UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

MARIA VENEGAS-HERNANDEZ, et al., Plaintiffs, v. PEER, et al., Defendants.	Civil No. 01-1215 (JAF) (Consolidated with 01-2186 JAF)

OPINION AND ORDER

Plaintiffs, María Venegas-Hernández, Rafael Venegas-Hernández, Yeramar Venegas-Velázquez and Guillermo Venegas-Lloveras, Inc., bring the present complaint against Defendants Peer, a/k/a Peer International Corporation and/or Southern Music Company; ACEMLA de Puerto Rico, Inc.; Latin American Music Company; Luis Raúl Bernard; José L. Lacomba; Lucy Chávez-Butler; and unnamed individuals and corporations (collectively "Defendants"). Docket Document No. 1. Plaintiffs allege copyright infringement arising under the Copyright Act of 1976, 17 U.S.C. §§ 101-513 (1996 & Supp. 2003). Plaintiffs request monetary and injunctive relief, as well as attorney's fees. Id.

The court held a bench trial December 2, 2003, through December 9, 2003. After closely considering the testimony of the witnesses at trial and the documents offered into evidence, we hereby render our Findings of Fact and Conclusions of Law.

I. Background

Plaintiffs, María Venegas-Hernández, Guillermo Venegas-Hernández, Rafael Venegas-Hernández, and Yeramar Venegas-Hernández are the heirs of Guillermo Venegas-Lloveras ("GVL"). Peer Defendants are international music publishing companies that acquire copyright in musical compositions from composers by contract and then license the rights to those compositions to third parties. Peer Defendants then report and pay royalties to the composers in connection with their licensing activities. Tr. at 690:3-10 [Testimony of P. Jaegerman].

LAMCO Defendants include Latin American Music Co. ("Defendant LAMCO"); ACEMLA de Puerto Rico, Inc. ("Defendant ACEMLA"), L. Raúl Bernard ("Defendant Bernard"), Lucy Chávez-Butler ("Defendant Chávez-Butler") and José R. Lacomba ("Defendant Lacomba").

Guillermo Venegas-Lloveras ("GVL") was a Puerto Rican composer. During his lifetime, GVL penned hundreds of songs, many of which were recorded on phono records and registered in the United States Copyright Office. GVL passed away on July 23, 1993, and was survived by his four children (the individual Plaintiffs) and his widow, Defendant Chávez-Butler. GVL left a will naming Defendant Chávez-Butler as executrix of his estate. Since GVL's death, the rights to GVL's music have been in dispute between Plaintiffs and Defendant Chávez-Butler in the Puerto Rico state courts. Tr. at 146:20-147:3, 297:8-299:12 [Testimony of R. Venegas]. On October 20, 1997,

Defendant Chávez-Butler initiated an action in the state courts of Puerto Rico requesting declaratory judgment as to the ownership of GVL's musical works. On September 22, 1999, the state trial court issued its opinion, finding that GVL's musical work belonged to his children. The state trial court also concluded that it had no jurisdiction over Plaintiffs' copyright claims. Defendant Chávez-Butler's petition for review in the Supreme Court of Puerto Rico was denied on May 24, 2000. Plaintiffs' Exh. 146.

On February 21, 2001, Plaintiffs filed an action in this court against Peer Defendants; LAMCO Defendants; Defendant Bernard; Defendant Lacomba; and Defendant Chávez-Butler, Civil No. 01-1215 (JAF) ("01-1215 Action"). On September 6, 2001, Plaintiffs commenced Civil No. 01-2186 (CC) against Peer Defendants ("01-2186 Action"). On August 26, 2002, the 01-1215 Action and the 01-2186 Action were consolidated.

The complaint alleges that Peer and LAMCO Defendants infringed the copyrights in unspecified musical compositions ostensibly written by GVL and owned by Plaintiffs. Plaintiffs alleged that GVL never assigned any rights to Peer Defendants. Plaintiffs requested damages in the amount of Two Hundred Million Dollars in connection with the alleged infringing activities. Peer Defendants' Exh. 114.

Plaintiffs claim copyright ownership by virtue of a copyright registration certificate filed by Rafael Venegas in the United States Copyright Office on October 23, 2000, for which Plaintiffs received

Registration Number PAU 206-884. Tr. at 271:5-11 [Testimony of R. Venegas]; Plaintiffs' Exh. 152.

The ownership of eight copyrights in their renewal terms after GVL's death remain unsettled between Defendant Chávez-Butler and Plaintiffs. Tr. at 146:20-147:3, 297:8-299:12 [Testimony of R. Venegas].

During the trial held in this court, the following witnesses testified: Rafael Venegas-Hernández, Ignacio Mena, José Raúl Ramírez, Petersen Jaegerman, Charles Sanders, Luis Raúl Bernard, Edmundo Disdier Alvarez, María Venegas, Juan Santana, David Jacomé, and Wilford Savage.

A. Agreements Between Peer Defendants and GVL

In all, GVL signed ten contracts with Peer Defendants for the rights to his songs. Tr. at 722:16-24, 770:5-11 [Testimony of P. Jaegerman]. We briefly outline the basic terms of the contracts here.

1. 1947 Agreement

On July 10, 1947, GVL entered into a single songwriter agreement with Peer assigning the copyright in the song *Más allá* ("the 1947 Agreement"). Tr. at 586:4-8 [Testimony of D. Jacomé]; Peer Defendants' Exh. 45; Plaintiffs' Exh. 32. Under the terms of the 1947 Agreement, Peer was obligated to pay and report royalties on a bi-annual basis. Plaintiffs' Exh. 32.

2. 1952 Agreement

A "term songwriter agreement" or "blanket agreement" is an agreement pursuant to which a composer assigns to a music publisher all musical compositions created by that composer both prior to and during the specified term of such an agreement. Tr. at 568:20-569:4 [Testimony of D. Jacomé].

The 1952 Agreement, Peer Defendants' Exh. 5, states, in part, that "for and in consideration of the mutual covenants and agreements hereinafter contained, and the further sum of One Dollar by each of the parties in hand paid to the other . . . it is mutually agreed" that GVL "agrees to compose and write music and/or lyrics exclusively for and during the period of this agreement and/or extension thereof, for and behalf of [Peer Defendants]." Id. The term of the agreement was one year, commencing on July 29, 1952, and ending on July 28, 1953.

The third clause of the Agreement states that GVL:

> [A]grees to, and by these presents does hereby sell, assign, transfer and deliver to the Publisher, its successors and assigns, all rights whatsoever, including public performance, for the entire world in each and every work that he shall write, compose or create during the full term and/or extension thereof . . . together with the right to copyright the same as proprietor in its own name . . . and to obtain renewals of each and every such copyright, to the fullest extent. [GVL] herein conveys an irrevocable power of attorney authorizing and empowering [Peer Defendants], its successors and assigns, to file application and renew the copyrights in the name of [GVL], and upon such

> renewals to execute proper and formal assignments thereof, so as to secure to the Publisher, its successors and assigns, the renewal terms of, in and to the said copyrights, works and/or compositions.

Id.

Peer Defendants agreed to "make reasonable efforts to publish or exploit certain of the musical compositions composed and written by [GVL]," and to pay royalties of, *inter alia*, fifty percent of the net amount received for mechanical royalties, synchronizing fees, transcription fees, foreign royalties, and performing fees. It also agreed to render statements on a bi-yearly basis. The eighth clause of the 1952 Agreement granted Peer Defendants the right to renew and extend the agreement upon the same terms for an additional one-year period. The ninth clause states that the Agreement is to be "construed and its validity determined according to the laws of the State of New York." Id. Under GVL's signature, there is an additional clause, in different typeset, which states in quotation marks, that "[a]fter the expiration date, this contract will continue in full force until all monies advanced are recovered." The 1952 Agreement did not list any songs written by GVL. Id.

On June 1, 1953, Peer Defendants sent GVL a letter explicitly exercising their one-year extension option included in the contract's eighth clause. Peer Defendants' Exh. 8.

3. The 1964 Peer Agreement

GVL contacted Peer Defendants in 1964 to obtain a release from Peer's construction of the 1952 Agreement. Plaintiff's Exh. 42; Tr. at 711:9-14 [Testimony of P. Jaegerman]. Further, on April 29, 1964, GVL sent a letter to Peer Defendants, listing a number of compositions ("the 1964 Agreement"): *Cien mil corazones*; *Una canción*; *Por el camino*; *No te vayas así*; *Déjame que te diga*; *Amor, mi dulce amor* (*"Amor dulce"*); *Cariño*; *No vuelvas más*; *Ni a la distancia*; *Borracho sentimental*; *Noche sin ti*; *Llega la noche*; *Miedo*; *Recordación*; *Nada puedo hacer*; *Ausencia*; *No, no digas nada*; *Tu partida*; *Cuando me vaya*; *No acepto olvido*; *Más allá*. The letter is in the first person, states that the compositions were written by GVL, and are "owned and controlled by Peer International Corporation, under the terms and conditions of a blanket agreement between [GVL] and the said Peer International Corporation, dated July 29, 1952." Peer Defendants Exh. 9. The letter further states:

> I hereby certify that the above list of musical compositions is complete and accurate and that during the period from the date of my aforesaid contract, namely, July 29, 1952 to the date hereof, I did not assign or transfer any musical compositions, composed and written by me, to any other person, firm or publisher.
>
> I send you herewith the sum of $412.65 which represents the unearned balance of the advance which you made to me in connection with my aforesaid contract with you on July 29, 1952.
>
> In consideration of the foregoing payment it is agreed between us that the aforementioned blanket agreement between myself and you dated July 29, 1952, is hereby terminated as of this

> date, except that you are to continue to own and control all of the rights in the musical compositions set forth . . . in accordance with the terms and provisions of my aforesaid agreement with you.

Id.

On or about April 29, 1964, GVL repaid a $400.00 advance to Peer Defendants. Because Peer Defendants determined that the remaining balance was only $399.97, Peer Defendants refunded the three cents overpayment by mailing a three-cent stamp to GVL. Tr. at 712:8-713:20 [Testimony of P. Jaegerman]; Peer Defendants' Exhs. 143, 144.

4. The 1969 Agreements

In 1969, GVL signed a series of single songwriter agreements with Promotora Hispano Americana de Música (PHAM), a Mexican music publisher that, at the time, was owned by Peer. Peer Defendants' Exhs. 2, 10, 13, 16, 20, 22, 24; Tr. at 375:13-24 [Testimony of P. Jaegerman]. Pursuant to these agreements, PHAM was assigned the copyright in: *Alma triste*; *Apocalipsis*; *Concierto para decirte adiós*; *Génesis*; *Hasta que me oiga Dios*; *Primavera*; and *Raza negra*. Id. Each agreement provided for a territorial exclusion of Puerto Rico, which would allow GVL to license his work in Puerto Rico. Tr. at 317:15-318:8 [Testimony of R. Venegas]; Tr. at 587:10-591:3 [Testimony of D. Jacomé]; Peer Defendants' Exhs. 2, 10, 13, 16, 20, 22, 24.

PHAM is no longer owned by Peer Defendants. Since 1988, Peer Defendants and PHAM have been acting as each other's sub-publisher in their respective territories pursuant to an agreement dated June 30,

1988. Tr. at 651:20-652:2 [Testimony of W. Savage]; Tr. at 383:22-384:18 [Testimony of P. Jaegerman]; Peer Defendants' Exh. 57. It is PHAM's responsibility to account to and pay their own writers. Tr. at 388:1-19 [Testimony of P. Jaegerman]; Tr. at 652:13-653:5 [Testimony of W. Savage].[1]

Peer Defendants send PHAM royalty statements that not only account to PHAM for the gross income earned, but also identify the amount PHAM owes its writers. Tr. at 662:19-663:6 [Testimony of W. Savage]; Peer Defendants' Exh. 112 (showing the amount PHAM owed to GVL). Because PHAM does not provide Peer Defendants with copies of statements that it issues to its writers, Peer Defendants do not know whether PHAM paid the amounts due to GVL as indicated in Peer Defendants' statements to PHAM. Tr. at 663:11-22 [Testimony of W. Savage].

5. The 1970 Agreement

On July 2, 1970, GVL signed another single songwriter agreement with Peer's affiliate, Southern Music, assigning to Southern the copyright in the song *Tú bien lo sabes*. Tr. at 320:21-321:2 [Testimony of R. Venegas]; Tr. at 722:16-24 [Testimony of P. Jaegerman]; Peer Defendants' Exh. 49. Southern agreed to pay GVL a

[1]A subpublisher is a company that operates for the copyright owner in a different country or territory. Tr. at 652:3 [Testimony of W. Savage]. Peer's agreement with PHAM obligates Peer to account and pay royalties to PHAM, not to the writers who have contracted with PHAM. The subpublisher provides the publisher with royalty statements and payments.

$300.00 advance against royalties in consideration for the assignment. Tr. at 723:7-724:6 [Testimony of P. Jaegerman]; Peer Defendants' Exh. 139.

B. Copyright Infringement Alleged Against Peer Defendants

1. Plaintiffs' Copyright Ownership

a. Renewal Songs[2]

Several songs owned by Peer Defendants in their original term of copyright have reverted to Plaintiffs and Defendant Chávez-Butler in their renewal term:[3]

i. *Alma triste*

---

[2]The following paragraphs, related to songs in their renewal term, were stipulated by the parties in the Pretrial Order, subject to the correction of the start date for the renewal term of *Génesis* and *Amor dulce*. Docket Document No. 59.

[3]Copyrights for works created before 1978 persist for an original term of twenty-eight years and for an additional renewal term of sixty-seven years. See 17 U.S.C. § 304(a)(1). The renewal term "creates a new estate," G. Ricordi & Co. v. Paramount Pictures, Inc., 189 F.2d 469, 471 (2d Cir. 1951), in order to permit "the author, originally in a poor bargaining position, to renegotiate the terms of the grant once the value of the work has been tested." Stewart v. Abend, 495 U.S. 207, 218-19 (1990). The author may assign his interest in the copyright renewal term during its original term, but the assignment is valid only if the author is alive at the start of the renewal term. See Miller Music Corp. v. Charles N. Daniels, Inc., 362 U.S. 373, 374-75 (1960) (the assignment "is valid against the world, if the author is alive at the commencement of the renewal period."). If the author dies before the renewal term vests, the author's statutory successors (widow, widower, children, executors or next-of-kin) obtain the renewal term, and any prior assignment by the author is not binding on them. See 17 U.S.C. § 304(a)(1)(C). "These results follow not because the author's assignment is invalid but because he had only an expectancy to assign . . . . Until [the renewal period] arrives, assignees of renewal rights take the risk that the rights acquired may never vest in their assignors." Miller Music, 362 U.S. at 378; see also Capano Music V. Myers Music, Inc., 605 F.Supp. 692, 695 (S.D.N.Y. 1985)("[U]ntil the renewal period arrives, the renewal rights are not vested in anyone. The most anyone can claim is a mere expectancy or contingent interest.").

As previously discussed, GVL and PHAM entered into a single songwriter agreement on May 12, 1969, assigning the copyright in *Alma Triste* to PHAM. Tr. at 588:15-20 [Testimony of D. Jacomé]; Peer Defendants' Exh. 2. The assignment was effective throughout the world with the exclusion of "the territory of Puerto Rico." Id. Accordingly, GVL retained ownership of *Alma triste* in Puerto Rico during his lifetime, the rights to which passed to Plaintiffs upon GVL's death. Id.

Alma triste was published on July 17, 1970. Tr. at 588:21-24 [Testimony of D. Jacomé]; Peer Defendants' Exh. 3. Peer Defendants registered PHAM's copyright in *Alma Triste* in the U.S. Copyright Office on January 21, 1971, and received Registration No. EF 35236. Id.

Peer Defendants filed a certificate of renewal registration for *Alma triste* in the U.S. Copyright Office on July 30, 1998. Tr. at 588:24-589:2 [Testimony of D. Jacomé]; Peer Defendants' Exh. 4. On July 30, 1998, *Alma triste* was renewed as RE 789-387. The renewal rights throughout the United States, including Puerto Rico, arose on January 1, 1999. Plaintiffs and LAMCO Defendants own the United States renewal rights and Peer makes no claim of ownership to them. Docket Document No. 59.

ii. *Amor dulce*

On March 12, 1969, *Amor dulce* was registered with the U.S. Copyright Office as EP 257580, and renewed as RE 786-821 on July 21,

1998. GVL executed an assignment of copyright ownership of *Amor dulce* to Peer. The term of the original United States registration terminated on December 31, 1997. The United States renewal rights, to which Peer makes no claim of ownership, accrued on January 1, 1998, and are owned by Plaintiffs and LAMCO Parties. Docket Document No. 59.

iii. *Apocalipsis*

GVL and PHAM entered into a single songwriter agreement dated May 12, 1969, assigning the copyright in *Apocalipsis* to PHAM throughout the world with the exclusion of "the territory of Puerto Rico." Tr. at 589:3-6 [Testimony of D. Jacomé]; Peer Defendants' Exh. 10. Accordingly, GVL retained ownership of *Apocalipsis* in Puerto Rico during his lifetime, the rights to which passed to Plaintiffs upon GVL's death.

Peer Defendants registered PHAM's copyright in *Apocalipsis* in the U.S. Copyright Office on August 12, 1970, and received Registration No. EP 276224. Id. at 589:7-8; Peer Defendants' Exh. 11. It was renewed on July 30, 1998, and received RE 789-392. The renewal rights throughout the United States, including Puerto Rico, arose on January 1, 1999. The United States renewal rights to which Peer Defendants makes no ownership claim, are owned by Plaintiffs and LAMCO Parties. Docket Document No. 59.

iv. *Concierto para decirte adiós*

GVL and PHAM entered into a single songwriter agreement dated May 12, 1969 assigning the copyright in *Concierto para decirte adiós* to PHAM throughout the world except in "the territory of Puerto Rico." Tr. at 589:13-17 [Testimony of D. Jacomé]; Peer Defendants' Exh. 13. *Concierto para decirte adiós* was published on May 22, 1970. Tr. at 589:18-21 [Testimony of D. Jacomé]; Peer Defendants' Exh. 14. On August 12, 1970, Peer Defendants registered PHAM's copyright in *Concierto para decirte adiós* in the U.S. Copyright Office and received Registration EP 276233. Tr. at 589:18-21 [Testimony of D. Jacomé]; Peer Defendants' Exh. 14. Accordingly, GVL retained ownership of *Concierto para decirte adiós* in Puerto Rico during his lifetime, which rights passed to Plaintiffs upon his death.

The renewal rights throughout the United States, including Puerto Rico, arose on January 1, 1999. The United States renewal rights are owned by Plaintiffs and LAMCO Parties. Docket Document No. 59. On July 30, 1998, Peer Defendants filed a certificate of renewal registration for *Concierto para decirte adiós* in the name of GVL's Children in the U.S. Copyright Office. Tr. at 589:22-590:1 [Testimony of D. Jacomé]; Peer Defendants' Exh. 15.

v. *Génesis*

GVL and PHAM entered into a single songwriter agreement, dated April 3, 1969, assigning the copyright in *Génesis* to PHAM. Tr. at 587:10-14 [Testimony of D. Jacomé]; Peer Defendants' Exh. 16. Peer Defendants registered PHAM's copyright in *Génesis* with the U.S.

Copyright Office on April 11, 1969, and received Registration EP 258992. Tr. at 587:15-22 [Testimony of D. Jacomé]; Peer Defendants' Exh. 17.

The United States original term of copyright terminated twenty-eight years later, on December 31, 1997, and the United States renewal term commenced on January 1, 1998. Peer Defendants filed a certificate of renewal registration for *Génesis* in the name of GVL's Children in the U.S. Copyright Office on July 21, 1998. Tr. at 310:10-312:1 [Testimony of R. Venegas]; Tr. at 587:23-588:14 [Testimony of D. Jacomé]; Peer Defendants' Exh. 18. Accordingly, GVL retained ownership of *Génesis* in Puerto Rico during his lifetime, which rights passed to Plaintiffs upon his death. The renewal rights throughout the United States, including Puerto Rico, arose on January 1, 1998, and are owned by Plaintiffs and LAMCO Parties. Docket Document No. 59. Peer Defendants make no claim of ownership to the United States renewal rights. Id.

vi. *Hasta que me oiga Dios*

GVL assigned the copyright in *Hasta que me oiga Dios* to PHAM in a single songwriter agreement dated May 12, 1969, throughout the world with the exclusion of "the territory of Puerto Rico." Peer Defendants' Exh. 20; Tr. at 590:2-6 [Testimony of D. Jacomé]. Accordingly, GVL retained ownership of *Hasta que me oiga Dios* in Puerto Rico during his lifetime, which rights passed to Plaintiffs upon his death. Peer Defendants registered PHAM's copyright in *Hasta*

que me oiga Dios in the U.S. Copyright Office on August 12, 1970, and received Registration EP 276223. Tr. at 590:7-10 [Testimony of D. Jacomé]; Peer Defendants' Exh. 21.

The renewal rights throughout the United States, including Puerto Rico, arose on January 1, 1999. The United States renewal rights are owned by Plaintiffs and LAMCO Parties to which Peer makes no claim of ownership. Docket Document No. 59.

vii. *Primavera*

GVL assigned the copyright in *Primavera* to PHAM in a single songwriter agreement dated May 12, 1969. Tr. at 590:16-20 [Testimony of D. Jacomé]; Peer Defendants' Exh. 22, assigning copyright ownership to PHAM throughout the world with the exclusion of "the territory of Puerto Rico." Peer Defendants registered PHAM's copyright in *Primavera* on March 17, 1971, in the U.S. Copyright Office and received Registration EF 35399. Tr. at 590:21-25 [Testimony of D. Jacomé]; Peer Defendants' Exh. 23. Accordingly, GVL retained ownership of *Primavera* in Puerto Rico during his lifetime, which rights passed to Plaintiffs upon his death.

The renewal rights throughout the United States, including Puerto Rico, arose on January 1, 1999. Peer Defendants did not renew the copyright in *Primavera* which was automatically renewed as permitted by law. Tr. at 590:24-25 [Testimony of D. Jacomé]. The United States renewal rights, to which Peer Defendants make no claim

of ownership, are owned by Plaintiffs and LAMCO-ACEMLA Parties. Docket Document No. 59.

viii. *Raza negra*

GVL assigned the copyright in *Raza negra* to PHAM in a single songwriter agreement dated May 12, 1969. Tr. at 591:1-3 [Testimony of D. Jacomé]; Peer Defendants' Exh. 24. Peer Defendants registered PHAM's copyright in *Raza negra* on August 12, 1970, in the U.S. Copyright Office and received Registration EP 276222. Tr. at 591:4-10 [Testimony of D. Jacomé]; Peer Defendants' Exh. 2. *Raza negra* was automatically renewed. Tr. at 591:8-10 [Testimony of D. Jacomé]. GVL executed an assignment of copyright ownership of *Raza negra* to PHAM throughout the world with the exclusion of "the territory of Puerto Rico." Id. GVL retained ownership of *Raza negra* in Puerto Rico during his lifetime, which rights passed to Plaintiffs upon his death.

The renewal rights throughout the United States, including Puerto Rico, arose on January 1, 1999, to which Peer makes no claim, and are owned by Plaintiffs and LAMCO Parties. Docket Document No. 59.

ix. Original songs

Plaintiffs have registered their claim to the following GVL songs in the U.S. Copyright Office (Reg. No. PAU 2-205-886) *Borré tu amor*; *Mi cabaña*; *Se casa con otro*; and *Sigue lloviendo*. Docket

Document No. 1; Peer Defendants' Exh. 1. None of the above-listed songs are claimed by Peer Defendants. Plaintiffs' Exh. 188.

2. Plaintiffs' Claims of Ownership

Plaintiffs dispute ownership of *Ausencia*; *Cariño*; *Cien mil corazones*; *Cuando me vaya*; *Déjame que te diga*; *Llega la noche*; *Miedo*; *Nada puedo hacer*; *Ni a la distancia*; *Noche sin ti*; *No acepto olvido*; *No, no digas nada*; *No vuelvas más*; *No te vayas así*; *Por el camino*; *Recordación*; *Tu partida*; *Una canción*. Plaintiffs have registered *Ni a la distancia*; *Noche sin ti*; *No vuelvas más*; *No te vayas así*; and *Recordación*. Peer Defendants' Exh. 1. Peer Defendants' claims to each of the above-listed songs are based upon the above-mentioned 1964 Agreement. Plaintiffs' Exh. 43.

Although GVL signed the 1964 Agreement, he continually contended that *Por el camino*; *No te vayas así*; *No vuelvas más*; and *Recordación* did not belong to Peer. Plaintiffs' Exh. 47. He also contended that he had not written the song *Borracho sentimental*. Id.

Peer recorded a "short form assignment" for *Cien mil corazones*; *Cuando me vaya*; *Déjame que te diga*; *Por el camino*; *No te vayas así*; *Una canción*; and *Más allá*. Peer Defendants' Exh. 28, 31, 34, 37, 40, 43, 48. GVL did not sign any of these "short form assignments"; rather, they were signed by Peer as attorney-in-fact for GVL. Tr. at 621:5-25 [Testimony of D. Jacomé].

Peer Defendants stopped issuing royalty reports in 1993 and did not provide any royalty reports to Plaintiffs until discovery in this litigation. Tr. at 687:10 – 688:3 [Testimony of W. Savage]. Further, Peer Defendants stopped paying royalties in 1993 and to date has not paid anything to Plaintiffs. Tr. at 659:14-19 [Testimony of W. Savage].

3. Plaintiffs' Claims of Copyright Infringement

a. Lucecita Benítez CD

On Friday, May 26, 2000, Ms. Lucecita Benítez performed live at Carnegie Hall. Plaintiffs' Exh. 147; Tr. at 212:3-11 [Testimony of R. Venegas]. From this performance, BMG released a CD titled "En vivo desde el Carnegie Hall" ("Benítez CD"), which included the song *Génesis*. Plaintiffs' Exh. 148; Tr. at 212:19 – 213:2 [Testimony of R. Venegas].

The Harry Fox Agency ("Harry Fox") is Peer's agent for issuing mechanical licenses for the manufacture and distribution of phono records in the United States for Peer-owned or controlled songs. Plaintiffs' Exh. 181. Peer had registered its claim to *Génesis* during the original copyright term, and issued a number of mechanical licenses through Harry Fox. Plaintiffs' Exhs. 57, 66 and 67. Harry Fox is bound to abide by the instructions of its publisher principals, including Peer. Tr. at 362:5-12 [Testimony of C. Sanders].

On January 11, 2001, Harry Fox, acting as Peer's agent, issued a mechanical license to BMG for *Génesis* for the Benítez CD. Plaintiffs' Exh. 149; Plaintiffs' Exh. 181. The Harry Fox license authorized the "manufacture and distribution" of the Benítez CD "in the United States, its territories and possessions." Plaintiffs' Exh. 149.

Before granting the license to BMG, Peer attempted to obtain an assignment from Plaintiffs for the song *Génesis*, which Plaintiffs refused. Plaintiffs' Exh. 123. At the time of Ms. Benítez' performance in Carnegie Hall and at the time Peer granted the license through Harry Fox, Peer did not own the song *Génesis* in the United States; nor did Peer own the song *Génesis* at the time it granted the license through Harry Fox. Docket Document Nos. 51, 84. ("The renewal rights throughout the United States, including Puerto Rico, arose on January 1, 1999 [sic, 1998]. The United States renewal rights are owned by Plaintiffs and/or LAMCO-ACEMLA Parties."). Both before and after granting the license to BMG, Peer attempted to obtain Plaintiffs' renewal rights to the song *Génesis* by offering them an administrative deal. Tr. at 624:2-8, 626:10-14 [Testimony of D. Jácome]. Peer's efforts to obtain an administrative deal from Plaintiffs were made Mr. Jaegerman's direct, or indirect, instruction. Tr. at 626:3-7 [Testimony of D. Jacomé]; Tr. at 824:21 - 827:2 [Testimony of P. Jaegerman].

Peer did not notify Harry Fox when its ownership claim in the United States for *Génesis* ended on December 31, 1997. Tr. at 444:17 – 445:10 [Testimony of P. Jaegerman]. After learning of BMG's production and distribution of the Benítez CD, Plaintiffs wrote to BMG, asking that it obtain a license from Plaintiffs, *Génesis*' lawful owners. Plaintiffs' Exh. 159. On April 20, 2001, BMG wrote to both Plaintiffs and Peer informing them that BMG had received conflicting claims of ownership and, therefore, advised both parties that:

> BMG U.S. Latin will hold all royalties for this title in suspense until we have received a letter of relinquishment from either one of you or until we receive an official notice of the mutual resolution of the copyright ownership of the title in reference [namely, *Génesis*].

Plaintiffs' Exh. 163.

On March 26, 2002, Peer contacted Harry Fox and requested that it stop licensing the song *Génesis* on Peer's behalf. Plaintiffs' Exh. 167; Tr. at 445:3-10 [Testimony of P. Jaegerman]

b. ASCAP

Peer Defendants receive royalties from over a hundred third-party sources, including ASCAP. Tr. at 640:16-18, 647:5-7 [Testimony of W. Savage]. Defendant Southern Music has entered into a contractual arrangement whereby ASCAP is authorized to issue licenses for the radio broadcast in the United States of musical compositions owned or controlled by Southern Music that Southern Music registers with ASCAP. Plaintiffs' Exh. 181.

ASCAP maintains a repertoire of songs. Plaintiffs' Exh. 181. ASCAP has issued licenses to radio stations in each of the last six years - that is 1998 through 2003 - that permit them to broadcast any song in ASCAP's repertoire. Id.; Tr. at 821:1-6 [Testimony of P. Jaegerman].

Southern Music's practice is to register any active song that it owns in ASCAP's repertoire. Id. Not every song that Southern Music registers with ASCAP will be listed on its webpage; a song will be listed only if ASCAP has surveyed or paid that song. Tr. at 605:13-17 [Testimony of D. Jacomé].

Southern Music registered its claim of ownership to the song *Génesis* and *Apocalipsis* in the ASCAP repertoire prior to the songs' respective renewal terms. Id. Southern Music possesses a document claiming to exclude the territory of Puerto Rico from the registration of *Génesis* with ASCAP (but not for *Apocalipsis*). No such restriction appears on ASCAP's on-line repertoire. Plaintiffs' Exh. 150.

Southern Music's claim to the songs *Génesis* and *Apocalipsis* in the United States ended with the original term of copyright for those songs on January 1, 1998, and January 1, 1999, respectively. Docket Document No. 59.

Southern Music attempted to obtain renewal assignments from Plaintiffs for the songs *Génesis* and *Apocalipsis*. Plaintiffs' Exh.

123; Tr. at 623:17-19 [Testimony of D. Jacomé]. The offers were not accepted by Plaintiffs. Id.

WIPR is an FM radio station broadcasting in Puerto Rico, which has a license from ASCAP and BMI. Tr. at 369:5-11 [Testimony of J. Ramírez]. Songs by GVL have been played on WIPR under authorization of those licenses. Tr. at 373:11-18 [Testimony of J. Ramírez]; Plaintiffs' Exh. 179.

Southern Music receives royalty payments from ASCAP, Tr. at 823:15 - 824:8 [Testimony of P. Jaegerman], according to statistical surveys prepared by ASCAP based upon songs in its repertoire. Tr. at 648:4-23 [Testimony of W. Savage]; Plaintiffs' Exh. 68. ASCAP's statistical survey does not report royalties every time a song is played on the radio. Tr. at 527:11-13 [Testimony of Edmundo Disdier Alvarez].

Southern Music did not present evidence demonstrating the actual number of songs it has registered with ASCAP. Tr. at 822:4-8 [Testimony of P. Jaegerman].

Peer first requested that ASCAP stop licensing *Génesis* in the United States on or about March 26, 2002. Plaintiffs' Exh. 167.

c. BMI

Peer Defendants receive royalties from over a hundred third-party sources, including BMI. Tr. at 640:16-18, 647:5-7 [Testimony of W. Savage]. Defendant Peer has entered into a contractual arrangement whereby BMI is authorized to issue licenses for United States' radio

broadcast of musical compositions owned or controlled by Peer which Peer registers with BMI. Plaintiffs' Exh. 181.

BMI maintains a repertoire of songs, and has issued licenses to radio stations between 1998 through 2003, that permit radio stations to broadcast songs included in BMI's repertoire. Id. BMI's licenses to radio stations permit those radio stations to play any song in BMI's repertoire. Tr. at 821:1-6 [Testimony of P. Jaegerman]. Peer's practice is to register any recorded songs that it owns in BMI's repertoire. Tr. at 822:25 – 823:3 [Testimony of P. Jaegerman].

Peer's records indicate that the song *Amor dulce* was registered with BMI. Peer Defendants' Exh. 162. Peer's claim of ownership to the song *Amor dulce* in the United States ended with the original copyright term for that song on January 1, 1998. Docket Document No. 59. In circumstances where a song enters its renewal term after the songwriter's death, it is Peer's practice to contact the heirs to attempt to obtain an assignment of the renewal term of copyright. Tr. at 623:8-11; 623:19-23 [Testimony of D. Jacomé]. Peer attempted to obtain renewal assignments from Plaintiffs for the song *Amor dulce*. Plaintiffs' Exh. 123; Tr. at 623:17-19 [Testimony of D. Jacomé]. Plaintiffs rejected the offer. Id.

Peer received payments from BMI between 1998-2003. Tr. 823:15-824:8 [Testimony of P. Jaegerman]. By its contractual relationship with BMI, Peer has agreed to receive royalties from BMI based upon a

statistical survey prepared by BMI based upon songs in its repertoire. Tr. at 648:4-23 [Testimony of W. Savage].

d. Disco Hit

Disco Hit is engaged in the business of selling and distributing compact discs ("CDs"), cassettes, DVDs, with a particular specialization in Puerto Rican music. Tr. at 189:19-25 [Testimony of I. Mena]. Mr. Ignacio Mena is the General Manager of Disco Hit. Tr. at 189:2-3 [Testimony of I. Mena].

Disco Hit has distributed and sold albums containing *Alma triste*; *Amor dulce*; *Apocalipsis*; *Concierto para decirte adiós*; *Génesis*; *Hasta que me oiga Dios*; *Primavera*; *Raza negra*; *Borré tu amor*; *Mi cabaña*; *Se casa con otro*; and *Sigue lloviendo*. Plaintiffs' Exhs. 82,83,84,85,86,87,88,89,90,91,93,186; Tr. at 176:25 – 185:10 [Testimony of R. Venegas]; Tr. at 176:25 – 185:10 [Testimony of R. Venegas].

Peer granted Disco Hit a "blanket" license that extends to songs in Peer's catalog, including *Amor dulce* and *Ni a la distancia*. Tr. at 191:3 – 192:17 [Testimony of I. Mena]; Tr. at 644:22 – 646:7 [Testimony of W. Savage]; Plaintiffs' Exh. 135; Peer Defendants' Exh. 56. The songs *Borré tu amor* and *Mi cabaña* appeared in Peer's catalog, though Peer admits that these songs do not belong to it. Plaintiffs' Exh. 188. None of the other above-listed songs, however, are identified on the blanket license from Peer to Disco Hit and none

of the other above-listed songs appear on Peer's royalty reports. Peer Defendants' Exh. 56; Plaintiffs' Exh. 128.

Plaintiff Rafael Venegas contacted Mr. Mena regarding Plaintiffs' ownership claim to the above-listed songs which appeared on Disco Hit albums. Tr. at 190:2-3 [Testimony of Ignacio Mena]. By letter dated January 4, 1999, Mr. Mena informed Plaintiff Rafael Venegas that:

> The only songs that are not paid under Peer's blanket license are these:
>
> DHCD -1401 (Kintos) 9 songs
> -1487 (Croatto) Apocalipsis
> -1580 (Monroig) Pena
> -8046 (Lucesita) 2 songs

Tr. at 190:24 – 191:3 [Testimony of I. Mena]; Plaintiffs' Exh. 135.

Plaintiff Rafael Venegas informed Peer of Mr. Mena's letter. Plaintiffs' Exh. 136; Tr. at 834:2-11 [Testimony of R. Venegas]. He also requested information regarding Peer's ownership and licensing of songs written by GVL on numerous other occasions. Tr. at 176:18-24; 833:3-8 [Testimony of R. Venegas].

Peer's royalty reports identify songs and third parties from which Peer collects royalties. However, Peer stopped issuing royalty reports in 1993 and did not provide any such royalty reports to Plaintiffs until discovery in this litigation. Tr. at 687:10 – 688:3 [Testimony of W. Savage]. Peer continues to collect royalties in the

amount of $10,200 per year from its blanket license to Disco Hit. Tr. at 645:3-9 [Testimony of W. Savage].

C. LAMCO Defendants

Defendant Chávez-Butler assigned all her copyrights to LAMCO on October 16, 1996. Docket Document No. 84. Defendants ACEMLA and Bernard issued five blanket performance licenses to five radio stations. The licenses allowed the radio stations to perform any of the songs owned by LAMCO. However, the ACEMLA performance blanket license does not specifically mention any song. Instead, a brochure list of composers affiliated with ACEMLA was provided to the various broadcasters. ACEMLA currently licenses to only three radio stations. ACEMLA was paid a total of $117,261.17 from 1998 to 2002 for these licenses, which is within the applicable statute of limitations. The most recent license was granted on June 1, 2001.

LAMCO and ACEMLA issued a retroactive license to Banco Popular de Puerto Rico ("BPPR") on November 6, 1998. This license included a mechanical license for *Génesis* for BPPR's Christmas Special CD and video. The total mechanical and synchronization royalties paid by BPPR to LAMCO were $16,363.47. The total performance royalties paid to ACEMLA were $260,432.10; however, this included *Génesis* and the entire ACEMLA catalog from the period of 1993-1998.

LAMCO issued a mechanical license to Sonolux for the songs *Desde que te marchaste* and *No me digas cobarde*, which was terminated on or about July 23, 1998, due to Plaintiffs' and LAMCO's double claims.

Sonolux paid a total of $67,912.92 to LAMCO for this license; however, these monies subsequently were reimbursed to Sony/Sonolux. Specifically, Sonolux deducted the same sum from other royalties due and payable to LAMCO.

1. <u>Songs in Original Term</u>

LAMCO registered the following songs not in their renewal term:

(1) *Desde que te marchaste*, (LAMCO's Registration PA 948-669, 3/19/99)
(2) *Sigue lloviendo*, (Unichappel Music, Inc. also claims ownership)
(3) No me digas cobarde, (LAMCO's Registration PA 835-281, 1/8/97)
(4) *Bahía* (LAMCO's Registration PA 946-618,3/19/99)
(5) *Amor de una noche* (LAMCO's Registration PA 946-618,3/19/99)
(6) *Soledad* (LAMCO's Registration PA 946-618,3/19/99)
(7) *Carabalí* (LAMCO's Registration PA 946-618,3/19/99)
(8) *Manos blancas* (LAMCO's Registration PA 946-618,3/19/99)
(9) *Reclamo* (LAMCO's Registration PA 946-618,3/19/99)
(10) *Corazón*, and
(11) *Nos conocimos* (LAMCO's Registration PA 835-281, 1/8/97)

Plaintiffs have copyright Registration No. PAU 2-506-884, which includes all of the above songs claimed by Defendant LAMCO. In addition, it includes 186 songs in their original terms. Plaintiffs seek damages against LAMCO for 104 of these registered songs.

2. <u>Claims of Ownership Against LAMCO</u>

LAMCO's claim of ownership depends upon a document signed by GVL during his lifetime, the legal effect of which is disputed by the parties.

The document on which LAMCO relies for its claim of ownership to eight songs written by GVL states "I CERTIFY: Those works detailed above belong to me, Guillermo Venegas Lloveras. Founding member of SPACEM." Defendant LAMCO's Exh. 4. The document is written on Defendant LAMCO's letterhead, but nowhere states that the songs are assigned or otherwise transferred to LAMCO Parties.

3. Alleged infringement

a. Radio Broadcast

In 1999, LAMCO Parties registered copyright claims for 140 songs in their original term that were written by GVL. Plaintiffs' Exhs. 10, 11, 12 & 13. The radio station of the Catholic University of Ponce is one of the five licenses that ACEMLA Parties admit they granted. Tr. at 268:13-17. [Testimony of R. Venegas].

b. License to BPPR

LAMCO's retroactive license for performances by ACEMLA to BPPR in 1998 identified six songs, including *Génesis*, and covered the years 1993 through 1998, for a total amount of $260,432.10 in royalties (one sixth of which would be approximately $43,405.36). Plaintiffs' Exh. 176; Tr. at 472:25 - 473:5 [Testimony of L. Raúl Bernard].

The retroactive mechanical license from LAMCO to BPPR in 1998 for the song *Genesis* was for a total amount of $16,363.47. Plaintiffs' Exh. 176; Tr. at 472:3-16 [Testimony of L. Raúl Bernard].

Thus, for the mechanical and performance licenses together, LAMCO Parties received $59,768.83.

II. Analysis

A. Plaintiffs' Claims of Copyright Ownership Against Peer Defendants

Plaintiffs claim ownership of songs composed by GVL during his lifetime. Plaintiffs claim that contracts, which conveyed the rights over the aforementioned songs to Peer Defendants, are void. Docket Document No. 84. Peer Defendants counter that: (1) Plaintiffs' claims of ownership were not adequately pled in Plaintiffs' original complaint and, therefore, are untimely and prejudicial; and (2) Plaintiffs' challenge to the validity of the contracts entered into by GVL and Peer Defendants are baseless. Id. We first briefly review the implicated agreements, and then consider the parties' averments.

1. Adequate Pleading of the Ownership Issue

Peer Defendants aver that in September 7, 2003, Plaintiffs included a host of theories or claims against Peer Defendants' ownership in their Pre-Trial Order that they did not allude to in their complaint. Docket Document No. 84. Peer Defendants contend that Plaintiffs' ownership claims amount to a motion to amend the pleadings which cannot possibly be granted at this juncture, and that we may, therefore, not consider any challenges to Peer Defendants' ownership of the songs. Id. Plaintiffs observe that, in their

complaint, they claimed that Peer Defendants "have claimed illegally to own the rights . . . to over 20 songs" written by GVL. Docket Document No. 1. Plaintiffs conclude that Peer Defendants received notice of the possible ownership claims in the case at bar and that, moreover, they were apprised of these developing challenges throughout the case.

Fed. R. Civ. P. 8(a)(2) requires "a short and plain statement of the claim showing that the pleader is entitled to relief . . . ." Fed. R. Civ. Proc. 8(a)(2). "[T]he complaint merely serves to put the defendant on notice and is to be freely amended or constructively amended as the case develops, as long as amendments do not unfairly surprise or prejudice the defendant." Toth v. USX Corp., 883 F.2d 1297, 1298 (7th Cir. 1989). "[F]ailure to comply with Rule 8(a)(2) may render an unpleaded claim noncognizable when the plaintiff (or the court, for that matter) subsequently teases it out of adduced facts." Rodriguez v. Doral Mortg. Corp., 57 F.3d 1168, 1171 (1st Cir. 1995). "[W]hile courts should construe pleadings generously, paying more attention to substance than to form, they must always exhibit awareness of the defendant's inalienable right to know in advance the nature of the cause of action being asserted against him." Id.; see also Torres Ramirez v. Bermudez García, 898 F.2d 224, 227 (1st Cir. 1990).

Here, Plaintiffs' complaint is premised on Plaintiffs' claims of copyright ownership of the aforementioned songs. Plaintiffs'

complaint directly challenges Peer Defendants' copyrights, Plaintiffs mentioned the issue in the pretrial filings, and Plaintiffs explicitly referred to and received testimony from Peer Defendants on these issues at trial. Contra, Rodriguez v. Doral Mortg. Corp., 57 F.3d at 1171 (finding, where the plaintiffs had failed to mention an issue in the complaint, subsequent filings, or in court, that the issue was improperly pled and prejudicial to the defendants).

Federal courts have exclusive jurisdiction to determine copyright infringement and, moreover, "have incidental power to hear and decide claims of title which necessarily bear upon the ultimate question of infringement," 3 NIMMER ON COPYRIGHT § 12.01 at 12-6-12-7 (2003) (citations omitted). As such, in order to determine the extent, if any, of the alleged copyright infringement against Peer Defendants, we must first consider the various ownership claims to the songs here.

Contract law governs the assignment of copyrights. Lieberman v. Estate of Chayefsky, 535 F.Supp. 90, 91 n.4 (S.D.N.Y. 1982). Here, Plaintiffs attempt to establish valid title to a copyright by contesting the existence and/or noncompliance with the original contracts between GVL and Peer Defendants. The resolution of this question requires that we look to principles of common law and equity and, ultimately, state law. Keith v. Scruggs,507 F.Supp. 968, 971 (S.D.N.Y. 1981).

2. Statute of Limitations under State Law

a. Choice of law

Plaintiffs seek rescission of the 1952 Agreement claiming it null under several theories, including intimidation and deceit, and lack of licit consideration, all under Puerto Rico law. Supp. Pre-Trial Order, pp. 19-23. Peer Defendants note that the 1952 Agreement contains a choice of law provision which they assert is valid and that, therefore, Plaintiffs' claims must be evaluated pursuant to New York law.

Walborg Corp. v. Tribunal Superior de Puerto Rico, 104 D.P.R. 184 (1975), sets forth the law governing choice-of-law provisions in Puerto Rico. Unisys P.R., Inc. v. Ramallo Bros. Printing, 128 D.P.R. 842 (1991). Under Walborg, choice-of-law provisions are generally valid provided the chosen jurisdiction has a substantial connection to the contract, and unless the provision is against public policy. Walborg, 104 D.P.R. at 192.

Peer Defendants maintain that courts in this district have routinely upheld the validity of choice-of-law clauses and have applied the parties' designated state law. See, e.g., Usine A Glace Nationale, S.A. v. Pepsi Cola Mktg. Corp., 206 F.Supp. 2d 253, 255 (D.P.R. 2002) ("Puerto Rico courts generally find choice-of-law clauses valid."); Cummings v. Caribe Mktg. & Sales Co., Inc., 959 F.Supp. 560, 564 (D.P.R. 1997)("Modern conflict-of-laws theories accept parties' choice as the primary determinant of which law governs a contract."). We find no reason to void the choice of law

provision in the 1952 Agreement, and find that Peer Defendants meet the requirements of Walborg. Accordingly, New York law applies to Plaintiffs' claims for rescission here.

b. Statute of Limitations

Peer Defendants claim that Plaintiffs' contract claims are barred under New York's applicable six-year statute of limitations. See, e.g., N.Y. C.P.L.R. 213(2) (2003); Carter v. Goodman Group Music Publishers, 848 F.Supp. 438, 444-46 (S.D.N.Y. 1994) (dismissing claims by songwriter's heirs against music publisher for breach of contract for failure to pay royalties as barred by the six-year period of limitations); Preta v. Collectibles, Inc., No. 00 Civ. 0279, 2002 WL 472134 at *4 (S.D.N.Y. Mar. 27, 2002) ("It is plain that such an action [for rescission] would be barred by any conceivable statute of limitations. The plaintiff was aware that he was not receiving any royalties or sales reports decades ago, and he could have sued for breach of contract if and when the royalties were due and were not paid, or if and when he did not receive the sales reports.").

Plaintiffs counter that Puerto Rico provides the appropriate statute of limitations. They note that New York courts have determined that a statute of limitations is a procedural consideration under New York law, not a substantial one, and, therefore, do not defer to a parties' choice of jurisdiction, but instead apply the relevant New York statute of limitations.

Architectronics, Inc. v. Control Sys., Inc., 935 F.Supp. 425, 431 (S.D.N.Y. 1996) ("New York courts treat statutes of limitations as part of the forum's procedure and, therefore, apply New York statutes of limitations even if the underlying claim ultimately will be governed by the substantive law of another jurisdiction."). Plaintiffs reason that if we were to apply New York law, we would necessarily conclude that a statute of limitations is a procedural issue and, therefore, use the Puerto Rico statute of limitations.

We find Plaintiffs' argument unpersuasive. Plaintiffs' cited cases stand for the proposition that New York has determined that a statute of limitations is not a substantial issue that would require deference to the parties' contractual intent, but instead a procedural issue which implicates the court's procedure. The relevant question, however, is whether Puerto Rico courts have done the same when considering parties' choice of law and the applicable statute of limitations. A review of Commonwealth cases on this issue suggests that Puerto Rico courts would apply the parties' choice of law to determine the relevant statute of limitations. See Febo Ortega v. Superior Court, 102 D.P.R. 506, 509 (1974) (stating that "the limitation of actions is not a procedural, but a substantive matter"); Olmo v. Young & Rubicam of P.R., Inc., 110 D.P.R. 740 (1981). Consequently, we will apply New York's six-year statute of limitations to the contract issues in the case at bar.

GVL passed away on July 23, 1993. Plaintiffs filed the present complaint on February 21, 2001. Plaintiffs claim rescission for failure to pay royalties beginning in 1993. Docket Document No. 84. Moreover, Plaintiffs claim that the agreements between GVL and Peer Defendants are null and void, seemingly due to alleged fraudulent inducement and lack of consideration in the signing of the contracts. Id. Applying the relevant statute of limitations, we must determine if Plaintiffs pursued their claims within six years of their claims' accrual.

Under New York law, "a breach of contract cause of action accrues at the time of the breach. The Statute runs from the time of the breach though no damage occurs until later." Ely-Cruikshank Co., Inc. v. Bank of Montreal, 599 N.Y.S.2d 501, 502 (1993) (internal citations omitted); Glynwill Invs., N.V. v. Prudential Sec., Inc., 1995 WL 362500, at *3 (S.D.N.Y. 1995). Here, Plaintiffs' action was not commenced within six years after the agreements' execution. N.Y. C.P.L.R. 203.

As to Plaintiffs' claims of rescission for Peer Defendants' alleged failure to pay them royalties, Plaintiffs allege that they have not received royalties since 1993. Moreover, Plaintiffs have not pressed their related claims of copyright ownership against co-Defendants LAMCO and Chávez-Butler since GVL's death in 1993. Tr. at 146:20-147:3, 297:8-299:12 (Testimony of Plaintiff Rafael Venegas).

Plaintiffs have proffered no rationale that would suggest that their rescission claims survive until the present.

Plaintiffs also aver that they have pursued their actions in local courts and that these actions should equitably toll the statute of limitations. However, they do not craft their arguments on New York law, but on Puerto Rico law, which allows equitable tolling if the parties have been engaged in litigation in another judicial forum. Without an appropriate analysis based on New York law, we find that Plaintiffs' contractual claims fall outside the relevant statute of limitations.

3. Laches

We are also persuaded by Peer Defendants' argument that this action may be barred by laches. Plaintiffs object to contract negotiations that occurred during the 1950s and 1960s. Due to the extraordinary delay in raising any claims regarding the 1952 and 1964 Agreements, witnesses who are critical to arguing for and against Plaintiffs' claims, including GVL and the persons who managed Peer Defendants and their artists in the 1950s and 1960s, are deceased. Moreover, the action here disputes copyright ownership that remained uncontested for over four decades. The delay has severely prejudiced Peer Defendants – both in terms of deceased witnesses and their 40-year reliance on their ownership of the pertinent GVL songs. See e.g., Minder Music Ltd. v. Mellow Smoke Music Co., No. 98 Civ. 4496(AGS), 1999 WL 820575, at *2 (S.D.N.Y. Oct. 14, 1999) (holding

that the plaintiff's unreasonable delay resulted in defendant's inability to adequately defend the action, inability to produce certain documents regarding transactions that occurred over 20 years prior, and prejudice because a key witness was deceased and key records were lost); Jackson v. Axton, 25 F.3d 884, 889-90 (9th Cir. 1994)(finding evidentiary prejudice as a result of lost evidence, lost witnesses, and faded memories); Gordon v. Vincent Youmans, Inc., 358 F.2d 261 (2d Cir. 1965) (suggesting that the defense of laches be considered on remand because during plaintiff's delay in bringing suit witnesses with first-hand knowledge died and relevant documents were lost); Futter v. Paramount Pictures, 69 N.Y.S.2d 438 (N.Y. Sup. 1947)(finding prejudice because the only person who could tell what took place during the parties' negotiations had passed away).

Plaintiffs argue that laches is not a defense to copyright infringement because the Copyright Act expressly includes a statute of limitations. See Lyons P'ship, L.P. v. Morris Costumes, Inc., 243 F.3d 789, 797 (4th Cir. 2001)(declining to apply laches, as an equity principle, in the context of a federal copyright cause of action); Zitz v. Pereira, 119 F.Supp. 2d 133, 141 (E.D.N.Y. 1999) (finding that, to the extent that the plaintiff sought money damages on claims derived entirely from a federal statute, the claims of infringement had an express limitations period of three years); cf. Ivani Contracting Corp. v. City of N.Y., 103 F.3d 257, 259 (2nd Cir. 1997) (discussing laches within the context of New York law). In addition,

Plaintiffs aver that laches will not protect those who seek advantage from their own wrongful conduct. The relevant issue, however, is not Plaintiffs' copyright infringement action, but Plaintiffs' inherent challenge to the contracts that granted Peer Defendants their ownership rights. Therefore, Plaintiffs' cited authority does not apply.

Moreover, even if we were to consider Plaintiffs' substantive claims, we find them unavailing. In the interest of comprehensiveness, we address them now.

4. Plaintiffs' Claims of Rescission and Nullity of Contract

a. Rescission

Plaintiffs aver that failure to comply with the mutual obligation of a contract is grounds for rescission under both New York and Puerto Rico law. Docket Document No. 84. Because GVL signed agreements with Peer Defendants in return for royalty payments, Plaintiffs argue, Peer Defendants' failure to report royalties and failure to identify which songs it had licensed constitute grounds for rescission. Id.

We disagree. Rescission is appropriate when "the complaining party has suffered breaches of so material and substantial a nature that they affect the very essence of the contract and serve to defeat the object of the parties." Nolan v. Williams Music Co., 300 F. Supp. 1311, 1317 (S.D.N.Y. 1969). In Nolan v. Sam Fox Publishing Co., 499 F.2d 1394 (2d Cir. 1974), where a composer sought rescission of a

copyright assignment because of the defendant's failure to pay 74% of royalties owed, the Second Circuit explained that, "rescission has been allowed . . . in cases in which a publisher has made none of the royalty payments." Id. at 1399. The court found rescission inappropriate because the defendant paid "26% of the royalties due, distinguish[ing] this case from cases where there was total failure to pay the required royalties." Id. Similarly, in Cafferty v. Scotti Brothers Records, Inc., 969 F.Supp. 193 (S.D.N.Y. 1997), where the defendant had failed to pay royalties to plaintiff for an entire three-year period, the court denied plaintiff's request for rescission because there had been partial payment, explaining, "[t]he law is clear . . . that rescission is not an appropriate remedy in this case." Id. at 205; see also Affiliated Hosp. Products, Inc. v. Merdel Game Mfg. Co., 513 F.2d 1183 (C.A.N.Y. 1975). The relevant case law reveals that the pertinent question is whether the contract has been complied with at all, as opposed to intermittently or infrequently.

In the case at bar, Peer Defendants have shown, and Plaintiffs have not controverted, that GVL received royalties for Peer Defendants exploitation of the copyrights subject to the contract. Moreover, Defendant Chávez-Butler asserts that Peer Defendants have paid royalties. We note that Plaintiffs "may be rendered whole by an award of monetary damages," Nolan v. Williamson Music, Inc., 300 F.Supp. at 1317-18, thus recouping any allegedly failed payments.

Plaintiffs are, therefore, not entitled to rescission for nonpayment of royalties.

b. Nullity of Contract

Plaintiffs claim that the 1964 Agreement is null because it lacks a lawful object. Docket Document No. 84. They note that, pursuant to the 1964 Agreement's terms, GVL paid Peer Defendants $400 and gave them the songs identified in the letter. Id. They aver that, in exchange, GVL was relieved from the obligation of the additional clause, which they claim never had any legal effect anyway. Id. As such, Plaintiffs claim that GVL received nothing. Id.

An author's assignment of the renewal and other interests in a song, in consideration for the publisher's promise to pay specified royalties, generally constitutes a valid bilateral contract which creates mutually enforceable rights and duties. See Edward B. Marks Music Corp. v. Charles K. Harris Music Publ'g Co., 255 F.2d 518, 521-22 (2d Cir. 1958), cert. denied, 358 U.S. 831 (1958); Gumm v. Jerry Vogel Music Co., 158 F.2d 516 (2d Cir. 1946); Tobias v. Joy Music, Inc., 204 F.Supp. 556, 560 (S.D.N.Y. 1962). Under both Plaintiffs' and Peer Defendants' proffered constructions, the $400 was not payment for the contract's execution, but an advance on the royalties GVL was to recoup. Inasmuch as GVL returned the royalty amount with the 1964 Agreement, he was not vitiating a valid bilateral contract, but releasing himself from the working of the contract's additional

clause. As such, we find that the 1964 Agreement is not null for lack of consideration.

Plaintiffs aver that, under Peer Defendants' construction, the 1952 Agreement's additional clause bound GVL to deliver songs to Peer Defendants until any advances were recovered or until GVL refunded them. Plaintiffs argue that, therefore, GVL had no right to terminate his obligation to deliver songs until one of those two events occurred. Docket Document No. 84. Plaintiffs maintain that this arrangement violated the Puerto Rico Constitution, citing Puerto Rico's Bill of Rights.

Under the Puerto Rico Bill of Rights, Art. II § 12:

> Neither slavery nor involuntary servitude shall exist except in the latter case as a punishment for crime after the accused has been duly convicted. Cruel and unusual punishments shall not be inflicted. Suspension of civil rights including the right to vote shall cease upon service of the term of imprisonment imposed . . . .

P.R. CONST art. II § 12.

Article II, § 16 of the Bill of Rights states that:

> The right of every employee to choose his occupation freely and to resign therefrom is recognized, as is his right to equal pay for equal work, to a reasonable minimum salary, to protection against risks to his health or person in his work or employment, and to an ordinary workday which shall not exceed eight hours. An employee may work in excess of this daily limit only if he is paid extra compensation as provided by law, at a rate never less than one and one-half times the regular rate at which he is employed.

P.R. CONST art. II § 16

Plaintiffs, however, fail to elucidate how the 1952 Agreement was involuntary servitude or denied GVL a minimum salary. Plaintiffs admit that GVL received an advance of $400 against royalties when he signed the 1952 Agreement. Moreover, Plaintiffs do not allege, let alone proffer evidence, that would suggest that GVL could not terminate the Agreement in its entirety. While the evidence before us shows that GVL was unhappy with the Agreement and Peer Defendants, this, in and of itself, does not suggest that Peer Defendants violated Puerto Rico law.

Because we find that the foregoing contracts are binding, we necessarily find that Peer Defendants own the songs, in their original terms, included in the agreements here. Those songs include *Cien mil corazones*; *Una canción*; *Por el camino*; *No te vayas así*; *Déjame que te diga*; *Amor dulce*; *Cariño*; *No vuelvas más*; *Ni a la distancia*; *Borracho sentimental*; *Noche sin ti*; *Llega la noche*; *Miedo*; *Recordación*; *Nada puedo hacer*; *Ausencia*; *No, no digas nada*; *Tu partida*; *Cuando me vaya*; *No acepto olvido*.

5. Plaintiffs' Challenge to Peer Defendants' Ownership of Renewal Rights

The 1952 Agreement granted Peer Defendants an irrevocable power of attorney from GVL, stating:

> Composer herein conveys an irrevocable power of attorney authorizing and empowering the Publisher, its successors and assigns to file publication and review the copyright in the name

> of the Composer and, upon such renewals, to execute proper and formal assignments thereof, so as to secure to the Publisher, its successors and assigns, the renewal terms of, in and to the said copyrights, works and/or compositions.

Peer Defendants' Exh. 5.

Plaintiffs aver that an assignment of power of attorney rights is void under Puerto Rico law unless notarized, and that, therefore, any assignment if renewals made in GVL's name are void.

The purpose of the right of renewal is to "provide[] authors a second opportunity to obtain remuneration for their works." Stewart v. Abend, 495 U.S. 207, 217 (1990). The renewal period is not merely an extension of the original copyright, but a "new estate . . . clear of all rights, interests or licenses granted under the original copyright." G. Ricordi & Co. v. Paramount Pictures, Inc., 189 F.2d 469, 471 (2d Cir. 1951).

There is a strong presumption against the conveyance of renewal rights:

> [I]n the absence of language which expressly grants rights in "renewals of copyright" or "extensions of copyright" the courts are hesitant to conclude that a transfer of copyright (even if it includes a grant of "all right, title and interest") is intended to include a transfer with respect to the renewal expectancy.

2 NIMMER ON COPYRIGHT § 9.06[A] at 9-71 to 9-72. The landmark case in this arena is Fred Fisher Music Co. v. M. Witmark & Sons, 318 U.S. 643 (1943), in which the Supreme Court clarified that "an assignment

by the author of his 'copyright' in general terms did not include conveyance of his renewal interest." Id. Thus, a conveyance of a copyright's original term does not convey renewal rights. See also Epoch Producing Corp. v. Killiam Shows, Inc., 522 F.2d 737, 747 (2d Cir. 1975) (author's general transfer of original copyright without mention of renewal rights conveys no interest in renewal rights absent proof of contrary intention); accord Bartok v. Boosey & Hawkes, 523 F.2d 941, 949 n. 12 (2d Cir. 1975); Rohauer v. Killiam Shows, Inc., 551 F.2d 484, 490-91 (2d Cir. 1977); Followay Prods., Inc. v. Maurer, 603 F.2d 72, 75 (9th Cir. 1979). "The presumption against conveyance of renewal rights serves the congressional purpose of protecting authors' entitlement to receive new rights in the 28th year of the original term." Corcovado Music Corp. v. Hollis Music, Inc., 981 F.2d 679 (2d Cir. 1993).

However, the presumption against the conveyance of renewal rights may be rebutted where the author includes "language which expressly grants rights in 'renewals of copyrights' or 'extensions of copyrights'" 2 NIMMER ON COPYRIGHT § 906[A] 9-71 to 9-72. "[G]eneral words of assignment can include renewal rights if the parties had so intended. That intent is to be determined by the trier of the facts." Siegel v. Nat'l Periodical Publ'ns, Inc., 508 F.2d 909, 913-14 (2d Cir. 1974).

In the present case, the Agreements between GVL and Peer Defendants explicitly granted Peer Defendants renewal rights to the

songs listed in the contracts. Accordingly, under federal copyright law, if GVL was alive at the commencement of the respective renewal term for a work, then Peer Defendants would own the U.S. renewal term copyright by virtue of the agreements. 17 U.S.C. § 304.

Peer Defendants aver that the songs *Ausencia*; *Cariño*; *Llega la noche*; *Nada puedo hacer*; *Ni a la distancia*; *Noche sin ti*; *No acepto olvido*; *No, no digas nada*; and *No vuelvas más* were neither published nor registered for copyright prior to January 1, 1978. Thus, they aver, they are not subject to the renewal term reversion provisions of 17 U.S.C. § 304, and Peer Defendants continue to own the copyright for the term of the life of the author plus 70 years. 17 U.S.C. § 303 (a);[4] See, e.g., Religious Tech. Ctr. v. Netcom On-Line Comm. Servs., Inc., 923 F.Supp. 1231, 1242 (N.D. Cal. 1995) (citing 3 NIMMER ON COPYRIGHT § 9.09[A]). Plaintiffs do not contest this reading of the Copyright Act. With the exception of one work, *Amor dulce*, GVL

---

[4]17 U.S.C.A. § 303(a) states, in part, that a:

> [C]opyright in a work created before January 1, 1978, but not theretofore in the public domain or copyrighted, subsists from January 1, 1978, and endures for the term provided by section 302. In no case, however, shall the term of copyright in such a work expire before December 31, 2002; and, if the work is published on or before December 31, 2002, the term of copyright shall not expire before December 31, 2047.

17 U.S.C. § 302 states that a "[c]opyright in a work created on or after January 1, 1978, subsists from its creation and, except as provided by the following subsections, endures for a term consisting of the life of the author and 70 years after the author's death."

survived into the United States renewal term of copyright for each of the works copyrighted prior to January 1, 1978. Further, the U.S. renewal term of copyright had, at GVL's death, already vested in Peer Defendants, which continue to own the copyright in such songs on a worldwide basis (including the U.S. copyrights) for their full duration, inclusive of U.S. renewal terms. See Fred Fisher Music Co., 318 U.S. at 657-59. These songs include *Cien mil corazones*; *Cuando me vaya*; *Déjame que te diga*; *Más allá*; *No te vayas así*; *Por el camino*; and *Una canción*.

Once copyrights are assigned, "the exercise of the assignee's renewal rights is in no sense contingent upon the assistance of the authors." Tobias v. Joy Music, Inc., 204 F.Supp. 556 (S.D.N.Y. 1962). "[T]he assignment of the expectancy itself implies a power of attorney in the assignee to apply for such renewal in the author's name." Id. at 559; Rose v. Bourne Music, Inc., 176 F. Supp. 605, 610 (S.D.N.Y. 1959), aff'd 279 F.2d 79 (2nd Cir. 1960); Rossiter v. Vogel, 134 F.2d 908, 911 (2nd Cir. 1943). Because no actual power of attorney is required for the renewal term copyright to vest in assignee, Plaintiffs' challenge to Peer Defendants' ownership of renewal term rights on the basis that an extraneous power of attorney was not notarized or registered in accordance with local rules is inapposite.

Defendant Peer, having exercised its rights by making a timely filing for renewal is, therefore, the present legal owner of the renewal copyrights in the aforementioned songs.

B. Plaintiffs' Copyright Infringement Claims against Peer Defendants

The Copyright Act of 1976 grants the copyright owner the exclusive right to use and to authorize others to use the copyrighted material in one of five different ways. See Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 432-33 (1984). These rights include the right to do or authorize others to do any of the following: (1) reproduce the copyrighted work; (2) prepare derivative works based on the copyrighted work; (3) distribute copies of the copyrighted work by sale or other transfer of ownership, or by rental, lease, or lending; (4) publicly perform the copyrighted work; and (5) publicly display the copyrighted work. 17 U.S.C. § 106. Under 17 U.S.C. § 501(a), any unauthorized use of copyrighted material which is inconsistent with the exclusive rights enumerated in 17 U.S.C. § 106 (i.e., by using or authorizing the use of the copyrighted work in one of the five ways set forth in the statute) constitutes copyright infringement. Teleprompter Corp. v. Columbia Broad. Sys., Inc., 415 U.S. 394, 398 n.2 (1974). Moreover, it is now clear that "an infringer is not merely one who uses a work without authorization by the copyright owner, but also one who authorizes the use of a copyrighted work without actual authority from the copyright

owner." Sony Corp. of Am., 464 U.S. at 435 n.17. Such an act can result in on the part of the authorizing party. Id.

1. Statute of Limitations under the Copyright Act

Peer Defendants aver that Plaintiffs' claims are barred by the statute of limitations to the extent that the claims allege acts of infringement occurring before September 6, 1998 – three years prior to the commencement of this action against Peer Defendants on September 6, 2001.

Civil actions under the Copyright Act are governed by a three-year statute of limitations. 17 U.S.C. § 507(b) ("No civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued"); Kregos v. Associated Press, 795 F.Supp. 1325 (S.D.N.Y. 1992), aff'd, 3 F.3d 656 (2d Cir. 1993). A copyright infringement action, therefore, requires a plaintiff to not only prove infringement, but to commence such an action within three years after the claim has accrued. Gaste v. Kaiserman, 669 F.Supp. 583, 583 (S.D.N.Y. 1987). A claim for copyright infringement "'accrues at the time that the infringement upon which the suit is based occurred.'" Barksdale v. Robinson, 211 F.R.D. 240, 245 (S.D.N.Y. 2002) (quoting 3 NIMMER ON COPYRIGHT § 12.05[A]); see also Waters v. Walt Disney World Co., 237 F.Supp.2d 162, 166-67 (D.R.I. 2002) (barring copyright infringement claim on statute of limitations grounds, stating, that "neither the ignorance of a person of his right to bring an action nor the mere silence of

a person liable to the action prevents the running of the statute of limitations."); Repp. v. Webber, 914 F.Supp. 80 (S.D.N.Y. 1996) ("[P]eriod of limitations begins to run from the moment the defendant commits an infringement."). Claims alleging acts outside the statutory three-year period prior to the filing of the complaint in the case at bar are therefore time-barred.

2. Infringement Claims Against Peer Defendants

A. Disco Hit

Plaintiffs contend that Peer Defendants granted licenses to Disco Hit which infringed on Plaintiffs' copyright in GVL's songs.

On November 30, 1989, Disco Hit entered into a license agreement with Peer. Peer Defendants' Exh. 55. Pursuant to the license, Peer Defendants authorized the manufacture and distribution of phono records using certain Peer Defendants-owned copyrights solely as originally released on the Marvela, Guarani, Verne, and Tierrazo labels. Tr. at 192:18-193:3,193:11-18 [Testimony of I. Mena]. Under the agreement, Disco Hit would pay Peer Defendants an annual royalty of $10,276. Tr. at 190:23 [Testimony of I. Mena]. The license did not specifically identify any songs. Tr. at 193:11-18, 194:1-6, 194:19-24, 198:12-200:1, 207:20-208:7 [Testimony of I. Mena].

Plaintiffs aver that Peer Defendants granted Disco Hit a "blanket" license that extends to songs in Peer's catalog to which Peer Defendants no longer hold the copyright, including *Amor dulce* and *Ni a la distancia*. Plaintiffs have shown that Disco Hit has

distributed and sold albums containing each of the following songs in their renewal terms of copyright:

Alma triste [Plaintiffs' Exh. 186];
Amor dulce [Plaintiffs' Exhs. 87 and 93];
Apocalipsis [Plaintiffs' Exh. 186];
Concierto para decirte adiós [Plaintiffs' Exh. 186.];
Génesis [Plaintiffs' Exhs. 84, 90, 91 and 186.];
Hasta que me oiga Dios [Plaintiffs' Exh. 84 and 91];
Primavera [Plaintiffs' Exh. 186]; and
Raza negra [Plaintiffs' Exh. 186].

Furthermore, Disco Hit has distributed and sold albums containing each of the following songs (to which Peer Defendants claim no ownership) in their original terms of copyright: *Borré tu amor*; *Mi cabaña*; *Se casa con otro*; and *Sigue lloviendo*. Plaintiffs' Exh. 82, 83, 85, 86, 88, 89.

Peer Defendants have submitted a list of the songs included in the mechanical license issued to Disco Hit which includes only four songs: *No vuelvas más*, *Ni a la distancia*, *No me digas nada*, and *Miedo*. Peer Defendants' Exh. 56. Peer Defendants own *No vuelvas* más, *Ni a la distancia*, *No me digas nada*, and *Miedo* pursuant to the 1952 and 1964 Agreements. However, Plaintiffs also submit royalty statements from Southern Music which show that Peer Defendants were receiving royalty payments for *Amor dulce* after that song entered its renewal period and properly belonged to Plaintiffs. Plaintiffs' Exh. 93. Plaintiffs thereby hope to prove that Peer Defendants have infringed on their copyright ownership.

Mr. Mena testified, however, that certain recordings cited by Plaintiffs which embody songs written by GVL were not covered by Peer Defendants' license to Disco Hit. Defendants' Exh. 55. Those recordings included records by Los Kintos, Tony Croatto, Gilberto Monroig, and Lucecita Benítez. Specifically, Mr. Mena confirmed that Lucecita Benítez had never recorded for the Marvela, Guaraní, Verne, and Tierrazo labels, the only labels Peer Defendants' license covered, and that Disco Hit did not have a license for any GVL songs or records made by Lucecita Benítez. Tr. at 203:13-22; 204:4-206:22 [I. Mena testimony]. As such, Disco Hit's recordings of *Alma triste*, *Génesis*, *Raza negra*, *Concierto para decirte adiós*, *Hasta que me oiga Dios,* and *Apocalipsis* were not prepared pursuant to Peer Defendants' license and Peer Defendants could not, therefore, be liable for their allegedly improper use. Plaintiffs' Exhs. 84, 87, 91, 186. We additionally note that Plaintiffs have proffered no proof that any of the remaining songs, *Borré tu amor*, *Mi cabaña*, *Se casa con otro*, or *Sigue lloviendo* were ever included in a license to Disco Hit, and they fail to show that these songs resulted in payments to Peer Defendants.

Moreover, while Peer Defendants seemingly attributed Disco Hit royalties to the song *Amor dulce* after its copyright ownership reverted to Plaintiffs, it is not among the titles in Peer Defendants' license to Disco Hit. Plaintiffs have not adduced evidence that Peer Defendants nonetheless granted Disco Hit a license

for *Amor dulce*. Docket Document No. 56. Further, while Plaintiffs seemingly suggest that Peer Defendants are contributorily liable for any unauthorized use by Disco Hit, they have not established that Peer Defendants had "actual or constructive knowledge of and participated directly in the primary infringing conduct." See Marvullo v. Gruner & Jahr, 105 F.Supp.2d 225, 230 (S.D.N.Y. 2000); Demetriades v. Kaufmann, 690 F.Supp. 289, 293 (S.D.N.Y. 1988) (finding that the alleged contributory infringer must make more than a mere quantitative contribution to the primary infringement and that participation in the infringement must be substantial).

Specifically, although Peer Defendants applied royalties to the song *Amor dulce*, Disco Hit would not accompany the lump sum payments to Peer Defendants with a royalty statement. Tr. at 645:10-646:7 [Testimony of W. Savage]. Instead, Peer Defendants allocated the funds to each song according to a pre-established formula. Id. As such, the Southern Music royalty statements would not show that Disco Hit infringed on Plaintiffs' copyright in *Amor dulce* within the statutory period or that Peer Defendants had constructive knowledge of any such infringement. Further, even though Plaintiff María Venegas testified that she purchased a recording which included the song *Amor dulce,* she admitted that the record was made prior to GVL's death, and that she did not know when the retailer purchased it. Tr. at 529:11-531:5, 533:9-23 [Testimony of M. Venegas]; Plaintiffs' Exh. 187. Simply put, we cannot find, from the evidence before us,

that Peer Defendants knew of any alleged infringement during the statutory period.

Finally, even if Peer Defendants had licensed *Amor dulce* to Disco Hit, Peer Defendants aver that they owned the U.S. original term copyright in *Amor dulce* through December 31, 1997. Since the application for the U.S. renewal term copyright in *Amor dulce* was not filed with the U.S. Copyright Office within one year before the expiration of the original term of copyright, *i.e.*, prior to December 31, 1997, it is subject to the "derivative works exception" contained in 17 U.S.C. § 304 (a)(4)(A) of the Copyright Act. In Mills Music, Inc. v. Snyder, 469 U.S. 153 (1985), the Supreme Court explained that the purpose of the derivative works exception is to "preserve the right of the owner of a derivative work to exploit it, notwithstanding the reversion." Id. at 650. Therefore,

> [e]ven if a person acquired the right to exploit an already prepared derivative work by means of an unfavorable bargain with an author, that right was to be excluded from the bundle of rights that would revert to the author when he exercised his termination right. The critical point in determining whether the right to continue utilizing a derivative work survives the termination of a transfer of a copyright is whether it was 'prepared' before the termination. Pretermination derivative works--those prepared under the authority of the terminated grant--may continue to be utilized under the terms of the terminated grant. Derivative works prepared after the termination of the grant are not extended this exemption from the termination provisions. It is a matter of indifference--as far as the reason for giving

> protection to derivative works is concerned--whether the authority to prepare the work had been received in a direct license from an author, or in a series of licenses and sublicenses. The scope of the duly authorized grant and the time the derivative work was prepared are what the statute makes relevant because these are the factors that determine which of the statute's two countervailing purposes should control.

Id. at 650-51.

Here, Disco Hit obtained the mechanical license from Peer Defendants in 1989, during the copyrights' original terms, and prior to Plaintiffs' renewal ownership. In addition, Plaintiffs did not terminate their grant within the statutory period. Therefore, to the extent that Disco Hit continues to use *Amor dulce* recordings under the original license from Peer Defendants, it is also lawful under the derivative works exception. 17 U.S.C. § 304(a)(4)(a).

b. Harry Fox

Plaintiffs claim that the Harry Fox Agency, under Peer Defendants' authorization, issued a mechanical license which infringed on Plaintiffs' rights to the song *Génesis*. Docket Document No. 84.

The Harry Fox Agency is Peer Defendants' agent for issuing mechanical licenses for the U.S. manufacture and distribution of phono records for Peer-owned or controlled songs. Plaintiffs' Exh. 181. Peer Defendants had registered their claim to *Génesis* during the original term of copyright and issued a number of

mechanical licenses through the Harry Fox Agency. Plaintiffs' Exhs. 57, 66, 67.

On Friday, May 26, 2000, Ms. Lucecita Benítez performed live in Carnegie Hall. Plaintiff's Exh. 147. From this performance, BMG released a compact disc titled *"En vivo desde el Carnegie Hall"* ("Benítez CD"), which included the song *Génesis.* Plaintiff's Exh. 148; Tr. 212:19 - 213:2 [Testimony of R. Venegas].

On January 11, 2001, the Harry Fox Agency issued a retroactive mechanical license to BMG for *Génesis* for the Benítez CD. Plaintiffs' Exhs. 149, 181. The license authorized the "manufacture and distribution" of the Benítez CD "in the United States, its territories and possessions." Plaintiffs' Exh. 149. Peer Defendants did not own *Génesis* in the United States at the time of Ms. Benítez' Carnegie Hall performance, nor did Peer Defendants own *Génesis* at the time it granted the mechanical license, through the Harry Fox Agency, to BMG. Docket Document No. 59.

Plaintiffs note that, before granting the license to BMG, Peer Defendants attempted to obtain an assignment from Plaintiffs for *Génesis,* which Plaintiffs refused. Plaintiffs' Exh. 123. Both before and after granting the BMG license, Peer attempted to obtain the renewal rights to the song *Génesis* from Plaintiffs by offering them an administrative deal. Tr. 624:2-8 - 626:10-14 [Testimony of D. Jacomé]. Peer Defendants' efforts to obtain an administrative deal from Plaintiffs were made at the direct, or indirect, instruction of

Mr. Peter Jaegerman. Tr. 626:3-7 [Testimony of D. Jacomé]; Tr. 824:21- 827:2 [Testimony of P. Jaegerman].

Peer Defendants acknowledge that they erroneously granted the *Génesis* license after the commencement of the U.S. renewal term of copyright. Tr. at 780:24-781:3 [Testimony of P. Jaegerman]. However, Peer Defendants aver that because Plaintiffs did not file a U.S. renewal registration in 1997 - the last year of the copyright's original term and the year before the work entered its renewal term - Peer Defendants have the right to collect royalties on licenses that were issued before the commencement of the U.S. renewal term under the Copyright Act's Derivative Works exception. Tr. at 775:10-777:1 [Testimony of P. Jaegerman].

We disagree with Peer Defendants. While Peer Defendants allege that BMG was entitled to the *Génesis* mechanical license, Peer Defendants also acknowledged that Plaintiffs were under no obligation to issue it through the Harry Fox Agency. Tr. at 439: 9-13 [Testimony of P. Jaegerman]. It was clear, from the negotiations between Plaintiffs and Peer Defendants, that Peer Defendants knew they had no right to the song *Génesis*. As such, Peer Defendants cannot absolve their infringing conduct simply by suggesting that the mechanical license had to be granted.

Moreover, the derivative-works exception is inapplicable in the case at bar. While the Copyright Act establishes certain limited circumstances under which a derivative work may continue to be used,

17 U.S.C. §304(a)(4)(A), those limited circumstances "do[] not extend to the preparation during such renewed and extended term of other derivative works based upon the copyrighted work covered by such grant." 17 U.S.C. §304(a)(4)(A). Here, the Benítez CD was prepared during *Génesis*' renewal term for the song. As such, this provision of the Copyright Act is inapplicable to Peer Defendants' authorization in the present case.

Finally, Peer Defendants suggest that the infringement was unintended. Intent or knowledge is not an element of infringement. 17 U.S.C. § 501(a); Samet & Wells, Inc. v. Shalom Toy Co., 429 F. Supp. 895, 904 (E.D.N.Y. 1977). "Innocent intent should no more constitute a defense in an infringement action, whether statutory or common law, than in the case of conversion of tangible personalty . . . . Copyright would lose much of its value if third parties such as publishers and producers were insulated from liability because of their innocence as to the culpability of the persons who supplied them with the infringing material." 4 NIMMER ON COPYRIGHT § 13.08 (2003). Thus, Peer Defendants' claim that they innocently published *Génesis* in Puerto Rico is not a valid defense to copyright infringement. Fitzgerald Pub. Co., Inc. v. Baylor Pub. Co., Inc., 807 F.2d 1110, 113-14 (2d Cir. 1986).

We find that Peer Defendants violated Plaintiffs' copyright in the song *Génesis*.

c. ASCAP & BMI

Peer Defendants receive royalties from over a hundred third-party sources, including ASCAP. Tr. at 640:16-18 - 647:5-7 [Testimony of W. Savage]. Peer Defendants entered into a contractual arrangement with ASCAP which authorized ASCAP to issue licenses for the radio broadcast in the United States of musical compositions owned or controlled by Southern Music registered with ASCAP.[5] Plaintiffs' Exh. 181. Southern Music's practice is to register any active song that it owns in ASCAP's repertoire. Tr. at 821:1-6 [Testimony of P. Jaegerman].

ASCAP has issued licenses to radio stations in each of the last six years - 1998 through 2003 - that permit such radio stations to broadcast songs included in ASCAP's repertoire. Id.

Peer Defendants registered their claim of ownership to the songs *Génesis* and *Apocalipsis* in the ASCAP repertoire prior to those songs entering their respective renewal terms. Plaintiffs' Exh. 181. Peer Defendants' claims to *Génesis* and *Apocalipsis* in the United States ended with the original term of copyright for those songs on January 1, 1998, and January 1, 1999, respectively. Docket Document No. 59. Peer Defendants attempted - but failed to obtain renewal assignments from Plaintiffs for the songs *Génesis* and *Apocalipsis*. Plaintiffs' Exh. 123; Tr. at 623:17-19 [Testimony of D. Jacomé].

[5]For purposes of clarity, we use the inclusive term "Peer Defendants," even though Defendant Peer licensed its works to BMI and Defendant Southern Music licensed its works to ASCAP.

Even though Peer Defendants did not receive an assignment from Plaintiffs, in circumstances where a song enters its renewal term and the songwriter's heirs become its owners, it is not Peer Defendants' practice to notify ASCAP that their ownership has ended along with the original term of copyright. Tr. at 609:11-16 [Testimony of D. Jacomé]; Tr. at 409:14-20 and 821:17-22 [Testimony of P. Jaegerman]. Likewise, Peer Defendants do not know and do not attempt to determine whether BMI or ASCAP normally remove Peer Defendants' registrations from the BMI or ASCAP repertoires when Peer Defendants' ownership ends. Tr. at 821:3-25. [Testimony of P. Jaegerman].

According to Peer Defendants, an heir can find out what songs it has registered with BMI and ASCAP by asking Peer Defendants or by going to BMI's and ASCAP's websites. Tr. at 610:5 - 624:1 [Testimony of David Jacomé]. However, a song will be listed only if ASCAP has surveyed or paid royalties for that song. Tr. at 605:13-17 [Testimony of D. Jacomé].

Plaintiff Rafael Venegas testified that he visited ASCAP's webpage on or about June 30, 2000, performed a search of its on-line repertoire, and that both *Apocalipsis* and *Génesis* appeared in ASCAP's on-line repertoire, with Peer/Southern Music listed as the publisher and administrator for those songs. Tr. at 227:2-8; 228:15-17 [Testimony of R. Venegas]; Plaintiffs' Exh. 150. Because both *Apocalipsis* and *Génesis* appeared in ASCAP's on-line repertoire, Plaintiffs aver that, consistent with Mr. Jacomé's testimony, above,

ASCAP must have surveyed the performance of these songs and/or paid royalties for these songs. Tr. at 605:13-17 [Testimony of D. Jacomé]. Plaintiff Rafael Venegas also testified that he visited BMI's webpage in 1997 and 2002, and that, on both occasions, the song *Amor dulce* appeared. Tr. at 233:18-25; 236:5- 237:14 [Testimony of R. Venegas].

Plaintiffs aver that by registering these songs in ASCAP and BMI's repertoires without requesting their removal upon expiration of the original term of copyright, Peer Defendants authorized and caused ASCAP's infringing actions, and, therefore, are liable as a direct and contributory infringer. Docket Document No. 84. Additionally, while Peer Defendants possess an ancient card claiming to exclude the territory of Puerto Rico from the registration of *Génesis* with ASCAP, no such restriction appears on ASCAP's on-line repertoire. Plaintiffs' Exh. 150. Plaintiffs ostensibly submit that the songs could have been performed in Puerto Rico. They contend that, having set the infringement in motion, Peer Defendants had a duty to ensure that the infringement ceased.

Courts have found that "the mere act of authorizing without proof that the party so authorized actually distributed copies of the copyrighted work, does not constitute copyright infringement under the Act." SBK Catalogue P/ship v. Orion Pictures Corp., 723 F.Supp. 1053, 1064 (D.N.J. 1989). These courts have determined that the inclusion of the word "authorize" as one of the exclusive rights

reserved for copyright owners in 17 U.S.C. § 106 was "intended to codify the antecedent jurisprudence of contributory infringement," not to create independent enforcement grounds of enforcement. Danjaq, S.A. v. MGM/UA Communications, Co., 773 F.Supp. 194, 201 (C.D.Cal. 1991); see also, 3 NIMMER ON COPYRIGHT § 12.04[A][3] (2003) (finding that "in all but exceptional circumstances, the act of authorization simpliciter is unlikely to damage the co-owner."). We note that situations where there is no direct act of infringement will "in all likelihood [be] remediable under the applicable state law without having to invoke federal jurisdiction." Danjaq, 773 F.Supp. at 201. Further, even though Plaintiffs claim that radio stations played GVL's songs under Peer Defendants' authorization, they have failed to connect most of their claimed performances to Peer Defendants. See SBK Catalogue, 723 F.Supp. at 1064 (declining to find copyright infringement for authorization of songs without proof of direct infringement, because without the directly infringing conduct, the court would be unable to determine whether the acts complained of are actionable under the Copyright Act).

Upon evaluating Plaintiffs' proffered evidence of improper licensing of their copyright, we can find only one instance of infringing conduct. Plaintiffs submit evidence that *No vuelvas más, Ni a la distancia,* and *Génesis* were played on October 23, 2001, on WIPR, an FM radio station broadcasting in Puerto Rico, which has a license from ASCAP. Tr. at 369:5-11 [Testimony of J. Raúl Ramirez].

We found, above, that *No vuelvas más* and *Ni a la distancia* are owned by Peer Defendants. *Génesis*, however, had already entered its renewal period at the time of its broadcast.

Peer Defendants counter that they did not authorize any performance of *Génesis* in Puerto Rico through ASCAP since Peer Defendants instructed ASCAP not to issue licenses for the song's public performance in Puerto Rico when they registered it with ASCAP in 1969. Tr. at 771:21-772:25, 774:5-21 [Testimony of P. Jaegerman]; Peer Defendants' Exh. 19 (Letter to ASCAP). Moreover, Peer Defendants aver that their alleged failure to withdraw registrations with BMI and ASCAP for any GVL musical composition which they owned and/or controlled for decades without dispute, is an act distinctly different from directly licensing infringing conduct. Furthermore, Peer Defendants aver that they did not receive any royalties or income from BMI or ASCAP since January 1, 1998, for the alleged licensing of public performances of, *inter alia*, *Génesis*. As such, Peer Defendants contend that their alleged "failure to withdraw registrations" on which Plaintiffs base their infringement claims was, and is, in accordance with industry practice and does not constitute copyright infringement.

We find that Plaintiffs have not proffered enough evidence to suggest contributory infringement on Peer Defendants' part for WIPR's use of the song *Génesis*. The evidence before us, largely uncontroverted by Plaintiffs, is that Peer Defendants forwarded a

territorial restriction to ASCAP which prohibited the use of the song in Puerto Rico. Thusly, Peer Defendants have suggested that ASCAP, not Peer Defendants, violated Plaintiffs' ownership interest in *Génesis*. Moreover, Peer Defendants have proffered evidence that they did not receive royalties on *Génesis* from ASCAP, suggesting that they had no constructive knowledge that ASCAP was licensing *Génesis* outside of its granted license. Consequently, we cannot find that Peer Defendants had the requisite knowledge of ASCAP's act to constitute contributory infringement under current jurisprudence.

3. Damages

The Copyright Act provides for various sanctions for infringers. Under Section 504(b), the "copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement . . . ." 17 U.S.C. § 504(b). Plaintiffs have requested the greater of: (a) actual damages and profits; or (b) statutory damages. 17 U.S.C. § 504. We have found that Peer Defendants infringed on Plaintiffs' copyrights. We now calculate the amount of actual and/or statutory damages to which Plaintiffs are entitled.

a. Actual Damages

Plaintiffs aver that Peer Defendants received $3,209.40 for the licensing of the song *Génesis* to BPPR. Plaintiffs do not reveal how

they arrived at that calculation. Peer Defendants counter that they received less than $2,000 in gross revenues from all uses of any of the allegedly infringed GVL songs during the three-year period prior to this action's commencement, Peer Defendants' Exhs. 108, 111, 112, only $1,038.91 of which is attributable to the BMG-*Génesis* license. Peer Defendants' Exh. 111.

Plaintiffs have failed to controvert Peer Defendants' evidence, or suggest how they made their own calculation. We have reviewed Peer Defendants' exhibits, and find that their calculation is substantially correct. We, therefore, adopt Peer Defendants' proffered calculation of $1,038.91 as Plaintiffs' actual damages for the licensing of the BPPR license.

b. Statutory Damages

The Copyright Act provides that in lieu of actual damages a plaintiff can elect "an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than $750 or more than $30,000 as the court considers just. For the purposes of this subsection, all the parts of a compilation or derivative work constitute one work." 17 U.S.C. § 504 (c)(1). "Under this section, the total number of 'awards' of statutory damages that a plaintiff may recover in any given action depends on the number of works that are infringed regardless of the number of

infringements of those works." Mason v. Montgomery Data, Inc., 967 F.2d 135, 143 (5th Cir. 1992). Thus, "if a plaintiff proves that one defendant committed five separate infringements of one copyrighted work, that plaintiff is entitled to only one award of statutory damages." Id. at 144. Thus, the court may only make one statutory damage award for each copyrighted work allegedly infringed, regardless of the number of defendants' allegedly unauthorized uses of that work.

When determining the exact amount of statutory damages to award to a copyright plaintiff, the court has discretion to award an amount that "the court deems just;" however, statutory damages should be commensurate with the plaintiff's actual damages. See, e.g., New Line Cinema Corp. v. Russ Berrie & Co., 161 F.Supp. 2d 293, 303 (S.D.N.Y. 2001); RSO Records, Inc. v. Peri, 596 F.Supp. 849, 862 (S.D.N.Y. 1984) (holding that "assessed statutory damages should bear some relation to actual damages suffered"); Warner Brothers, Inc. v. Dae Rim Trading, Inc., 677 F.Supp. 740, 769 (S.D.N.Y. 1988) (stating that "this option is not intended to provide the plaintiff with a windfall recovery").

We must consider: (1) the expenses saved and profits reaped by the defendants in connection with the infringements; (2) the plaintiff's lost revenues as a result of the defendants' conduct; and (3) the infringer's state of mind - whether willful, knowing, or

merely innocent. Pedrosillo Music, Inc. v. Radio Musical, Inc., 815 F.Supp. 511 (D.P.R. 1993).

If the copyright owner is able to prove that infringement was committed willfully, the court has discretion to increase the statutory damage award to a sum not more than $100,000. See id. § 504(c)(2). On the other hand, if the copyright owner can only prove that "such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court, in its discretion, may reduce the award of statutory damages to a sum not less than $200." Id.

Courts have held that infringement is willful if the defendant "has knowledge," either actual or constructive, "that its actions constitute an infringement," Fitzgerald Publ'g Co. v. Baylor Publ'g Co., 807 F.2d 1110, 1115 (2d Cir. 1986), or if it recklessly disregards a copyright holder's rights, see N.A.S. Import Corp. v. Chenson Enters., 968 F.2d 250, 252 (2d Cir. 1992); see also RCA/Ariola Int'l, Inc. v. Thomas & Grayston Co., 845 F.2d 773, 779 (8th Cir. 1988) (holding that a defendant does not act willfully within the meaning of the statute if he believes in good faith that his conduct is innocent).

We find that Peer Defendants have willfully violated Plaintiffs' copyright. It is clear that Peer Defendants attempted to obtain an administrative deal from Plaintiffs regarding GVL's songs as early as 1997, Plaintiffs' Exhs. 110, 111, 118, 122, 127, which mentioned Peer

Defendants' ownership in *Génesis*, and which Plaintiffs rejected. In addition, a copyright renewal registration was filed with the United States Copyright Office in 1998. Plaintiffs' Exh. 18. Peer Defendants also received royalties that apprised them of *Génesis*' continued exploitation in Puerto Rico. Notwithstanding the knowledge of this, Peer Defendants continued their authorization of *Génesis*. Such behavior was more than merely reckless.

In light of the statutory boundaries and relevant caselaw, we believe Plaintiffs should receive five thousand dollars in statutory damages. Because this amount is greater than actual damages, we grant Plaintiffs $5,000.00 as their damage award.

III. LAMCO

Plaintiffs claim that Defendant LAMCO licensed 140 songs composed by GVL to radio stations, 104 of which had been registered by Plaintiffs. They claim that the licenses to the radio stations infringed their copyrights. Moreover, they claim that Defendant LAMCO's retroactive license to BPPR infringed Plaintiffs' copyright to the song *Génesis*, and Defendant LAMCO's license to Sonolux infringed Plaintiffs' copyrights to the songs *Desde que te marchaste* and *No me digas cobarde*. Specifically, Plaintiffs challenge the document on which Defendant LAMCO rely for their claim of ownership to eight songs written by GVL. They also challenge Defendant Chavez' October 16, 1996 assignment of all her copyrights to LAMCO.

A. Eight Songs Assigned to LAMCO by GVL

LAMCO registered the following songs that are not in their renewal term:

(1) *Desde que te marchaste, (LAMCO's Registration PA 948-669, 3/19/99)*
(2) *Sigue lloviendo,*
(3) *No me digas cobarde, (LAMCO's Registration PA 835-281, 1/8/97)*
(4) *Bahía (LAMCO's Registration PA 946-618,3/19/99)*
(5) *Amor de una noche (LAMCO's Registration PA 946-618,3/19/99)*
(6) *Soledad (LAMCO's Registration PA 946-618,3/19/99)*
(7) *Carabalí (LAMCO's Registration PA 946-618,3/19/99)*
(8) *Manos blancas (LAMCO's Registration PA 946-618,3/19/99)*
(9) *Reclamo (LAMCO's Registration PA 946-618,3/19/99)*
(10) *Corazón, and*
(11) *Nos conocimos. (LAMCO's Registration PA 835-281, 1/8/97)*

Defendant LAMCO's claim of ownership depends upon a document signed by GVL during his lifetime, the legal effect of which is disputed by the parties. The document on which LAMCO Parties rely for their claim of ownership is a spreadsheet on Latin American Music Co. letterhead. It names GVL as the author of the songs, *supra*. It has columns entitled "Copyright Date," "Editor/Publisher", "Album/Label", and "Interpreter." The spreadsheet also contains a typed statement which states: "I CERTIFY: Those works detailed above belong to me, Guillermo Venegas Lloveras. Founding member of SPACEM." Defendant LAMCO Exh. 4. Plaintiffs note that although the document appears on Defendant LAMCO's letterhead, it does not state that the songs are being assigned or otherwise transferred to LAMCO Parties. The requirements for a valid transfer of copyright ownership are

simple: A transfer document must be in writing and signed, and it must be clear. "If the parties really have reached an agreement, they can satisfy 204(a) with very little effort." Radio Television Espanola S.A. v. New World Entm't, Ltd., 183 F.3d 922, 929 (9th Cir. 1999). In Effects Assocs. v. Cohen, 908 F.2d 555 (9th Cir. 1990), the Ninth Circuit stated:

> The requirement is not unduly burdensome . . . The rule is really quite simple: if the copyright holder agrees to transfer ownership to another party, that party must get the copyright holder to sign a piece of paper saying so. It doesn't have to be a Magna Carta; a one-line pro forma statement will do.

Id. at 557. Although the word "copyright" does not need to be mentioned in a transfer document, the "terms of any writing purporting to transfer copyright interests, even a one-line pro forma statement, must be clear." Papa's-June Music v. McLean, 921 F.Supp. 1154, 1159 (S.D.N.Y. 1996). Finally, any ambiguity concerning the alleged transfer must be interpreted in favor of the original copyright holder in order to satisfy the purpose of Section 204(a). According to the Ninth Circuit, Section 204(a) "ensures that the creator of a work will not give away his copyright inadvertently and forces a party who wants to use the copyright 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 document in question here is a spreadsheet, with "Latin American Music Co." at the top. The document does not contain any

indicia of transfer or contain any statements referring to the control of reproduction or publishing rights, Urantia Found. v. Maaherra, 114 F.3d 955, 960 (9th Cir. 1997); or unambiguous references to reproduction rights, Playboy Enters. v. Dumás, 53 F.3d 549, 564 (2d Cir. 1995) (finding that statement on back of a check: "Payee acknowledges payment in full for the assignment to Playboy Enterprises, Inc. of all right, title and interest in and to the following items" was ambiguous and, therefore, an invalid transfer). The spreadsheet upon which Defendant LAMCO relies shows, at most, that GVL owned the listed songs. LAMCO does not explain the context of this transfer or proffer any supplementary evidence which would allow us to infer that the sparse statement on the spreadsheet constitutes a transfer of copyright. Without more, we cannot find that Defendant LAMCO owns the copyright in the aforementioned songs.

Plaintiffs have not proffered, however, any evidence of a direct act of copyright infringement. Without evidence of such an act, as discussed *supra*, we cannot award Plaintiffs damages for copyright infringement.

B. Defendant Chávez' Conveyance of Copyright Rights

In 1996, Defendant Chávez-Butler, GVL's widow, transferred all of her rights to Defendant LAMCO. Plaintiffs claim that Defendant Chávez-Butler improperly transferred rights in original copyrights that accrued to them after GVL's death. In 1999, Defendant LAMCO

registered copyright claims for 140 GVL-written songs in their original term. Plaintiffs' Exhs. 10, 11, 12 & 13.

1. Radio and Sonolux Licenses

Defendants ACEMLA issued five blanket performance licenses to five radio stations. The licenses allowed the radio stations to perform any of the songs owned by LAMCO. Instead of specifically mentioning any song, the various broadcasters were provided with a brochure list of composers affiliated to ACEMLA. ACEMLA was paid a total $117,261.17 for these licenses from 1998 to 2002. The most recent license was granted on June 1, 2001. These also fall within the Copyright Act's statute of limitations.

The radio station of the Catholic University of Ponce is one of the five licenses that LAMCO Parties admit they granted. Tr. at 268:13-17 [Testimony of R. Venegas]. Plaintiff Rafael Venegas testified that he listened to a GVL tribute broadcast by the Catholic University of Ponce, which lasted a number of hours and included many of GVL's songs. Tr. at 267:24 - 268:2 [Testimony of R. Venegas]. However, Plaintiff Venegas testified that he did not know the names of the songs played or the precise date of the show, admitting that it could have been broadcast as early as 1997, outside of the prescribed statute of limitations.

Defendant LAMCO issued a mechanical license to Sonolux for the songs *Desde que te marchaste* and *No me digas cobarde* for $67,912.92, which was terminated on or about July 23, 1998, due to the parties'

double claims. The amount paid by Sonolux was reimbursed to Sony/Sonolux through a deduction from other royalties due and payable to Defendant LAMCO.

In both cases, Plaintiffs have not provided evidence that Defendant LAMCO's license resulted in the copyrighted works' use during the prescribed limitations period. Without precise information, these acts of authorization do not constitute a direct act on which contributory copyright infringement can be based.

2. BPPR License

Defendants LAMCO and ACEMLA issued a retroactive license to BPPR on November 6, 1998. This license included a mechanical license for *Génesis* for BPPR's Christmas CDs and videos. The total mechanical and synchronization royalties paid by BPPR to LAMCO were $16,363.47. The total performance royalties paid to ACEMLA were $260,432.10. These licenses, however, included *Génesis* and the entire ACEMLA catalog from the period of 1993-1998.

a. Mechanical and Performance License

Génesis was in its original term at the time that Defendant LAMCO granted the retroactive license and, based on the contract signed with Peer, GVL had retained the right to license the use of the song in Puerto Rico. In addition, Puerto Rico courts decided that any rights in GVL's musical work which belonged to him at the time of his death were transferred to Plaintiffs. Thus, Defendant

LAMCO's retroactive license to BPPR transferred rights that properly belonged to Plaintiffs.

Defendant LAMCO argues that the songs were outside the three-year copyright infringement prescriptive period when they granted the retroactive license in 1998, since many songs were part of a 1993 BPPR Christmas special. They aver that *Génesis'* renewal period had started in January 1998, and, therefore, Defendant Chávez-Butler, and by extension, Defendant LAMCO, had every right to grant the retroactive licenses.

We disagree. "[A] retroactive license can cure past infringements." See Lone Wolf McQuade Assocs. v. Orion Pictures, 961 F. Supp. 587, 596 (S.D.N.Y. 1997). In fact, a retroactive license by a co-owner of a license can serve to immunize an infringer from copyright infringement by its co-licensee. SBK Catalogue P'ship v. Orion Pictures Corp., 723 F.Supp. 1053, 1059 (D.N.J. 1989) (referring to the court's prior decision in which it found "that the Partnership was entirely within its rights to grant a retroactive license to the Orion defendants and that an authorization from one joint copyright owner is an effective defense to an infringement action brought by another joint owner"). The granting of a retroactive license implies that the retroactive licensor had the requisite ownership and, therefore, authority to make such a grant at the time the infringement occurred. Put differently, Defendant LAMCO could not have pursued BPPR's allegedly infringing actions in 1993 since

Defendant Chávez-Butler did not own the songs at that point in time. Authorizing those licenses, tied, as they were, to direct acts of infringement, constitute an act of copyright infringement. 17 U.S.C. §106; SBK Catalogue, 723 F. Supp. at 1064. As such, any profits from the BPPR license premised on acts prior to the date that *Génesis* entered its renewal term properly belong to Plaintiffs.

Defendant LAMCO has admitted that in November 1998 it received $16,363.47 for *Génesis'* retroactive license. Since those amounts are premised on BPPR's use of *Génesis* prior to the song's renewal period, that amount constitutes Plaintiffs' actual damages from the mechanical license. Although we recognize our ability to grant statutory damages exceeding the actual damages here, we will not grant statutory damages in excess of this amount. Therefore, $16,363.47 will constitute Plaintiffs' damages for the licensing in question here.

b. Performance Royalties

Defendant LAMCO admits having received $260,432.10 in performance royalties for Defendant LAMCO's catalog spanning the period of 1993 through 1998. Both parties contest the appropriate calculation of *Génesis'* portion of those royalties: Plaintiffs aver that Defendant LAMCO never proffered its entire catalog so as to allow for appropriate calculation, while Defendant LAMCO argues that the apportionment of an entire catalog among a few of Plaintiffs'

identified songs would be inequitable. Docket Document Nos. 116, 117, 120.

In the end, we find the parties' arguments inapposite. Plaintiffs have not persuasively shown that BPPR actually performed *Génesis* or any of GVL's songs during the time period. Without BPPR's direct use of the song, the license here is evidence of only probable, not actual, infringement, of GVL's songs. Without more, we cannot grant Plaintiffs a portion of the abovementioned profits. See 3 NIMMER ON COPYRIGHT § 12.04[A][3] (2003); (finding that "in all but exceptional circumstances, the act of authorization simpliciter is unlikely to damage the co-owner"); SBK Catalogue, 723 F.Supp. at 1064 (declining to find copyright infringement without proof of direct infringement, without which the court would be unable to determine whether the acts complained of were actionable under the Copyright Act.)

c. Accounting

The exclusive rights enumerated in 17 U.S.C. § 106 are held jointly by co-owners, who each have "'an independent right to use or license the use of the copyright.'" Fantasy, Inc. v. Fogerty, 654 F.Supp. at 1131 (quoting Oddo v. Ries, 743 F.2d 630, 633 (9th Cir. 1984)). "Since the purpose of an infringement action is to protect the owner's property interest in the copyright against unauthorized use by a nonowner, it follows that an infringement action cannot be maintained against a joint owner who exercises his legal right to use

or license others to use the copyright." Oddo v. Ries, 743 F.2d 630, 632-33 (9th Cir. 1984); Batiste v. Island Records, 179 F.3d 217, 224 (5th Cir. 1999) (stating that "an authorization to the defendant from one joint owner will be an effective defense to an infringement action brought by another joint owner"); McKay v. Columbia Broad. Sys. Inc., 324 F.2d 762, 763 (2nd Cir. 1963) (deciding that "a license from a co-holder of a copyright immunizes a licensee from liability to the co-holder for copyright infringement"); Hustlers Inc. v. Thomasson, 253 F.Supp. 2d 1285 (N.D. Ga. 2002); Dead Kennedys v. Biafra, 37 F.Supp. 2d 1151 (N.D. Cal. 1999). "In the absence of an agreement to the contrary, one joint owner may always transfer his interest in the joint work to a third party, subject only to the general requirements of a valid transfer of copyright . . . . A transferee of one joint owner stands in the shoes of his transferor so that he may in turn grant nonexclusive licenses in the work." 3 NIMMER ON COPYRIGHT § 6.11.

A co-owner of a copyright must account to other co-owners for any profits he earns from licensing or use of the copyright. DeBitetto v. Alpha Books, 7 F.Supp. 2d 330, 335 (S.D.N.Y. 1998) (finding that although joint owner of copyrighted work may not be liable for copyright infringement, the joint owner must account to other joint owner for share of profits realized from her sole use of the work); see also Shapiro, Bernstein & Co. v. Terry Vogel Music Co., 223 F.2d 252, 254 (2d Cir. 1955) (holding that where one party

obtained its renewal right through assignment from the composer and another through the writer of the lyrics, there should be reciprocal accounting, with each party required to share what it had obtained through its exploitation of the renewal copyright on the joint work); Edward B. Marks Music Corp. v. Wonnell, 61 F.Supp 722, 729 (2d Cir. 1945) (holding that where the copyright to a song was renewed by one of the authors' widow and such copyright was transferred to a publishing concern that agreed to pay royalties to the widow, the royalties were to be shared equally between such widow and the other coauthor).

While we do not have the requisite evidence before us, we do find that Defendant Chávez-Butler must account for any profits out of the non-exclusive rights that she granted Defendant LAMCO.

IV. Conclusion

In accordance with the foregoing, we **order** Peer Defendants to pay Plaintiffs $5,000.00 in damages, and we **order** Defendant LAMCO to pay Plaintiffs $16,363.47 in damages.

IT IS SO ORDERED.

San Juan, Puerto Rico, this 19th day of May, 2004.

S/ José Antonio Fusté
JOSE ANTONIO FUSTE
U. S. District Judge