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U.S. DISTRICT COURT  
SAN JUAN, P.R.

1 UNITED STATES DISTRICT COURT  
2 DISTRICT OF PUERTO RICO

3 MARIA VENEGAS-HERNANDEZ, et al.,  
4  
5 Plaintiffs,  
6  
7 v.  
8 PEER, et al.,  
9  
10 Defendants.

Civil No. 01-1215 (JAF)  
(Consolidated with 01-2186 JAF)

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9 OPINION AND ORDER

10 Plaintiffs, María Venegas-Hernández, Rafael Venegas-Hernández,  
11 Yeramar Venegas-Velázquez and Guillermo Venegas-Lloveras, Inc.,  
12 ("Plaintiffs"), bring the present complaint against Defendants Peer,  
13 a/k/a Peer International Corporation and/or Southern Music Company;  
14 ACEMLA de Puerto Rico, Inc. ("Defendant ACEMLA"); Latin American  
15 Music Company ("Defendant LAMCO"); Luis Raúl Bernard ("Defendant  
16 Bernard"); José L. Lacomba ("Defendant Lacomba"); Lucy Chávez-Butler  
17 ("Defendant Chávez-Butler"); and unnamed individuals and corporations  
18 (collectively "Defendants"). Docket Document No. 1. Plaintiffs  
19 allege copyright infringement arising under the Copyright Act of  
20 1976, 17 U.S.C. §§ 101-513 (1996 & Supp. 2003). Plaintiffs request  
21 monetary and injunctive relief, as well as attorney's fees. Id.

1 Applying res judicata, we granted Plaintiffs' motion for partial  
2 summary judgment, finding that the state court determined that  
3 Plaintiffs are owners of Decedent's copyright. Docket Document  
4 No. 33. However, we found that the state court did not review the  
5 issue of copyright renewal, and we held that this issue was not  
6 precluded by the state court's determination.

7 On July 17, 2003, we bifurcated the trial into two non-jury  
8 trials on July 21, 2003 and September 9, 2003. The first trial, the  
9 subject of the opinion here, was limited to determining the ownership  
10 of the renewal rights. We hereby render the opinion of the court.

11 I.

12 Factual and Procedural Synopsis

13 Unless otherwise indicated, we have gathered these facts from  
14 Plaintiffs' motion for summary judgment and Defendants' opposition.  
15 Docket Document Nos. 33, 35.

16 Defendant LAMCO is a New York corporation authorized to do  
17 business in Puerto Rico. Defendant ACEMLA is a corporation  
18 registered with the Puerto Rico Department of State. Both Defendant  
19 LAMCO and ACEMLA are engaged in the representation of authors and  
20 composers through the registration and protection of their  
21 copyrights. Defendant LAMCO and ACEMLA grant licenses to the

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1 copyrighted work of their represented composers and authors, and,  
2 inter alia, demand and collect royalty payments. Defendant Bernard  
3 is the president of Defendants LAMCO and ACEMLA.

4 Composer Guillermo Venegas-Lloveras ("Decedent") passed away on  
5 July 23, 1993. Defendant Lucy Chávez-Butler was married to Guillermo  
6 Venegas-Lloveras and is Venegas-Lloveras' widow. Defendant Chávez-  
7 Butler is presently married to Defendant LaComba.

8 Plaintiffs Rafael Venegas-Hernández, María Venegas-Hernández,  
9 Guillermo Venegas-Hernández, and Yeramar Venegas-Velázquez are the  
10 children and heirs of Guillermo Venegas-Lloveras.

11 On October 20, 1997, Defendant Chávez-Butler sued the present  
12 plaintiffs in the Superior Court of Arecibo, requesting that the  
13 trial court determine her participation in Decedent's estate for the  
14 purpose of terminating the community property that existed between  
15 Defendant Chávez-Butler and Plaintiffs. Docket Document No. 33,  
16 Exh. 1. Plaintiffs answered the complaint, and offered several  
17 affirmative defenses, alleging, inter alia, that the copyrights of  
18 the Decedent's songs were not community property according to both  
19 local law and the Federal Copyright Act. Plaintiffs also filed a  
20 counterclaim alleging that Defendant Chávez-Butler had been  
21 unlawfully licensing and managing the Decedent's copyrights. On

1       September 22, 1999, the Superior Court issued an Opinion, finding  
2       that the rights to the Decedent's musical work belonged to his  
3       children. The court also concluded that it had no jurisdiction over  
4       the Plaintiffs' copyright claims. Defendant Chávez-Butler appealed  
5       the decision, which was affirmed by the Court of Appeals on  
6       January 28, 2000.

7       On February 2, 2001, Plaintiffs filed the present claim  
8       requesting injunctive and monetary relief premised on copyright  
9       infringement. Docket Document No. 1. On March 22, 2002, Plaintiffs  
10      filed a motion for summary judgment, Docket Document No. 33, averring  
11      that a state court had already determined that Plaintiffs are the  
12      rightful owners of Venegas-Lloveras' songs, and that we are precluded  
13      from revisiting this issue by res judicata. Specifically, Plaintiffs  
14      assert that the Superior Court decision fully resolved the issue of  
15      copyright ownership in this case. Defendants LAMCO, ACEMLA, Bernard,  
16      Chávez-Butler, and Lacomba opposed the motion, arguing that the state  
17      court specifically declined to determine ownership over the copyright  
18      rights because the Federal Copyright Act preempted review. Docket  
19      Document No. 35. They also argued that Section 304 of the Copyright  
20      Act grants Defendant Chávez-Butler an interest in the renewal rights

1 of the Decedent's songs, and that this issue was not resolved by the  
2 state courts. Id.

3 On June 23, 2003, we issued an Opinion and Order. Docket  
4 Document No. 50. We found that the state courts had determined who  
5 owned the Decedent's copyright bequest. Id. However, we also held  
6 that the state court had not disposed of the renewal issue. Id. We  
7 deferred the ultimate determination over the parties' right to  
8 copyright renewals, finding that the paucity of factual development  
9 on the renewal issue preempted our review. Id.

10 In their pretrial order and during trial, Plaintiffs averred  
11 that Defendant Chávez-Butler did not have any rights to the copyright  
12 renewals. They argued (1) that Defendant Chávez-Butler assigned her  
13 renewal rights, (2) that Defendant waived her Section 304 arguments  
14 by failing to develop them in state court, and that this court is  
15 consequently barred from considering the Defendant's arguments, and  
16 (3) that the Decedent could and did determine the distribution of the  
17 renewals through his testament. Further, Plaintiffs contend that,  
18 even if we were to find that Defendant Chávez-Butler has been granted  
19 a right in renewal, the renewal rights should be distributed equally  
20 amongst the parties, leaving Defendant Chávez-Butler with only a one-  
21 fifth share of the renewal rights.

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1 Defendant LAMCO counters (1) that Defendant Chávez-Butler did  
2 not assign her renewal rights through agreement, (2) that Defendant  
3 Chávez-Butler did not waive her renewal rights claims, and that  
4 (3) under the renewal statute, Defendant Chávez-Butler is entitled to  
5 a fifty percent share of the renewal rights.

### 6 III.

#### 7 Analysis

##### 8 A. Res judicata & Collateral Estoppel

9 Plaintiffs aver that the state courts determined that Defendant  
10 Chávez-Butler transferred her renewal rights through an agreement  
11 with Plaintiffs. Plaintiffs cite the state court's averment that  
12 "[a]s it well appears in the testament executed by him and in the  
13 agreement subscribed by the parties with regard to the division of  
14 the inheritance, the musical work in question belongs to the  
15 children, instituted as heirs in the same." Docket Document No. 33.  
16 Plaintiffs contend that this shows that the decision of the Puerto  
17 Rico courts was that "the agreement as well as the inheritance  
18 transferred all copy rights to the Venegas siblings." Trial  
19 Transcript at 82. Therefore, they argue, a review of this issue of  
20 renewals here is barred by res judicata. Alternatively, they contend  
21 that Defendant was obliged to reference her renewal rights during the

1 state court proceedings, and her failure to do so resulted in waiver  
2 of her right to forward those arguments here.

3 Under the principle of res judicata, a final judgment on the  
4 merits of an action precludes the parties or their privies from re-  
5 litigating issues, both those issues which could have been litigated  
6 and adjudicated in a previous suit, as well as those actually  
7 litigated and adjudicated. Mercado Riera v. Mercado Riera, 100 D.P.R.  
8 940, 951 (1972). We must defer to Commonwealth law when determining  
9 whether a local judgment carries a preclusive effect in a federal  
10 forum. Oliveras v. Miranda Lopo, 800 F.2d 3, 6 (1st Cir. 1986)  
11 (citations omitted); see also Migra v. Warren City School Dist. Bd.  
12 of Ed., 465 U.S. 75, 81 (1984) (holding that "a federal court must  
13 give to a state-court judgment the same preclusive effect as would be  
14 given that judgment under the law of the State in which the judgment  
15 was rendered"). Under Puerto Rico law, "it is necessary that,  
16 between the case decided by the sentence and that in which the same  
17 is invoked, there be the most perfect identity between the things,  
18 causes, and persons of the litigants, and their capacity as such." 31  
19 L.P.R.A. § 3343 (1990). In our June 2003 Opinion and Order, we found  
20 that the parties in both the state and the present case are the same,  
21 and that the state court decision was final and unappealable, thus

1 complying with two of the three prongs of the tripartite res-judicata  
2 test. Docket Document No. 50.

3 We also found that the state court had explicitly declined to  
4 review issues connected to the federal Copyright Act, since it found  
5 itself without jurisdiction. Id. By its own language, the text of  
6 the state court's opinion does not extend further than the Decedent's  
7 actual ownership rights to his original copyright and vested  
8 renewals. Further, the state court stated that "[decedent's] musical  
9 work belongs to his children, instituted as heirs in the same," as  
10 shown by "the testament executed by him and in the agreement  
11 subscribed by the parties with regard to the division of the  
12 inheritance." Docket Document No. 31 (emphasis added). Thus, the  
13 state court did not consider the agreements as extending further than  
14 decedent's ownership. Framed as it was, the state court decision  
15 extended only to a determination of those rights that resided with  
16 the Decedent upon his death.

17 Plaintiffs' arguments reference res judicata, but also seemingly  
18 incorporate the doctrine of collateral estoppel. Collateral estoppel  
19 is related to res judicata, but its focus is narrower. The doctrine  
20 of issue preclusion, or collateral estoppel, prevents re-litigation  
21 in a later suit of an issue of fact or law necessary to a final



1 judgment in a prior suit on a different cause of action. 18 JAMES WM.  
2 MOORE ET AL., MOORE'S FEDERAL PRACTICE ¶ 132.01 (3d ed. 2000). In the case  
3 at bar, as a matter of law, the state court need not have determined  
4 the issue of renewal rights to determine that Plaintiffs held the  
5 rights to the original terms of ownership as bequeathed by the  
6 Decedent. The rights to the original copyrights exist independently  
7 of renewal rights, as explained extensively in our previous Opinion  
8 and Order. Inasmuch as Plaintiffs are forwarding a collateral  
9 estoppel argument, we find Plaintiffs' collateral estoppel arguments  
10 unavailing.

11 Finally, Plaintiffs claim that any claim to renewal rights made  
12 by Defendant had to be made in the local court, averring that  
13 Defendant effectively waived her claim to renewal rights. Again,  
14 Plaintiffs revisit their res-judicata argument through the related  
15 doctrine of claim-splitting. It is well established under Puerto  
16 Rico law that a litigant may not raise in a second case claims that  
17 could have been litigated and adjudicated in a previous case.  
18 Asociacion de Condominos v. Trelles Reyes, 120 D.P.R. 574, 579-80 n.3  
19 (1988); Figueroa v. Banco de San Juan, 108 D.P.R. 680, 687 (1979);  
20 Pagan Hernandez v. Universidad de Puerto Rico, 107 D.P.R. 720,  
21 732-33, 803(1978). The prohibition against claim-splitting is

1 consistent with res judicata's purpose of protecting a party from the  
2 hardship of being forced to defend successive lawsuits arising out of  
3 the same matter. Futura Development Corp. v. Centex Corp., 761 F.2d  
4 33, 45 (1<sup>st</sup> Cir. 1985). Thus, an essential requisite of a claim-  
5 splitting challenge is that both the state and the federal suit arise  
6 from the same facts.

7 As stated previously, supra, the genesis of the state court suit  
8 was to determine the ownership rights arising out of the Decedent's  
9 will. Defendant Chávez-Butler, the plaintiff in the state forum,  
10 filed a declaratory judgment action to decide whether the Decedent's  
11 songs were community property. While we find that the issue of  
12 ownership of decedent's songs by bequest and the issue of renewal  
13 rights which belonged to the parties are sufficiently different to  
14 defeat Defendant's claim-splitting argument, we find another fact  
15 equally dispositive. Then-plaintiff Chávez did attempt to raise the  
16 issue of Section 304. Docket Document No. 31. The Arecibo state  
17 court refused to deal with the Copyright Act claiming lack of  
18 jurisdiction, a decision affirmed by the Puerto Rico Court of Appeals.  
19 Given the state court's explicit abstention from entertaining rights  
20 under federal law, we simply cannot find that Defendant Chávez-Butler  
21 waived her renewal-rights' argument.

1        **B.    Constitutionality of the Copyright Act**

2            Plaintiffs contend that Congress overstepped its boundaries in  
3        with the renewal provisions of the Copyright Act. The Constitution  
4        of the United States grants Congress the right "[t]o promote the  
5        Progress of Science and useful Arts and the useful acts, by securing  
6        for limited Times to Authors and Inventors the exclusive Right to  
7        their respective Writings and Discoveries . . ." U.S. CONST. ART. I,  
8        Sec. 8.

9            Plaintiffs hang their hat on the Constitutional language which  
10        secures rights to "Authors and Inventors." They aver that by  
11        granting renewal rights which had the possibility of conflicting with  
12        a deceased author's testamentary intent, Congress overstepped its  
13        constitutionally-granted power of granting rights to authors and  
14        inventors. As such, they aver, this court should honor the  
15        testamentary intent of the Decedent. Plaintiffs cite Supreme Court  
16        cases which they contend support the view that, notwithstanding the  
17        explicit terms of Section 304, testamentary intent trumps the  
18        provisions of the renewal statute.

19            Plaintiffs' arguments fail because they all depart from the same  
20        premise: That the Decedent had a copyright property right independent  
21        of the Copyright Act. However, as has been made clear, the "right to

1 obtain a renewal copyright and the renewal copyright itself exists  
2 only by reason of the Act and are derived solely and directly from  
3 it." Miller Music v. Daniels, 362 U.S. 373, 375 (1960). Plaintiffs  
4 cite "testamentary freedoms." However, the rights to renewal here  
5 do not arise from the Plaintiffs' testament, but from an explicit  
6 right granted by the Copyright Act after the death of an author prior  
7 to vesting. 17 U.S.C. § 304. Plaintiffs have been granted a right to  
8 renewal here by the same statutory provisions that they are, in  
9 effect, asking to void in preference of testamentary intent. We note  
10 that, prior to the passage of revisions to the Copyright Act, the  
11 death of an author prior to the vesting of renewal rights would  
12 result in the release of the work to the public domain. See Fred  
13 Fisher Music Co. v. M. Witmark & Sons, 318 U.S. 643, 647-51 (the  
14 changes in the Copyright Act "extended the length of the original  
15 term and gave the author's widow and children that which theretofore  
16 they did not possess, namely, the right of renewal to which the  
17 author would have been entitled if he had survived the original  
18 term."), see also Dorothy M. Schrader, VESTING DATE OF THE RENEWAL COPYRIGHT  
19 INTEREST, 19 Bull. Copyright Soc'y U.S.A. 282, n. 18a, 283-84 (1972).  
20 In essence, given the Decedent's death prior to vesting, there is no  
21 proprietary right to the copyrights in either Defendant Chávez-Butler

1 or the Plaintiffs unless these are garnered through operation of  
2 Section 304.<sup>1</sup>

3 **C. Agreement between Plaintiffs and Defendant**

4 Plaintiffs aver that Defendant Chávez-Butler entered into an  
5 agreement during meetings held with Plaintiffs in 1995 and 1996 which  
6 granted Plaintiffs the rights over not only the Decedent's original  
7 copyrights, but Defendant Chávez-Butler's renewal rights.

8 Defendants disagree, averring that the agreement did not divest  
9 Defendant Chávez-Butler over her right to renewals.

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<sup>1</sup>Plaintiffs' other arguments are meant to suggest that Supreme Court cases have found that testamentary intent controls renewal rights. A review of the Plaintiffs' cases reveals that Plaintiffs have italicized segments with language reminiscent to that of a bequest, hoping to elevate the meaning outside of the context of the case. For example, Plaintiffs cite Fred Fischer Music, 318 U.S. at 650, "[t]he Act of February 3, 1831, 4 Stat. 436, amended the 1790 Act in two important respects: the original term was increased from fourteen to twenty-eight years, and the renewal term, although still only fourteen years long, could pass to the author's widow or children if he did not survive the original term." Id. at 650. Focusing on the word "pass", Plaintiffs state that "[t]he way, of course, that an author's property passes to his heirs is through his estate under the terms of his will or through state laws of intestate succession." Docket Document No. 61. Similarly, citing De Sylva v. Ballentine, 351 U.S. 570 (1956), Plaintiffs cite the court as stating that "the widow and children of the author succeed as a class." Id. at 580. Plaintiffs contend that "[a]s used in this context, 'succeed' means inherit." Docket Document No. 61. Rather than belabor the point, we simply note that the Plaintiffs' asseverations are unpersuasive given the context of the findings in the cases themselves, and the overwhelming precedent establishing that renewal rights are statutory rights independent of the author's testament. See Docket Document No. 50.

1           1.    The Will

2           From the evidence submitted to the court, the Decedent divided  
3           his estate so that Defendant Chávez-Butler was entitled to 33%,  
4           Plaintiff María Venegas was entitled to 41.67%, Plaintiff Yeramar  
5           Venegas was entitled to 8.33%, Plaintiff Guillermo Venegas was  
6           entitled to 8.33%, and Plaintiff Rafael Venegas was entitled to  
7           8.33%. Trial Exhibit 4. The will stated that Defendant Chávez-  
8           Butler's percentage of the estate would be paid through a house in  
9           the town of Quebradillas, Puerto Rico ("Quebradillas house"). At the  
10          time of death, as per the Proposal submitted by Plaintiffs, the  
11          community property of the Venegas-Chávez marriage consisted of two  
12          houses (the "Quebradillas house" and the "Round Hill house"), the  
13          furniture inside the houses, a beauty parlor, a Cadillac automobile,  
14          and bank accounts. Trial Exhibit 4. Plaintiff María Venegas stated  
15          that the estate has yet to be distributed. Trial Transcript at 8.

16          2.    The Proposal and Meeting

17          On September 20, 1995, Plaintiffs sent Defendant Chávez-Butler  
18          a Proposal which was meant to "work on the matters that remain to  
19          conclude the distribution of [the Decedent's] estate." Trial Exhibits  
20          2, 4. The proposal states that "[i]n accordance with this proposal,  
21          whatever [Defendant Chávez-Butler] receives from the estate will be

1 credited to the Quebradillas house." Id. Further, the Proposal  
2 states that "to the extent that the will states that [Defendant  
3 Chávez-Butler] is awarded the Quebradillas house in payment of her  
4 part of the estate, it technically violates the law if it exceeds the  
5 maximum allowable by law (33%) to an heir who is not the Decedent's  
6 child." Trial Exhibit 8.

7 The Proposal lists items with an accompanying valuation,  
8 although many of the valuations were left blank.<sup>2</sup> Trial Exhibit 4.  
9 Under a heading of "Values of Marital Gains Property," the proposal  
10 lists the Quebradillas house as "Pertain[ing] to [Defendant Chávez-  
11 Butler] Pursuant to the Will." Under "Disposal Pursuant to this  
12 Proposal," Plaintiffs listed, inter alia, another property ("Round  
13 Hill house"), a "Beauty Parlor (Business)", furniture for the  
14 Quebradillas and Round Hill houses, a Cadillac automobile, and "Music  
15 Income." Id. Under "Pending Disposition," Plaintiffs listed various  
16 paintings, drawings, books, records, and decalogues. Id.

17 Under "Non-Marital Gains Assets," Plaintiffs listed, inter alia,  
18 "Memorabilia," "Paintings by G. Venegas," "Musical Works," and  
19 "Literary Works." Id.

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<sup>2</sup>The proposal states that "[t]he . . . list of values may be incomplete. It is [Defendant Chávez-Butler's] responsibility to complete it as may be necessary." Trial Exhibit 4.

1           On March 22, 1996, Defendant Chávez-Butler and Plaintiffs signed  
2 minutes for a "Meeting of the Estate of Guillermo Venegas." Trial  
3 Exhibit 8 ("March Minutes"). The March Minutes state, inter alia,  
4 that "[Defendant] agreed to accept siblings' proposal for  
5 distribution of assets." Id. Further, "[t]he art assets (music and  
6 literature) will be passed on to the sibling heirs, as provided in  
7 the proposal." Id. The March Minutes further address the remaining  
8 "marital gains" assets in the Proposal, stating that Defendant  
9 Chávez-Butler would provide documentation on the furniture, Cadillac  
10 car, and the bank accounts. Id.

11           3. Hill & Range Songs v. Fred Rose Music

12           As stated previously, the "right to obtain a renewal copyright  
13 and the renewal copyright itself exists only by reason of the Act and  
14 are derived solely and directly from it. Miller Music v. Daniels, 362  
15 U.S. 373, 375 (1960). Copyrights for works created before 1978  
16 persist for an original term of twenty-eight years and for an  
17 additional renewal term of sixty-seven years. See 17 U.S.C.  
18 § 304(a)(1). The renewal term "creates a new estate," G. Ricordi &  
19 Co. v. Paramount Pictures, Inc., 189 F.2d 469, 471 (2d Cir. 1951), in  
20 order to permit "the author, originally in a poor bargaining  
21 position, to renegotiate the terms of the grant once the value of the



1 work has been tested." Stewart v. Abend, 495 U.S. 207, 218-19 (1990).  
2 The author may assign his interest in the copyright renewal term  
3 during its original term, but the assignment is valid only if the  
4 author is alive at the start of the renewal term. See Miller Music  
5 Corp. v. Charles N. Daniels, Inc., 362 U.S. 373, 374-75 (1960) (the  
6 assignment "is valid against the world, if the author is alive at the  
7 commencement of the renewal period."). If the author dies before the  
8 renewal term vests, the author's statutory successors (widow,  
9 widower, children, executors or next-of-kin) obtain the renewal term,  
10 and any prior assignment by the author is not binding on them. See 17  
11 U.S.C. § 304(a)(1)(C). "These results follow not because the  
12 author's assignment is invalid but because he had only an expectancy  
13 to assign . . . . Until [the renewal period] arrives, assignees of  
14 renewal rights take the risk that the rights acquired may never vest  
15 in their assignors." Miller Music, 362 U.S. at 378; see also Capano  
16 Music V. Myers Music, Inc., 605 F.Supp. 692, 695 (S.D.N.Y.  
17 1985) ("[U]ntil the renewal period arrives, the renewal rights are not  
18 vested in anyone. The most anyone can claim is a mere expectancy or  
19 contingent interest.").

20 As discussed extensively in our Opinion and Order, Docket  
21 Document No. 50, Defendant Chávez-Butler's "interests in the renewal

1 terms of her husband's copyrights [are] not assets of the estate of  
2 her deceased husband. Her interests [are] statutory rights created  
3 by copyright law." Hill & Range Songs v. Fred Rose Music, 570 F.2d  
4 554, 557 (6<sup>th</sup> 1977). Since copyright renewal terms are distinct  
5 estates that can be transferred or retained independently from the  
6 original term, transfers of copyright interests do not automatically  
7 convey the renewal term, for "there is a strong presumption against  
8 the conveyance of renewal rights." Corcovado Music Corp. v. Hollis  
9 Music, Inc., 981 F.2d 679, 684 (2d Cir. 1993); see also 2 M. NIMMER,  
10 NIMMER ON COPYRIGHTS, § 9.06 at 9.68-9.69 [hereinafter "Nimmer"] (observing  
11 that courts "have been hesitant to conclude that a transfer of  
12 copyright even if it includes a grant of 'all right title and  
13 interest' is intended to include a transfer with respect to the  
14 renewal expectancy"). However, courts have found that "general  
15 words of assignment can include renewal rights if the parties had so  
16 intended." Venus Music Corp. v. Mills Music, Inc., 261 F.2d 577, 578  
17 (2d Cir. 1958). Use of the particular word "renewal" is not  
18 necessary to transfer renewal rights. Transfers using the words  
19 "forever" and "hereafter", see Corcovado, 981 F.2d at 685, and  
20 "perpetual", see P.C. Films Corp. v. MGM/UA Home Video Inc., 138 F.3d

1 453, 457 (2d Cir. 1998), have been held to convey the renewal term  
2 copyright.

3 We note that, in any search for the meaning of an instrument,  
4 its terms are to be interpreted and their legal effects determined by  
5 consideration of the agreement as a whole. Vreeland v. Federal Power  
6 Comm'n, 528 F.2d 1343 (5<sup>th</sup> Cir. 1976). Furthermore, "[i]n case of an  
7 ambiguity [in an agreement] it must be resolved against divestment of  
8 property rights belonging to a widow, which are not part of the  
9 assets of the estate." Hill & Range Sons v. Fred Rose Music, 570 F.2d  
10 554, 557 (6<sup>th</sup> Cir. 1978).

11 At the time of the execution of the agreements, Defendant  
12 Chávez-Butler did not know about her expectancy in renewal rights.  
13 Similarly, Plaintiffs testified that they did not know of the  
14 existence of renewals. Plaintiffs aver, however, that their  
15 agreement was intended to divest Defendant of all her interests in  
16 the music, and proffer that they believed that the music was their  
17 exclusive property anyway, as per the testament and their father's  
18 intent. The evidence advanced by Plaintiffs militates against that  
19 conclusion.

20 First, by its own terms, the Plaintiffs' Proposal was meant to  
21 dispose of "the matters that remain to conclude the distribution of

1 the estate," and is captioned "Estate of Guillermo Venegas,  
2 Proposal." Trial Exhibit 4. Further, the Proposal makes no mention  
3 of copyrights, renewals, and does not refer to Defendant Chávez-  
4 Butler's separate property. Further, according to Plaintiffs, the  
5 Decedent's "musical works" were classified as the Decedent's separate  
6 property, and as such were not subject to the Proposal's  
7 partitionment of the Decedent's estate. Finally, at the time, both  
8 Defendant and Plaintiffs were claiming the Decedent's interest in the  
9 original copyrights, a conflict which ultimately became the subject  
10 of Defendant Chávez-Butler's declaratory action in the state courts.  
11 Trial Transcript at 69. Given these facts, the 1995 Proposal between  
12 the parties suggests an intent to distribute the Decedent's interests  
13 and assets, not their individually-accrued renewal interests in the  
14 music.

15 In Hill & Range Songs, Inc. v. Fred Rose Music, Inc., 570 F.2d  
16 554 (6<sup>th</sup> Cir. 1978), the Sixth Circuit rejected such an argument. In  
17 Hill & Range, a widow executed an "Agreement Upon Distributed Share  
18 of Estate," which provided that the widow relinquished any share in  
19 the Decedent's estate in return for \$30,000. 403 F.Supp. at 431. The  
20 principal issue became whether or not the widow, by entering into the

1 agreement, was divested of her rights to the renewal terms of the  
2 copyrights. Id. at 430.

3 After reviewing the agreement, the court held that, while it may  
4 have been possible for the widow to assign her contingent expectancy  
5 in the Decedent's copyright renewal by use of general language, the  
6 renewal rights were not conveyed by the agreement. The court noted  
7 that the agreement, by its own language, purported to deal with the  
8 Decedent's estate while the renewal rights were the widow's separate  
9 property by operation of the renewal statute. The court found it  
10 salient that the funds to be paid to the widow were funds of the  
11 estate, that no wording in the agreement or during the meetings  
12 leading to the agreement referred to the separate assets of the  
13 widow, that the agreement made no provision as to where the renewal  
14 expectancies were to vest and that none of the parties know about the  
15 existence of renewal rights. Id. at 432-33.

16 We find the Hill v. Range factors to be virtually  
17 indistinguishable from the ones in the case at bar. As in Hill v.  
18 Range, the parties freely admitted that they did not know about the  
19 existence of renewal rights. The Proposal, by its own terms and  
20 caption, was meant to apportion the Decedent's estate. Trial Exhibit  
21 4. Further, the Quebradillas house which Plaintiffs claim was meant

1 as a payment for Defendant Chávez-Butler's separate property was in  
2 fact community property and a subject of the will. Plaintiffs  
3 proffer arguments against the construction of renewal rights, see  
4 subsection B, supra, but fail to adequately explain how a Proposal  
5 dealing with the Decedent's estate also conveyed Defendant Chávez-  
6 Butler's separate property interest. Therefore, it is clear from the  
7 factual scenario here that, as in Hill & Range, "the [Proposal] was  
8 not intended to, and thus did not affect the separate assets of  
9 [Defendant Chávez-Butler]." Id. at 432.

#### 10 4. Contract law

11 We note that our analysis would be the same if we applied  
12 substantive contract law. The interpretation of a contract is a  
13 substantive area of the law which is governed by articles 1233 and  
14 1234 of the Civil Code of Puerto Rico. See Adria Intern. Group, Inc.  
15 v. Ferre Development, Inc., 241 F.3d 103, 109 (1<sup>st</sup> Cir. 2001); Marina  
16 Industrial., Inc. v. Brown Boveri Corp., 114 D.P.R. 64, 72 (1983).  
17 Puerto Rico law provides that "[i]f the terms of a contract are clear  
18 and leave no doubt as to the intentions of the contracting parties,  
19 the literal sense of its stipulations shall be observed. If the  
20 words should appear contrary to the evident intention of the

1 contracting parties, the intention shall prevail." 31 L.P.R.A.  
2 § 3471.

3 Puerto Rico's parol evidence rule allows for extrinsic evidence  
4 concerning the terms of an ambiguous agreement.<sup>3</sup> See Adria Intern.  
5 Group, 241 F.3d at 111. "In order to judge as to the intention of  
6 the contracting parties, attention must principally be paid to their  
7 acts, contemporaneous and subsequent to the contract." 31 L.P.R.A.  
8 § 472.

9 Thus, under the prevailing interpretation in this Circuit,  
10 courts are required "to ignore [parol] evidence when the agreement  
11 . . . is clear and unambiguous." Borschow Hosp. & Medical v.  
12 Castillo, 96 F.3d. at 15 (citing Mercado-Garcia v. Ponce Fed. Bank,

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<sup>3</sup>Puerto Rico's parol evidence rule provides:

When in an oral or written agreement, either public or private, all the terms and conditions constituting the true and final intention of the parties have been included, such agreement shall be deemed as complete, and therefore, there can be between the parties, or successors in interest, no evidence extrinsic to the contents of the same, except in the following cases:  
(1) Where a mistake or imperfection of the agreement is put in issue by the pleadings;  
(2) Where the validity of the agreement is the fact in dispute. This rule does not exclude other evidence of the circumstances under which the agreement was made or to which it is related such as the situation of the subject matter of the instrument or that of the parties, or to establish illegality or fraud.

32 L.P.R.A. App. IV, R. 69 (B) ("Rule 69(B)").

1 979 F.2d 890, 894 (1st Cir. 1992)). When the document leaves doubts  
2 as to the intentions of the parties, the court must look beyond the  
3 literal terms. See Catullo v. Metzner, 834 F.2d 1075, 1079-80 (1st  
4 Cir. 1987) (holding that the Puerto Rico Rules of evidence exclude  
5 extrinsic evidence concerning the terms of an agreement only when the  
6 agreement is clear and unambiguous). "The only terms which can be  
7 considered to be 'clear' are those which in themselves are  
8 sufficiently lucid to be understood in one sense alone, without  
9 leaving any room for doubt, controversies or difference of  
10 interpretation, and without requiring for their understanding any  
11 reasoning or illustration susceptible to challenge." Id. (citing  
12 Sucn. Ramirez v. Tribunal Superior, 81 P.R. Dec. 357, 351 (1959)).  
13 However, Puerto Rico law provides that "[t]he interpretation of  
14 obscure stipulations of a contract must not favor the party  
15 occasioning the obscurity." 31 L.P.R.A. § 3478 (1990).

16 The Proposal here was drafted by Plaintiffs. Trial Exhibit 4.  
17 Plaintiffs aver that, through the Proposal, they granted Defendant  
18 Chávez-Butler an interest in the house in exchange for her  
19 transferral of the copyrights. The Proposal by its own terms  
20 disposed of the division of the Decedent's marital gains, or  
21 community, property. As stated in the proposal, the Decedent's



1 portion of the Quebradillas house was bequeathed by the Decedent's  
2 will to Defendant Chávez-Butler, and "whatever [Defendant Chávez-  
3 Butler] is awarded from the estate will be credited to the  
4 Quebradillas house." Trial Exhibit 4. The Proposal itself does not  
5 mention copyrights. Id.

6 Plaintiffs María Venegas and Rafael Venegas-Hernández testified  
7 that at the time of the drafting of the proposal, Plaintiffs believed  
8 that the Decedent's musical works were not marital gains property to  
9 which Defendant Chávez-Butler had a right. Plaintiff Venegas also  
10 testified that she believed that through the Proposal, Defendant  
11 Chávez-Butler was transferring all her rights in the music. Trial  
12 Transcript at 19, 34. However, when asked about the non-marital  
13 gains assets, Plaintiffs testified that they had been informed that  
14 the music itself was a private or proprietary asset which did not  
15 become part of the community property to which Defendant Chávez-  
16 Butler had a right. Id. at 11, 39. Further, she testified that she  
17 understood the non-marital gains assets included all the rights to  
18 the Decedent's music. Id. at 11, 17, 39.

19 From the very terms of the Proposal, any rights over the  
20 Decedent's work were not part of the estate to which Defendant  
21 Chávez-Butler had a right. Plaintiffs' testimony confirms that

1 conclusion. The court fails to see how the Proposal constituted a  
2 transfer of any of Defendant Chávez-Butler's separate renewals when,  
3 by Plaintiffs' own averments, these were not included in the Proposal  
4 as part of the marital gains/community property assets to which  
5 Defendant Chávez-Butler had a right. At most, the Proposal seemingly  
6 confirmed Defendant Chávez-Butler's acquiescence to the proposition  
7 that those ownership rights bequeathed by decedent were private  
8 property. Plaintiffs do not explain the contradiction in their own  
9 arguments, and we need not ruminate on a way to untangle them.

10 Finally, Plaintiffs seemingly argue that Defendant Chávez-Butler  
11 necessarily must have given up her independent renewal rights through  
12 the proposal, pointing to the value of the Quebradillas house. They  
13 contend that the Proposal is otherwise inexplicable given the value  
14 of the Quebradillas house, asserting, in essence, that they would not  
15 have relinquished their allegedly majority interest in the  
16 Quebradillas house through the Proposal had it not been for the  
17 expectation that all possible rights which accrued to Defendant  
18 Chávez-Butler were thusly transferred to them.

19 A brief review of Puerto Rico community property law is in  
20 order. In the case of a legally-married couple, personal property is  
21 presumed to be jointly owned in equal proportions, see 31 L.P.R.A.

1 §§ 3621, 3647, with few exceptions. The Civil Code specifically  
2 states that neither husband nor wife may dispose by testament of more  
3 than his or her half of the conjugal partnership. 31 L.P.R.A. § 3673  
4 (1990).<sup>4</sup> Therefore, a surviving spouse receives half of the community  
5 property at the death of her husband by virtue of ownership, not  
6 inheritance. Here, it is admitted that Defendant Chávez-Butler  
7 received an additional 33% of the community property through the  
8 Decedent's will.

9 Against this juridical backdrop, we note that the "marital  
10 gains" in the Proposal included not only the Quebradillas house, but  
11 also included the Round Hills house, furniture, a car, and a  
12 business. We note further that Plaintiff María Venegas, in a meeting  
13 in January 1996, Trial Exhibit 6, requests that Defendant Chávez-  
14 Butler know her options regarding the provisions of the will. The  
15 minutes state that, according to attorneys presumably consulted by  
16 Plaintiffs, Defendant Chávez-Butler had two options regarding the

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<sup>4</sup>We note that the Quebradillas house is, from all evidence in front of the court, community property. The Proposal lists the house in the "marital gains" section. Trial Exhibit 4. Furthermore, the minutes in which Defendant Chávez-Butler seemingly agreed to accept the Plaintiffs' Proposal note that "[c]oncerning the rent for the use of the Quebradillas house: it was agreed that since the half of the Quebradillas house that belonged to Guillermo Venegas will be passed on to [Defendant Chávez-Butler] as her share of the inheritance, the payment of rent thereon becomes irrelevant . . . ." Trial Exhibit 8 (emphasis added).

1 provisions made in decedent's will regarding the Quebradillas house.  
2 Id. Defendant Chávez-Butler could either "1. [w]aive receiving the  
3 house in payment of the inheritance[, or] 2. [k]eep the house,  
4 without paying for it, as payment of the inheritance." Id.

5 We need not determine the actual value of all of the community  
6 property or the actual apportionment to the parties herein. Given  
7 Plaintiffs' Proposal, Defendant Chávez-Butler's independent  
8 entitlement to fifty percent of the community property independent of  
9 the Decedent's will, as well as the 33% she was granted in the  
10 Decedent's estate in accordance to the Decedent's testament, it is  
11 not clear that Plaintiffs' cession of the Quebradillas house must  
12 necessarily correspond to Defendant Chávez-Butler's transfer of her  
13 renewal rights. Coupled with the fact that the proposal makes no  
14 reference to copyrights, that the agreement signed by Plaintiffs does  
15 not reference a "house for copyright" exchange, but instead refers to  
16 all of the marital gains property in the Proposal, and that previous  
17 meetings suggest that Defendant Chávez-Butler could keep the house  
18 "as payment of the inheritance," we find that Plaintiffs' arguments  
19 are woefully unsubstantiated.

1       D.    Proper Distribution of Renewal Rights

2               Since we have found that Defendant Chávez-Butler had a right to  
3       the renewal rights, we now must determine the distribution of renewal  
4       rights.

5               Plaintiffs note that by operation of the Decedent's last will  
6       and testament, his estate was divided so that Defendant Chávez-Butler  
7       was entitled to 33%, Plaintiff María Venegas was entitled to 41.67%,  
8       Plaintiff Yeramar Venegas was entitled to 8.33%, Plaintiff Guillermo  
9       Venegas was entitled to 8.33% and Plaintiff Rafael Venegas was  
10      entitled to 8.33%. Plaintiffs aver that "this distribution creates  
11     no conflict with the Copyright Act or the Constitution and furthers  
12     the purpose of the copyright system. The author deserves the fruit  
13     of his labor during his lifetime, and, absent a conflict with the  
14     Copyright Act, deserves to decide how those fruits will be  
15     distributed upon his death." Docket Document No. 57. In the  
16     alternative, Plaintiffs aver that all members of the renewal class  
17     should share equally as claimants. Id.

18              Defendants, on the other hand, aver that we should follow 17  
19     U.S.C. § 304(c)(2) of the Copyright Act, which deals with termination  
20     rights. Defendants suggest that the renewal rights here should be  
21     distributed similarly, granting a 50% interest in the renewals to

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1 Defendant Chávez-Butler, the remaining half equally amongst  
2 Plaintiffs' children. Docket Document No. 61.

3 We are persuaded that the best course of action is to divide the  
4 copyright renewal rights amongst the entire class equally. A  
5 division according to the Decedent's will would allow a party who has  
6 no property right in renewals to inject his intent into what is the  
7 statutory property of others. See also Nimmer at  
8 § 9.04[A][1] (discussing the potentially disruptive effects of  
9 allowing state law to dictate the division within a class).

10 Further, we decline Defendants' invitation to apply the  
11 termination provisions in the Copyright Act. We engage in a brief  
12 review of termination rights in order to frame the discussion. Prior  
13 to the 1976 Copyright Act, the law provided for two copyright terms  
14 of twenty-eight years each, an original and a renewal term, for a  
15 total of fifty-six years. See Bourne Co. v. MPL Communications, Inc.,  
16 675 F.Supp. 859, 860 (S.D.N.Y. 1987). The 1976 Act created a third  
17 period of protection of nineteen years, an extended renewal term, for  
18 a total of seventy-five years. See 17 U.S.C. § 304(a)(2)(A). The  
19 1976 Act "correct[ed] the unequal bargaining position of authors,  
20 resulting in part from the impossibility of determining a work's  
21 value until it has been exploited," by granting authors a right to

1 terminate unprofitable transfers and renegotiate new grants for the  
2 extended renewal term with interested publishers. See H.R.Rep.  
3 No. 1476, 94th Cong., 2d Sess. 124, reprinted in 1976 U.S.Code Cong.  
4 & Admin. News 5659, 5740. Consequently, the Act allows authors or  
5 certain successors provided for in the statute to terminate a  
6 preexisting grant after its 56th year, and in effect "reclaim" the  
7 copyright for exploitation during the extended renewal term. See  
8 Bourne, 675 F.Supp. at 859. If the author is deceased, his  
9 termination interest can only be exercised by certain statutory  
10 successors provided for in the Act subject to the same basic  
11 requirements regarding notice of termination that are imposed upon  
12 the author. 17 U.S.C. § 304(c)(2) & (4).

13 Section 304(c)(2) states that "[w]here an author is dead, his or  
14 her termination interest is owned, and may be exercised, as follows:

15 (A) The widow or widower owns the author's  
16 entire termination interest unless there are any  
17 surviving children or grandchildren of the  
18 author, in which case the widow or widower owns  
19 one-half of the author's interest.

20 (B) The author's surviving children, and the  
21 surviving children of any dead child of the  
22 author, own the author's entire termination  
23 interest unless there is a widow or widower, in  
24 which case the ownership of one-half of the  
25 author's interest is divided among them.

26 (C) The rights of the author's children and  
27 grandchildren are in all cases divided among  
28 them and exercised on a per stirpes basis

1 according to the number of such author's  
2 children represented; the share of the children  
3 of a dead child in a termination interest can be  
4 exercised only by the action of a majority of  
5 them.

6 (D) In the event that the author's widow or  
7 widower, children, and grandchildren are not  
8 living, the author's executor, administrator,  
9 personal representative, or trustee shall own  
10 the author's entire termination interest.

11 17 U.S.C. § 304(c)(2).

12 Defendants urge us to apply the division of 304(c)(2) to the  
13 statutory class here. However, Section 304(c)(2) termination rights  
14 inhere in the family members of an author who grants a vested renewal  
15 right to a third party in the absence of a prior testament. Id. If  
16 there has been a will, the copyright renewal transfers by testament,  
17 and the statutory class does not receive the termination rights.<sup>5</sup>  
18 Thus, a plain reading of the statute reveals that the termination  
19 provisions are meant to tackle factual circumstances materially  
20 different from the ones at hand. More importantly, perhaps, are the  
21 statutory notes attached to Section 304, which state that "[i]t is  
22 not clear how the shares of a class of renewal beneficiaries are to

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<sup>5</sup>Thus, in Bourne, 953 F.2d 774, the heirs of a copyright owner were able to terminate an assignment to a third party because the assignment had been made before death of owner. Id. at 777-82. The owner had not left the copyright to another by way of a will because he had transferred the renewal rights long before his death and this allowed the owner's heirs to initiate termination pursuant to § 304. Id.



1 be divided under the existing law . . . . ,” thus implicitly refusing  
2 to adopt the questionably analogous termination provisions within  
3 Section 304(c)(2). See Nimmer at § 9.04[A] [1] n.6.

4 As stated in Nimmer,

5 On the whole, then, it seems better to look only  
6 to the ‘four corners’ of the Copyright Act in  
7 determining such division. Because the Act fails  
8 to indicate any internal division for what has  
9 been established as a single class, it appears  
10 to be more logical to regard all members of the  
11 class -- widow and children -- alike, as equally  
12 sharing claimants. Suppose the Act, instead of  
13 referring to ‘children’ had conferred renewal  
14 rights upon the author’s ‘sons and daughters.’  
15 If an author left one son and two daughters, it  
16 would be odd to conclude that the son’s share is  
17 equal to the combined share of both daughters.  
18 If in such circumstances each son and each  
19 daughter would be regarded as entitled to a  
20 share equal to those of each other member of the  
21 single class of ‘sons and daughters,’ given that  
22 widow and children are also members of a single  
23 class, they too should, as individuals, each  
24 have an equal share.

25 Id. at §9.04[A] [1].

26 We, therefore, choose to apply an equitable distribution across  
27 the class.

28 IV.

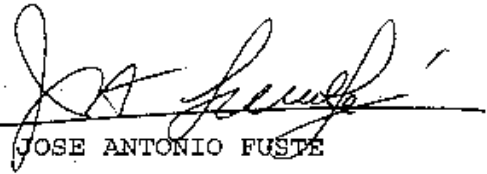
29 Conclusion

30 In accordance with the foregoing, we find that Defendant Chávez-  
31 Butler did not relinquish her renewal rights. We additionally find

1 that the renewal rights should be distributed equitably amongst the  
2 statutory renewal class.

3 IT IS SO ORDERED.

4 San Juan, Puerto Rico, this *11th* day of September, 2003.

  
JOSE ANTONIO FUSTE

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U. S. District Judge