”<sup>12</sup> and may “institute an action

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4. *Gardner v. Nike, Inc.*, 279 F.3d 774, 778 (9th Cir. 2002) (quoting 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 10.01[C][4](2001)).

5. *Id.* at 778.

6. *Id.*

7. *Harris v. Emus Records Corp.*, 734 F.2d 1329, 1333 (9th Cir. 1984) (quoting 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 10.01[C][4](2001)).

8. *Gardner*, 279 F.3d at 779.

9. 17 U.S.C. § 201(d)(2) (2000).

10. For example, the owner of a copyright in a novel could grant one publishing company an exclusive license to distribute copies of the novel in Great Britain for ten years and another company the distribution rights for North America over the same period. *See* 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 10.02[A](2001).

11. *Id.*

12. 17 U.S.C. § 201(d)(2). Despite the apparent move by Congress to place exclusive licensees on par with copyright owners, the Ninth Circuit held in its much-criticized opinion in *Gardner* that, under the 1976 Act, the prohibition on transferring exclusive licenses without express permission of the copyright holder remained. *Gardner*, 279 F.3d at 781. The court arrived at this conclusion by reading the grant to exclusive license holders of “all of the protection and remedies accorded to the copyright owner” as a limited grant of authority that did not include the right to transfer the license to a third party. *Id.* at 780. The court reasoned that policy concerns justified a continued restraint on transferability of exclusive licenses in order to assure that the licensor would “be able to monitor the use of the copyright.” *Id.* at 781. This outcome placed the presumption against assignment, and allowed express contractual language to overcome this presumption. The Ninth Circuit justified this presumption based on the need to balance “Congress’ growing awareness of the need for free alienability and divisibility” and “the necessity to preserve the rights and control of the owners and creators.” *Id.* However, a licensor who wanted to be able to monitor and control his exclusive licensees could exert such control by express provisions of the contract without the need for a presumption against transferability. The court does not adequately explain why such a presumption is needed or how it is justified by statutory language. 3 NIMMER, *supra* note 10,

for any infringement of that particular right committed while he or she is the owner of it.”<sup>13</sup> In order to avoid a risk of duplicative suits that may arise when exclusive licensees can sue without joining their licensors, Congress provided notice and joinder provisions in § 501(b):

The court may require such owner to serve written notice of the action with a copy of the complaint upon any person shown, by the records of the Copyright Office or otherwise, to have or claim an interest in the copyright, and shall require that such notice be served upon any person whose interest is likely to be affected by a decision in the case. The court may require the joinder, and shall permit the intervention, of any person having or claiming an interest in the copyright.<sup>14</sup>

Thus, courts are able to notify stakeholders and consolidate the potential litigation concerning a particular copyright.

As the text of § 501(b) suggests, the broad recordation provisions of the 1976 Act will help facilitate this notification and consolidation procedure. Section 30 of the 1909 Act provided only for the recording of “assignments,”<sup>15</sup> though the Copyright Office’s practice was to record other documents, such as licenses, as well.<sup>16</sup> The language of the 1976 Act is significantly broader. Although transferees are not required to record under the Act, § 205(a) provides that “[a]ny transfer of copyright ownership or other document pertaining to a copyright may be recorded in the Copyright Office.”<sup>17</sup> The Act goes on to provide that “[r]ecordation of a document in the Copyright Office gives all persons constructive notice of the facts stated in the recorded document” so long as the document reasonably identifies the work to which it pertains and the copyright for the work has been registered.<sup>18</sup>

### III. STANDING TO SUE UNDER THE PATENT ACT

Unlike copyrights, patent rights are still governed by a doctrine of indivisibility that draws a strict line between assignments of title in the patent and “mere licenses.”<sup>19</sup> Writing for the Supreme Court in 1891 in *Waterman v. Mackenzie*, Justice Gray summarized the strict limitations on standing that flow from the indivisibility doctrine:

The patentee or his assigns may . . . assign, grant and convey, either, 1st, the whole patent, comprising the exclusive right to make, use and vend the invention throughout the United States; or 2d, an undivided part or share of that exclusive right; or, 3d, the

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§ 10.02[B][4]. See also *In re Golden Books Family Entm’t, Inc.*, 269 B.R. 311, 317-18 (Bankr. D. Del. 2001).

13. 17 U.S.C. § 501(b) (2000).

14. *Id.*

15. Copyright Act, ch. 320, § 30, 35 Stat. 1082, 1082 (1909) (current version at 17 U.S.C. § 106 (2000)).

16. 37 C.F.R. § 201.4 (2006).

17. 17 U.S.C. § 205(a) (2000). The statute requires only that the document filed either be the original, signed document or be “accompanied by a sworn or official certification that it is a true copy of the original, signed document” in order to be eligible for recordation. *Id.*

18. 17 U.S.C. § 205(c).

19. Roger D. Blair & Thomas F. Cotter, *The Elusive Logic of Standing Doctrine in Intellectual Property Law*, 74 TUL. L. REV. 1323, 1341 (2000) (quoting *Waterman v. Mackenzie*, 138 U.S. 252, 255 (1891)).

exclusive right under the patent within and throughout a specified part of the United States. A transfer of either of these three kinds of interests is an assignment, properly speaking, and vests in the assignee a title in so much of the patent itself, with a right to sue infringers . . . .<sup>20</sup>

Thus, a title in a patent could be divided only by geographic region. A subdivision of rights by any other category,<sup>21</sup> whether exclusive or non-exclusive, constituted a “mere license.”<sup>22</sup> Justice Gray further explained, “In equity, as at law, when the transfer amounts to a license only, the title remains in the owner of the patent; and suit must be brought in his name, and never in the name of the licensee alone, unless that is necessary to prevent an absolute failure of justice, as where the patentee is the infringer, and cannot sue himself.”<sup>23</sup> Modern courts continue to adhere to this indivisibility doctrine, though they allow an exclusive licensee to force the patentee into litigation by joining him as a voluntary or involuntary plaintiff, or, in some cases, as a defendant.<sup>24</sup>

There may be some good reasons for limiting licensees’ rights to sue more sharply under the Patent Act than under the Copyright Act. First, the limitation on the divisibility of ownership of a patent is probably less of an impediment than the same limitation in copyright.<sup>25</sup> As Nimmer explained:

When the doctrine of indivisibility was first enunciated the only effective manner in which copyrighted materials could be exploited was through the reproduction of copies . . . . Today the value of motion picture rights in a novel will often far exceed the value of the right to publish the work in book form. . . . [A]s a matter of commercial reality, ‘copyright’ is now a label for a collection of diverse property rights each of which is separately marketable.<sup>26</sup>

By contrast, the “commercial realities” of patent licensing are very different: it seems unlikely that the patent will frequently be more valuable when the rights to make, sell and use are separately vested in various owners.<sup>27</sup>

Second, and more importantly, patents are at a high risk of invalidation any time they are involved in an infringement suit, making it critical to involve the patentee, and not just exclusive licensees, in the decision to litigate and defend against any attempt

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20. *Waterman*, 138 U.S. at 255 (citations omitted).

21. In *Waterman*, the patentee assigned his patent to his wife. *Id.* at 253. The wife then granted back to her husband “the sole and exclusive right and license to manufacture and sell fountain penholders containing the said patented improvement throughout the United States.” *Id.* Despite the broad language of this grant, the Court found that the grant to the husband was a “mere license” because it “did not include the right to use such penholders, at least if manufactured by third persons.” *Id.* at 257. The husband thus could not bring an infringement suit. *Id.*

22. *Id.* at 255.

23. *Id.*

24. Blair & Cotter, *supra* note 19, at 1350.

25. *Id.* at 1371.

26. 3 NIMMER, *supra* note 10, § 10.01[A].

27. Blair & Cotter, *supra* note 19, at 1371. “We suspect (although we know of no relevant empirical data) that the type of transaction at issue in *Waterman*, in which the licensor transferred to the licensee the exclusive right to make and sell, but not to use, the patented invention, is relatively uncommon, and that most patent licenses transfer the rights to make, use, and sell, though perhaps subject to various restrictions.” *Id.*

at invalidation.<sup>28</sup> Attempts to invalidate patents are frequently successful: before the consolidation of patent cases within the Federal Circuit, the defense of patent invalidity succeeded as often as 90 percent of the time in some circuits.<sup>29</sup> Even in the patent-friendly Federal Circuit, roughly half of all litigated patents are invalidated.<sup>30</sup> As one commentator has suggested, it is not difficult “to imagine that in some instances the licensee might be tempted to *provoke* litigation in the hope that the patent will be declared invalid, thus freeing the licensee from the obligation to continue paying royalties to the licensor.”<sup>31</sup> While it is certainly in the interest of public policy to invalidate patents that should not have been granted in the first place, it is a critical safeguard of patentee rights that the patentee be a party to any action that carries a risk of invalidating the patent in its entirety. Thus, the restrictions on standing in the patent realm seem to have some rational basis. In the copyright realm, where invalidation is not a real concern,<sup>32</sup> the liberalization of standing doctrine under the 1976 Act also makes sense.

#### IV. ASSIGNING INFRINGEMENT CLAIMS

A legal claim, or chose in action, whether arising in tort, by contract, or by statute, is considered personal property and is generally assignable.<sup>33</sup> The usual test for assignability of a claim is whether the cause of action would survive the death of the assignor.<sup>34</sup> The same holds true for statutory causes of action: “In the absence of any expression of a legislative intent to the contrary, a claim or award for damages for violation of a statute giving redress, compensatory in its nature, is assignable as a property right.”<sup>35</sup> When a claim is for damage to property, the right to recover damages for the property can generally be assigned without conveying title in the property itself.<sup>36</sup> Though the assignment of a chose in action was prohibited at English common law, it has long been permissible under American common law.<sup>37</sup> In fact, some American jurisdictions have gone so far as to state that the law evinces a policy favoring the assignability of claims.<sup>38</sup> Furthermore, under Federal Rule of Civil

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28. *Id.* at 1361-62.

29. *Id.* at 1361.

30. *Id.* at 1361-62.

31. *Id.* at 1362.

32. *See id.* at 1372.

33. 6A C.J.S. *Assignments* § 43 (2004).

34. *Id.* § 44.

35. *Id.* § 49.

36. *Id.* § 51.

37. 14 AM. JUR. 2D *Champerty, Maintenance, and Barratry* § 1 (2005). In England, the assignment of a chose in action was considered “champertous.” *Id.* An agreement was champertous, at common law, when one without an interest in another’s litigation agreed to conduct the lawsuit at his own expense, in exchange for a share in the proceeds. *Id.* A contingent fee arrangement would also have been considered champertous under this definition, though they are generally allowed today. The doctrine of champerty has faded under American common law and is rarely invoked or enforced. *Id.*

38. *See, e.g., Nat’l Union Fire Ins. Co. of Pittsburgh, Pa. v. Riggs Nat’l Bank of Wash., D.C.*, 646 A.2d 966, 971 n.9 (D.C. 1994).

Procedure 17(a), if a claim has been assigned in full, the assignee is the real party in interest and can sue in his own name without joining his assignor.<sup>39</sup>

*A. Patent Infringement: Crown Die*

The Supreme Court faced the question in *Crown Die & Tool Co. v. Nye Tool & Machine Works* of whether the Patent Act limited the assignability of accrued infringement claims.<sup>40</sup> Relying heavily on the indivisible nature of the monopoly granted by the Patent Act, Chief Justice Taft warned that “[i]t is not safe . . . in dealing with a transfer of rights under the patent law, to follow implicitly the rules governing a transfer of rights in a chose in action at common law.”<sup>41</sup> Instead, he held that the statutory language must be considered. At the time, the language of the Patent Act was quite explicit in stating that damages for infringement “may be recovered by action on the case, in any court of competent jurisdiction, to be brought in the name or names of the person or persons interested, whether as patentees, assignees, or as grantees of the exclusive right within and throughout a specified part of the United States.”<sup>42</sup> Thus, the Patent Act stipulated by statute, not just the categories of persons entitled to enforce the patent, but the particular *name* under which the action must be brought. The name had to be that of a patentee, assignee (of title to the patent itself), or grantee (of exclusive rights within a geographic region). This specificity accords with the indivisible view of patent rights expressed in *Waterman* and lends support to the Supreme Court’s holding in *Crown Die* that Congress did not intend for a patent infringement claim to be assignable independent of the underlying patent right.

*B. Copyright Infringement: Prather, Eden Toys, and ABKCO*

The assignability of copyright infringement claims has never been addressed by the Supreme Court. However, the Second and Fifth Circuits had each faced the question in a variety of guises, prior to the *Silver* case.<sup>43</sup>

In *Prather v. Neva Paperbacks*, the Fifth Circuit found accrued copyright infringement claims to be freely assignable, independent of the ownership of the underlying copyright.<sup>44</sup> Prather had authored several books for which his publisher, Fawcett Publications, owned the copyrights.<sup>45</sup> Neva Paperbacks and several other defendants, who admitted their infringement at trial, blatantly plagiarized the books.<sup>46</sup> Upon learning of the infringement, Prather secured an assignment from his publisher of any accrued cause of action for infringement of the copyrights.<sup>47</sup> The same agreement also purported to contain an assignment of title in the copyrights to Prather,

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39. 6 AM. JUR. 2D *Assignments* §§ 185-86 (1999).

40. *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 34 (1923).

41. *Id.* at 40.

42. Patent Act of 1836, ch. 357, § 14, 5 Stat. 117, 123 (1836).

43. See *ABKCO Music, Inc. v. Harrison Music, Ltd.*, 944 F.2d 971 (2d Cir. 1991); *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27 (2d Cir. 1982); *Prather v. Neva Paperbacks, Inc.*, 410 F.2d 698 (5th Cir. 1969).

44. *Prather*, 410 F.2d at 699.

45. *Id.*

46. *Id.* at 698.

47. *Id.* at 699.



with a simultaneous exclusive license back to Fawcett of the English language publishing rights in the books.<sup>48</sup> Under the 1909 Copyright Act's indivisible ownership doctrine which governed the case, such a simultaneous assignment and license back was suspect.<sup>49</sup> Thus, when Prather won a judgment against the infringers in district court, the infringing defendants appealed with the "beguiling" argument that they had been sued by the wrong party because the assignment of title in the underlying copyrights to Prather was an ineffective transfer of ownership.<sup>50</sup>

Writing for a three-judge panel of the Fifth Circuit, Chief Judge Brown rejected this argument, finding instead "a simple, simple basis" on which to decide the case, avoiding "altogether the button game of 'copyright, copyright who has the copyright?'"<sup>51</sup> The case could be narrowed down, he wrote, to "one of simple assignment of a chose in action."<sup>52</sup> He explained that, for an assignment of accrued causes of action for copyright infringement to be effective, "[a]ll that is required is that the contract cover in no uncertain terms choses in action for past, prior, accrued damages."<sup>53</sup> Chief Judge Brown noted that a transfer of title in the copyright itself would not, in fact, operate as an assignment of the accrued cause of action for infringement unless the accrued claim was also expressly assigned.<sup>54</sup> The accrued claim does not run with the ownership of the copyright itself, as an incident to it, but rather exists as a separately assignable (or retainable) item of personal property.<sup>55</sup> Finally, Chief Judge Brown concluded, "There is no public policy against such assignments and under [Federal Rule of Civil Procedure 17] such assignee of all choses in action for infringement, whether a 'proprietor' or not, has standing to sue and the court has effective power to avoid altogether the risk of double suit or double recovery."<sup>56</sup>

A second case that has been cited on the question of the assignability of copyright infringement claims arose on very different facts.<sup>57</sup> In *Eden Toys, Inc. v. Florelee Undergarment Co.*, Paddington granted Eden Toys an exclusive license to use the Paddington Bear characters in certain products.<sup>58</sup> That license contained no assignment of any accrued cause of action for infringement, but rather a reservation in favor of Paddington of the first option to institute a copyright infringement suit:

In the event that Eden or its licensees shall be exposed to competition, direct or indirect, from infringers of the copyright . . . rights which are licensed hereunder . . . Paddington shall, at its option, take all necessary legal action to enjoin such infringement . . . In the event of such infringement and Paddington's election to take

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48. *Id.* at 699 n.1.

49. *Id.* at 699.

50. *Id.*

51. *Id.*

52. *Id.*

53. *Id.* at 700.

54. *Id.* (citing *Kruger v. MacFadden Publ'ns, Inc.*, 43 F. Supp. 170, 171-72 (S.D.N.Y. 1941)).

55. *Id.*

56. *Id.*

57. *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27, 27 (2d Cir. 1982).

58. *Id.* at 30 n.2.

no legal action . . . Eden shall have the right . . . to institute appropriate legal action against the infringer.<sup>59</sup>

Unlike the assignment in *Prather*, this agreement appears to be an attempt to contract around the Copyright Act's standing provisions by reserving for Paddington a greater, exclusive option to sue than it would otherwise have under § 501(b), which affords an exclusive licensee a right to sue in his own right for infringements of that exclusive right, regardless of the copyright owner's actions.<sup>60</sup> Furthermore, as an exclusive licensee (and even a potential owner of copyrights of derivative works), Eden's standing to bring an infringement suit was not dependent on this provision of the agreement.<sup>61</sup>

The court in *Eden Toys* dealt with the agreement's standing language only in dicta, in a footnote. The footnote rejected Eden's claim that standing may arise from "authorization by the copyright holder of a suit by a person *other* than the exclusive licensee."<sup>62</sup> Then, the court declared, in oft quoted, conclusory dicta, "We do not believe that the Copyright Act permits holders of rights under copyrights to choose third parties to bring suits on their behalf. While [Federal Rule of Civil Procedure] 17(a) ordinarily permits the real party in interest to ratify a suit brought by another party, the Copyright Law is quite specific in stating that only the 'owner of an exclusive right under a copyright' may bring suit."<sup>63</sup>

In *ABKCO Music, Inc. v. Harrisongs Music, Ltd.*, the Second Circuit endorsed the holding in *Prather* that *accrued* copyright infringement claims may be owned independently from the underlying copyright, though the case itself presented an extremely tangled factual scenario and the court confusingly cited the *Eden Toys* footnote, and not *Prather*, for support of its assertions.<sup>64</sup> In 1978, ABKCO acquired an assignment of the copyright for the song "He's So Fine," along with an assignment of accrued claims for infringements of that copyright, which had occurred prior to 1970.<sup>65</sup> George Harrison asserted claims against ABKCO that would have required ABKCO to turn the copyright for "He's So Fine" over to Harrison.<sup>66</sup> ABKCO asserted that such a turnover would unfairly strip it of its accrued claims for copyright infringement.<sup>67</sup> The Second Circuit disagreed.<sup>68</sup> Oddly citing the footnote in *Eden Toys* for support, the court underscored the divisibility of the accrued claim from the copyright itself.<sup>69</sup> The court went on to find that "ABKCO's ownership of . . . the copyrights was not a necessary predicate to its participation" in settlement of an infringement suit.<sup>70</sup> Instead, ABKCO had standing to participate in the settlement

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59. *Id.*

60. 17 U.S.C. § 501(b) (2000).

61. *Eden Toys, Inc.*, 697 F.2d at 29.

62. *Id.* at 32 n.3.

63. *Id.* (internal citations omitted).

64. *ABKCO Music, Inc. v. Harrisongs Music, Ltd.*, 944 F.2d 971, 980-981 (2d Cir. 1991).

65. *Id.* at 975.

66. *Id.* at 977.

67. *Id.* at 980.

68. *Id.*

69. *Id.*

70. *Id.* at 981.

“because it owned the infringement claims accrued in 1970, not because it owned the copyright.”<sup>71</sup> The court concluded that even if ABKCO were forced to surrender its title in the copyright, it would continue to be able to enforce its accrued causes of action for pre-1970 infringements.<sup>72</sup>

Thus, prior to *Silvers v. Sony Pictures*, the Fifth and Second Circuits had each found, under different factual circumstances, that ownership of accrued copyright infringement claims could confer standing to one who did not own the underlying copyright.<sup>73</sup> The Second Circuit’s footnote dicta in *Eden Toys* meanwhile asserted that copyright holders could not “choose third parties to bring suits on their behalf.”<sup>74</sup> The inconsistency between these two positions played itself out as the Ninth Circuit decided *Silvers*.

#### V. *SILVERS V. SONY PICTURES*

Screenwriter Nancey Silvers wrote a made-for-television movie, entitled “The Other Woman.”<sup>75</sup> Silvers wrote the script as a work-for-hire for Frank & Bob Films, so under the terms of the Copyright Act, Frank & Bob Films became the “author” and owner of the copyright.<sup>76</sup> Three years after the network broadcast of “The Other Woman,” Sony Pictures released the feature film “Stepmom.”<sup>77</sup> Silvers believed that “Stepmom” had infringed the copyright on her screenplay for “The Other Woman.”<sup>78</sup> In order to enable her to pursue an infringement claim against Sony, Frank & Bob Films executed an “Assignment of Claims and Causes of Action” in favor of Silvers.<sup>79</sup> Though the company retained ownership of the underlying copyright in the script, Frank & Bob Films granted Silvers “all right, title and interest in and to any claims and causes of action against Sony Pictures Entertainment, Inc., Columbia TriStar, and any other appropriate persons or entities, with respect to the screenplay ‘The Other Woman’ . . . and the motion picture ‘Stepmom.’”<sup>80</sup>

Silvers then filed suit against Sony alleging copyright infringement.<sup>81</sup> Sony moved to dismiss, claiming that Silvers lacked standing because she did not have a legal or beneficial interest in the underlying copyright.<sup>82</sup> The district court denied the motion, but allowed Sony to pursue an interlocutory appeal of the denial.<sup>83</sup> A panel of the

71. *Id.*

72. *Id.*

73. *See id.*; *Prather v. Neva Paperbacks, Inc.*, 410 F.2d 698 (5th Cir. 1969).

74. *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27, 32 n.3 (2d Cir. 1982).

75. *Silvers v. Sony Pictures Entm’t, Inc.*, 402 F.3d 881, 883 (9th Cir. 2005), *cert. denied*, 126 S. Ct. 367 (2005).

76. *Id.* *See* 17 U.S.C. § 201(b) (2000) (“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 the rights comprised in the copyright.”).

77. *Silvers*, 402 F.3d at 883.

78. *Id.*

79. *Id.*

80. *Id.*

81. *Id.*

82. *Id.*

83. *Id.*

Ninth Circuit affirmed the denial of the motion to dismiss.<sup>84</sup> However, after a rehearing en banc, a divided Ninth Circuit reversed.<sup>85</sup>

Judge Graber, writing for the majority, held that the “bare assignment of an accrued cause of action is impermissible under 17 U.S.C. § 501(b).”<sup>86</sup> Judge Graber made four arguments to support her conclusion. First, applying the doctrine of *expressio unius est exclusio alterius*, she reasoned that “Congress’ explicit listing of who may sue for copyright infringement should be understood as an *exclusion of others* from suing for infringement.”<sup>87</sup> Second, she analyzed the legislative history surrounding the drafting of the 1976 Copyright Act, finding that “[a]lthough Congress allowed for divisibility of *ownership* interests under a copyright, it did not alter the requirement that *only owners* of an exclusive right in the copyright could bring suit.”<sup>88</sup> Third, Judge Graber concluded that the Copyright Act should be interpreted consistently with the Patent Act, citing *Crown Die* for the proposition that “a bare assignment cannot give rise to a cause of action for infringement” under the Patent Act.<sup>89</sup> Finally, Judge Graber analyzed cases from other circuits. She distinguished the Fifth Circuit’s holding in *Prather* because that case arose under the 1909 Copyright Act, rather than the modern statute.<sup>90</sup> Instead, she argued that the Second Circuit’s analysis in *Eden Toys* should be followed, in part to avoid a circuit split on this issue.<sup>91</sup>

Judge Berzon dissented, arguing that the majority’s opinion was “internally inconsistent, provide[d] inadequate support for its conclusion, and ignore[d] our analogous precedents.”<sup>92</sup> The internal inconsistency, she claimed, lay in the majority’s interpretation of the durational limits in § 501(b).<sup>93</sup> The literal language of the statute provides that the owner of a copyright is not entitled to sue unless the alleged infringement occurred “while he or she [was] the owner of [the copyright right].”<sup>94</sup> The majority used this strict durational limit as evidence that Congress intended a strict limitation on who may have standing to sue for infringement.<sup>95</sup> Yet, Judge Berzon pointed out that the majority also acknowledged that this durational limit should not, in fact, be applied strictly.<sup>96</sup> The majority had inserted a footnote stating that the Second Circuit holding in *ABKCO* made “perfect sense.”<sup>97</sup> Thus, as Judge Berzon summarizes, the majority was willing to concede that “[a]fter a copyright holder sells

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84. *Silvers v. Sony Pictures Entm’t, Inc.*, 330 F.3d 1204 (9th Cir. 2003), *rev’d en banc*, 402 F.3d 881 (9th Cir. 2005).

85. *Silvers*, 402 F.3d at 883.

86. *Id.* at 890. Chief Judge Schroeder, and Judges Rymer, Wardlaw, Fisher, Gould, and Paez joined in the majority opinion. Section 501(b) of the Copyright Act provides: “The legal or beneficial owner of an exclusive right under a copyright is entitled . . . to institute an action for any infringement of that particular right committed while he or she is the owner of it.” 17 U.S.C. § 501(b) (2000).

87. *Silvers*, 402 F.3d at 885.

88. *Id.* at 886.

89. *Silvers*, 402 F.3d at 887-88.

90. *Id.* at 889.

91. *Id.* at 890.

92. *Id.* at 891 (Berzon, J., dissenting). Judge Berzon’s dissent was joined by Judge Reinhart.

93. *Id.*

94. *Id.* See 17 U.S.C. § 501(b).

95. *Silvers*, 402 F.3d at 885-86 (majority opinion).

96. *Id.* at 891 (Berzon, J., dissenting).

97. *Id.* at 890 n.1 (majority opinion).

a copyright, in whole or in part, the new owner may pursue a cause of action that accrued *before* the purchase, as long as the cause of action is transferred along with the copyright.”<sup>98</sup> Judge Berzon noted, “However practical this analysis, the fact remains that it cannot be squared with a literal reading of section 501(b), on which the majority otherwise rests.”<sup>99</sup>

Instead of resting on statutory analysis, then, Judge Berzon recast the question to focus on whether “the general goal of the statute would be served by prohibiting the type of assignments involved in th[e] case.”<sup>100</sup> Judge Berzon then characterized Silvers, the creator of allegedly infringed work, as “the person for whom the copyright system [was] designed to provide incentives for more creations.”<sup>101</sup> She therefore concluded that an assignment of claims to Silvers was in accord with the congressional goal of promoting creativity.<sup>102</sup> However, she would have limited the scope of the holding to assignments in favor of the original creator of works-for-hire.<sup>103</sup>

Judge Bea also dissented, but on much broader grounds than Judge Berzon.<sup>104</sup> Rather than limiting permissible assignments to those in favor of the original creator of the work, Judge Bea would have allowed for unfettered assignability:

Given the growth of an aftermarket in derivative rights such as puts, calls and credit insurance against bankruptcy risks on corporate debt, the notion that an aftermarket in accrued causes of action for copyright infringement is to be prohibited is at best passé and at worst an unwarranted restraint on alienation.<sup>105</sup>

He analyzed the legislative history of the 1976 Copyright Act and found, in direct contradiction to the majority’s conclusions, that in § 501(b) Congress intended to enlarge, not limit, the class of persons who could sue for infringement.<sup>106</sup> Judge Bea rejected the majority’s use of a maxim of statutory interpretation to read away the ambiguities in § 501(b).<sup>107</sup> Instead, he argued that the court should look to common law to fill in the gaps when a federal statute is silent.<sup>108</sup> He noted that, “[a]s a general matter, common law rights existing prior to the enactment of a statute remain in vigor unless *expressly abrogated* by statute.”<sup>109</sup> He argued that the assignment of an accrued infringement claim is “nothing more than ‘simple assignment of a chose in action,’” the assignability of which is well-established at common law.<sup>110</sup>

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98. *Id.* at 891 (Berzon, J., dissenting).

99. *Id.*

100. *Id.* at 892 (quoting *Misic v. Bldg. Serv. Employees Health & Welfare Trust*, 789 F.2d 1374, 1377 (9th Cir. 1986), which held that a health care provider, assigned accrued causes of action for health welfare benefits by his patients, could pursue his ERISA lawsuit, where the ERISA statute was silent as to assignment of welfare benefits).

101. *Id.* at 894.

102. *Id.*

103. *Id.*

104. *Id.* at 895 (Bea, J., dissenting). Judge Kleinfeld joined Judge Bea’s dissenting opinion.

105. *Id.* at 905.

106. *Id.* at 898.

107. *Id.* at 899.

108. *Id.* at 902.

109. *Id.*

110. *Id.* (citing *Prather v. Neva Paperbacks, Inc.*, 410 F.2d 698, 699 (5th Cir. 1969)).

The majority's analogy to patent law was unpersuasive, Judge Bea argued, because of the Patent Act's distinct legislative history. Instead, Judge Bea noted that several other federal statutes with standing provisions similar to § 501(b) have been read to permit assignment of accrued claims.<sup>111</sup> In copyright infringement claims, he asserted, no public policy counsels against assignability of accrued claims.<sup>112</sup> Copyright claims, he argued, do not implicate the same policy concerns that have led to common law prohibitions on assignment of personal injury claims and legal malpractice claims.<sup>113</sup>

Finally, Judge Bea turned to an analysis of *Prather*, *Eden Toys*, and *ABKCO*. He rejected the majority's attempt to distinguish *Prather* as based upon an outdated version of the Copyright Act. Instead, he argued that *Eden Toys* was the case that should be distinguished because that case was not about the assignment of *accrued* claims. Judge Bea characterized the assignment language in *Eden Toys* as granting, not an assignment of an accrued claim, but rather a contingent assignment of future claims.<sup>114</sup> This factual distinction, Judge Bea argued, undermined the majority's reliance on the sweeping rationale espoused by the *Eden Toys* court in a single footnote.<sup>115</sup> He also rejected the majority's characterization of the holding in *ABKCO* as "limited to the situation in which the same entity purchased both the copyright and accrued claims."<sup>116</sup> Instead, he asserted that under the holding in *ABKCO*, "ownership of the copyright is not a requirement for the enforcement of accrued claims assigned to the assignee . . . so long as the claims arose during the period when the assignor . . . was the owner of the copyright."<sup>117</sup> Thus, Judge Bea concluded that if the majority's goal was to avoid a circuit split, it should have followed *Prather* and *ABKCO*, and distinguished *Eden Toys*.<sup>118</sup>

#### VI. THE PRESUMPTION PROBLEM: THE ROLE OF COMMON LAW IN DEFINING INTELLECTUAL PROPERTY

At common law, claims for compensatory damages arising under a statute are assignable unless the statute expressly limits the assignability of such claims.<sup>119</sup> The claim itself is understood as a discrete piece of personal property.<sup>120</sup> Thus, the traditional presumption runs in favor of free alienability of such a claim. Congress need not *grant* a right to assign the chose in action arising from a statutory violation; that right exists unless it is explicitly prohibited. In *Silvers*, the majority reversed this presumption: "Copyright is a creature of statute, so we will not lightly insert common

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111. *Id.* at 903 (citing the Clayton Antitrust Act, the RICO statute, and the ERISA statute).

112. *Id.* at 906.

113. *Id.*

114. *Id.* at 909 n.22.

115. *Id.* at 909; *see id.* at 889 (majority opinion quoting *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27, 32 n.3 (2d Cir. 1982)).

116. *Id.* at 911 (quoting majority opinion at 890).

117. *Id.*

118. *Id.*

119. *See* discussion *supra* Part IV.

120. *See* discussion *supra* Part IV.

law principles that Congress has left out.”<sup>121</sup> Accordingly, the majority understood *Crown Die* to require that “when we consider standing under a statutory scheme involving intellectual property, common law doctrine does not apply.”<sup>122</sup> Thus, the majority’s assertion is that Congress legislates against a blank canvas when it comes to intellectual property and courts cannot ever use common law to help fill in the gaps in the statute.

Such an assertion is at odds with the very notion of common law in our system. The Supreme Court has stated that, where common law exists, “Congress does not write upon a clean slate.”<sup>123</sup> Instead, “to abrogate a common-law principle, the statute must ‘speak directly’ to the question addressed by the common law.”<sup>124</sup> As Judge Bea aptly described in his dissent, the common law principle of assignability of accrued claims has been applied to other similarly drafted federal statutes; although each statute defines a class of persons entitled to institute an action, these causes of action, once accrued, have been held to be assignable.<sup>125</sup>

An assertion that common law never applies in a copyright context also proves far too much. To take a simple example: under § 106 of the Copyright Act, the owner of a copyright may “authorize” others to make copies of her work.<sup>126</sup> That is virtually the only mention in the Act of the ability to grant non-exclusive licenses. Non-exclusive licenses are thus contemplated by the Act, but completely governed by common law principles of contract formation and enforceability.<sup>127</sup> Similarly, under § 501(b), “the legal . . . owner of an exclusive right under a copyright is entitled . . . to institute an action for any infringement of that particular right committed while he or she is the owner of it.”<sup>128</sup> But the Act is silent regarding what the owner of such an entitlement “to institute an action” may do with it after the right has arisen.<sup>129</sup> Just as the common law of contracts steps in to fill in the details of non-exclusive licensing where Congress

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121. *Silvers*, 402 F.3d at 885.

122. *Id.* at 888.

123. *United States v. Texas*, 507 U.S. 529, 534 (1993).

124. *Id.* (quoting *Mobil Oil Corp. v. Higginbotham*, 436 U.S. 618, 625 (1978)).

125. *Silvers*, 402 F.3d at 903 (Bea, J., dissenting). The Clayton Antitrust Act, 15 U.S.C. § 15, “provides that ‘any person who shall be injured’ can sue and yet courts have interpreted the statute to confer standing on assignees of antitrust claims.” *Id.* The ERISA statute represents an even closer parallel to the language of the Copyright Act. It provides: “A civil action may be brought by a *participant or beneficiary* . . . to recover benefits due to him under the terms of his plan. . . .” 29 U.S.C. § 1132(a) (2000) (emphasis added). Although the statute expressly prohibits assignment of claims for pension benefits, the Ninth Circuit itself found that health and welfare claims were nonetheless assignable to persons who were neither *participants* nor *beneficiaries*. *Misic v. Bldg. Serv. Employees Health & Welfare Trust*, 789 F.2d 1374, 1377-78 (9th Cir. 1986) (*per curiam*).

126. 17 U.S.C. § 106 (2000).

127. 3 NIMMER, *supra* note 10, § 10.08.

128. 17 U.S.C. § 501(b) (2000).

129. If indeed Congress writes upon a blank slate, then perhaps the majority could argue that the owner of such an entitlement may do *nothing at all* with such an entitlement except bring the suit. However, the majority does not make this assertion. Instead, the majority admits that a “practical exception” exists allowing the owner of the entitlement to assign it to another along with his rights in the underlying copyright. Alternatively, the owner of the entitlement may retain the accrued claim while assigning the copyright. The roots of this “practical exception” appear to lie, not in statute, but in the common law. This problem with the majority’s reasoning is addressed more fully in the next section of this Note.

was silent, the common law of choses in action must step in to fill in the details on assignments of accrued claims.

Finally, the reversal of the presumption that common law applies paradoxically vests far too much power in the hands of a single court. Although it is couched as deference to congressional intent, the majority's refusal to apply common law principles in this case enables the court to dodge both the express language of the statute<sup>130</sup> and the common law, and impose its own third interpretation riddled with logical inconsistencies. The next section of this Note attempts to untangle one of these logical flaws in the majority's opinion.

#### VII. THE TIMING PROBLEM: FINDING A LOGICALLY CONSISTENT READING OF § 501(B)

As the *Silvers* majority itself points out, § 501(b) contains a durational limitation: "Congress restricted even the legal or beneficial owner of a copyright; the owner is not entitled to sue unless the alleged infringement occurred 'while he or she [was] the owner of it.'"<sup>131</sup> The majority marshals this durational limitation in support of its conclusion that "Congress' grant of the right to sue was carefully circumscribed."<sup>132</sup> Then, at the end of its opinion, the majority faces the task of explaining away the holding in *ABKCO*.<sup>133</sup> It purports to accomplish this by reducing *ABKCO* to a single question: "[T]he only issue was one of timing, whether ownership of the copyright and occurrence of the infringement had to coincide."<sup>134</sup> The durational limitation in the text of § 501(b) indicates that they must indeed coincide, as the court had noted earlier in its own opinion.<sup>135</sup> And yet here, the majority instead determines that *ABKCO*'s "holding makes perfect sense" and "is consistent with the Act" in finding that *ABKCO*, as holder of the accrued claim for infringement may sue by virtue of the assignment,<sup>136</sup> despite its failure to qualify under the durational requirement in the express language of § 501(b). The majority accepts this *ABKCO* exception to the durational requirement, so long as assignments of accrued claims are limited to assignments in favor of a new owner of the copyright itself.<sup>137</sup>

In order to fully understand the logical flaw in the majority's explanation of the *ABKCO* exception, we must unpack the two potential interpretations of the express language in § 501(b). The first possibility is that § 501(b) circumscribes *completely* who may bring a copyright infringement action in a federal court in his or her own name. Under this reading, only an owner of an exclusive right *when that right was infringed* may bring the suit. Section 501(b), thus, would have to be construed as an

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130. As described in the next section of this Note, § 501(b) contains a durational limit on standing that the majority marshals for support at the beginning of its opinion and then dismisses as impractical at the end of its opinion.

131. *Silvers*, 402 F.3d at 885.

132. *Id.*

133. *Id.* at 890.

134. *Id.*

135. *Id.* at 885.

136. *Id.* at 890.

137. *Id.*



*absolute* bar on the assignment of an accrued cause of action for copyright infringement.<sup>138</sup> This construction could not be reconciled with the *ABKCO* exception.

The second possibility is that § 501(b) defines the class of persons in whom an infringement cause of action *accrues* at the time the infringement occurs.<sup>139</sup> This reading of the statute is consistent with the express language of the statute and would accord with the common law understanding of an accrued cause of action as a discrete piece of personal property. This reading also renders the statute completely silent regarding the assignability of such an accrued cause of action. As such, it could be reconciled with the holding in *ABKCO*.

Under either of these readings, the express language of the statute defines a class of persons—limited to owners of exclusive rights at the time those rights are infringed—who are entitled to a particular statutory right. The distinction between the two readings lies in the definition of that right.<sup>140</sup> However, the majority effectively rejects both of these plausible readings of the statute and opts instead for an untenable third interpretation that gives no meaning at all to the phrase “committed while he or she is the owner of it.” Under the majority’s interpretation, Congress “carefully circumscribed” its grant of the right to sue as limited to owners of an exclusive right in the copyright, but was not serious when it limited the infringing acts for which that owner could sue to those that had occurred while he or she was the owner of that copyright.

#### VIII. THE PATENT LAW PROBLEM: INTERPRETING APPLES WITH THE HELP OF ORANGES

The underlying rationale of the majority’s opinion rests solely on an analogy to patent law and a reliance on the Supreme Court’s interpretation of the pre-1952 Patent Act in *Crown Die*. In *Crown Die*, the relevant statutory language was very different from the language of § 501(b) of the modern Copyright Act. It provided that damages for infringement could be “recovered by action on the case, in any court of competent jurisdiction, to be brought in the name or names of the person or persons interested, whether as patentees, assignees, or as grantees of the exclusive right within and throughout a specified part of the United States.”<sup>141</sup> This language is far more specific than § 501(b); it probably could not have been construed to define merely the class of persons in whom the infringement claim *accrues* when the infringement occurs. Instead, by its own terms, the pre-1952 Patent Act describes the only three classes of

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138. As Judge Bea points out in his dissent, this reading of the statute would “preclude an assignee of the copyright and the accrued causes of action from suing on an accrued cause of action—which infringement, by definition was not ‘committed while he or she was the owner of it.’” *Id.* at 901 (Bea, J., dissenting). By the same token, such a reading would “convert a claim for relief for infringement into a life estate” because the copyright owner’s heirs, by definition did not own the copyright when the infringement occurred. *Id.*

139. This possibility is elucidated nicely in Silvers’s brief. Appellee’s Answering Brief at \*8-9, *Silvers v. Sony*, 402 F.3d 881 (9th Cir. 2005) (No. 01-56069).

140. The majority spends considerable effort applying the doctrine of *expressio unius est exclusio alterius*, to argue that this class should not be expanded. *Silvers*, 402 F.3d at 885. But this argument completely misses the heart of the controversy—the question is not the scope of the class but the nature of the right conferred on that class.

141. *Crown Die & Tool Co. v. Nye Tool & Machine Works*, 261 U.S. 24, 41 (1923).

persons who may be *named as plaintiffs* in an infringement suit. This limitation on the names that can appear on the complaint appears to speak directly to the question of whether accrued claims could be severed from patent ownership; clearly, under this statutory language, they could not be. This conclusion is not based on the special nature of the patent monopoly, but rather the text of the statute itself. Rather than ignoring common law as the majority in *Silvers* suggested one could, the *Crown Die* holding actually accords with the common law principle that choses in action are assignable *unless expressly prohibited by statute*.<sup>142</sup>

By contrast, the Copyright Act has never contained a provision for who must be *named* in an infringement complaint. The Copyright Act of 1909 provided that the “proprietor” of the copyright had a right to recover damages for infringement; it did not specify whether it could assign this right to someone else.<sup>143</sup> Thus, in *Prather*, the Fifth Circuit applied the common law principle permitting assignments of accrued claims in the absence of statutory language to the contrary, and held that Fawcett’s assignment to Prather of the accrued claim was sufficient to grant Prather standing to sue, whether or not he also had been effectively assigned the copyright itself.<sup>144</sup>

The majority distinguishes *Prather* by emphasizing that it was decided under the 1909 version of the Copyright Act, which contained different language.<sup>145</sup> Such a distinction might be tenable if the majority offered a consistent reading of the 1976 Act to trump *Prather*. But it does not. Instead, the *Silvers* majority relies on *Crown Die*, which was decided, not just under an old version of statutory language, but under an old version of an entirely different statute. Furthermore, with the unbundling of ownership rights in the 1976 Copyright Act, Congress directly removed any parallels that may have existed between the standing requirements under the Patent and Copyright Acts.

#### IX. WHO BENEFITS WHEN ASSIGNMENTS OF COPYRIGHT CLAIMS ARE RESTRICTED?

Ultimately, even if the rationale of the majority opinion is shaky, a restriction on the assignability of claims could theoretically be justified if such free assignability represented a threat to the “difficult balance” Congress has struck in the Copyright Act, “between the interests of authors and inventors in the control and exploitation of their

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142. Today, the section of the Patent Act at issue in *Crown Die* has disappeared. In its place, the modern Act provides only that “[a] patentee shall have remedy by civil action for infringement of his patent.” 35 U.S.C. § 281 (2000). Thus, it is potentially an open question whether the holding in *Crown Die* remains good law. Likely, a court would find that “Congress does not legislate on a clean slate” and so, in the patent realm, the common law (established by *Crown Die*) against the assignability of patent infringement claims would be used to understand the ambiguous language in § 281 of the modern Act. This is a topic for another day. However, the questionable vitality of *Crown Die* itself certainly argues against its *extension* into the copyright realm.

143. 17 U.S.C. § 101(b) (1952) (current version at 17 U.S.C. § 106 (2000)). Section 101 of the 1909 Act provided: “If any person shall infringe the copyright in any work protected under the copyright laws of the United States such person shall be liable: . . . (b) To pay to the copyright proprietor such damages as the copyright proprietor may have suffered due to the infringement, as well as all the profits which the infringer shall have made from such infringement . . .”

144. *Prather v. Neva Paperbacks*, 410 F.2d 698, 700 (5th Cir. 1969).

145. *Silvers*, 402 F.3d at 889.

writings and discoveries on the one hand, and society's competing interest in the free flow of ideas, information, and commerce on the other hand."<sup>146</sup> However, no such threat exists. In fact, free assignability of infringement claims would likely increase the value of the copyrighted works, benefiting authors and encouraging innovation, and increase the predictability of copyright enforcement, benefiting society's interest in "the free flow of ideas, information, and commerce."

Allowing for free assignability of infringement claims would benefit authors by making their copyrights more valuable. This increase in value arises from the ability to enforce one's copyright without bearing the full risk of litigation expenses. If that risk can be transferred to a party with a higher risk-bearing ability, the copyright holder can extract value from her copyright that otherwise would be inaccessible to her. This is because risk-bearing ability is fundamentally tied to wealth.<sup>147</sup> Take for example, a struggling author who has only published a single, relatively obscure book, in which she retains the copyright. Imagine that a large, wealthy television production company produces a movie that borrows the entire story-line from our struggling author's book. The author seeks legal advice and finds out that she could be entitled to substantial damages in an infringement suit. However, because of the non-literal nature of the copying, the case will be difficult to prove; the lawyer estimates that she has a 60% chance of winning the suit and that lawyers fees will be about \$25,000. If \$25,000 represents our author's entire life savings, she may well decide that she cannot pursue any action at all against the television studio because she cannot tolerate the 40% risk that she would lose her entire life savings.<sup>148</sup>

However, a wealthy investor (or perhaps her publishing house) would perform a very different calculation. The wealthy investor would discount the claim for risk and for litigation costs and still find that, on average, the accrued infringement claim represented an attractive investment prospect. The wealthy investor could thus offer to buy the claim from the author and pursue the litigation. If claims are not assignable, the author is left with no ability to enforce her rights or recover damages—effectively the copyright is worthless to her because of her low risk-bearing ability unless she sells the copyright itself. On the other hand, if claims are assignable, she will be able to benefit from her copyright by selling and assigning the infringement claim to another party who is able to take on the risks of litigation.

Judge Berzon's dissent suggests a more limited ability to transfer accrued infringement claims only back to the "original creator" of the contested work.<sup>149</sup> She justifies this limitation by finding it in accord with the "overall purposes of the Copyright Act."<sup>150</sup> Though this analysis seems to work under the facts in the *Silvers* case, the rule generalizes poorly. In *Silvers*, the creator of a work-for-hire was better able, for whatever reason, to pursue litigation against Sony than her employer, Frank & Bob Films. However, generally, the economics will run in the opposite direction: authors who hold copyrights may be the ones who will directly benefit from finding

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146. *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984).

147. Ari Dobner, Comment, *Litigation for Sale*, 144 U. PA. L. REV. 1529, 1532-33 (1996).

148. *See id.* at 1533. Dobner spins a very similar hypothetical example of a holder of a lottery ticket that the lottery commission refuses to honor. *Id.*

149. *Silvers*, 402 F.3d at 890.

150. *Id.* at 892 (alteration in original) (quoting *Gulfstream III Assocs. v. Gulfstream Aerospace Corp.*, 995 F.2d 425, 438 (3d Cir. 1993)).

someone else who is willing to pursue the claim. If assignments of accrued claims may only be made *to* an “original creator,” authors themselves will not be able to assign claims to more risk-tolerant third-parties and will not be able to enforce their copyright rights without selling their underlying copyright rights along with the accrued claim. This limited transferability of claims would not, in fact, improve the *ex ante* incentives for creativity that lie at the heart of the Copyright Act. A rule of broad transferability of accrued claims, on the other hand, would serve authors better, by allowing them to create without worrying about the financial risk associated with undertaking any litigation to protect their creations.

Opponents of this broad transferability rule spin out a slippery slope of multiple, potentially overlapping lawsuits.<sup>151</sup> However, the Copyright Act itself provides safeguards to protect against such inefficient litigation:

The court may require such owner to serve written notice of the action with a copy of the complaint upon any person shown, by the records of the Copyright Office or otherwise, to have or claim an interest in the copyright, and shall require that such notice be served upon any person whose interest is likely to be affected by a decision in the case. The court may require the joinder, and shall permit the intervention, of any person having or claiming an interest in the copyright.<sup>152</sup>

The broad language of the recordation provision in the Copyright Act means that assignments of accrued infringement claims can (and should) be recorded in the Copyright Office as a document “pertaining to a copyright.”<sup>153</sup> Thus, the courts will have at their disposal the tools necessary to consolidate and streamline infringement litigation, even if accrued claims are assignable.<sup>154</sup>

Advocates of the “commons” might criticize the assignability of infringement claims simply because it would make infringement suits more frequent. However, a robust commons is created not by setting up artificial barriers to copyright enforcement, i.e., the relative risk-tolerance and wealth of a copyright owner, but rather by carefully delineating the metes and bounds of the commons by fully litigating the scope of the protection afforded by the Copyright Act. Even the fiercest advocates of the commons are likely to agree that the debate about the scope of copyright protection ought to be fought on the merits, rather than allowing wealthier infringers to simply get a free ride by limiting copyright holders’ ability to sue with artificial standing restrictions.

Ultimately, the beneficiary of the Ninth Circuit’s decision to limit the assignability of accrued infringement claims will be large, wealthy companies who infringe on the work of small companies and individual authors, knowing that those copyright owners will not be able to afford to enforce their rights. Such an outcome cannot have been the purpose of the Copyright Act.

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151. See, e.g., Appellant’s Opening Brief at \*15-16, *Silvers v. Sony*, 403 F.3d 881 (9th Cir. 2005) (No. 01-56069).

152. 17 U.S.C. § 501(b) (2000).

153. 17 U.S.C. § 205(a) (2000).

154. The argument against allowing transfers of accrued claims is similar to the arguments against extending the right to sue to exclusive licensees. Congress rejected these concerns and provided tools to mitigate the effects of the expansive standing provision in § 501(b).

