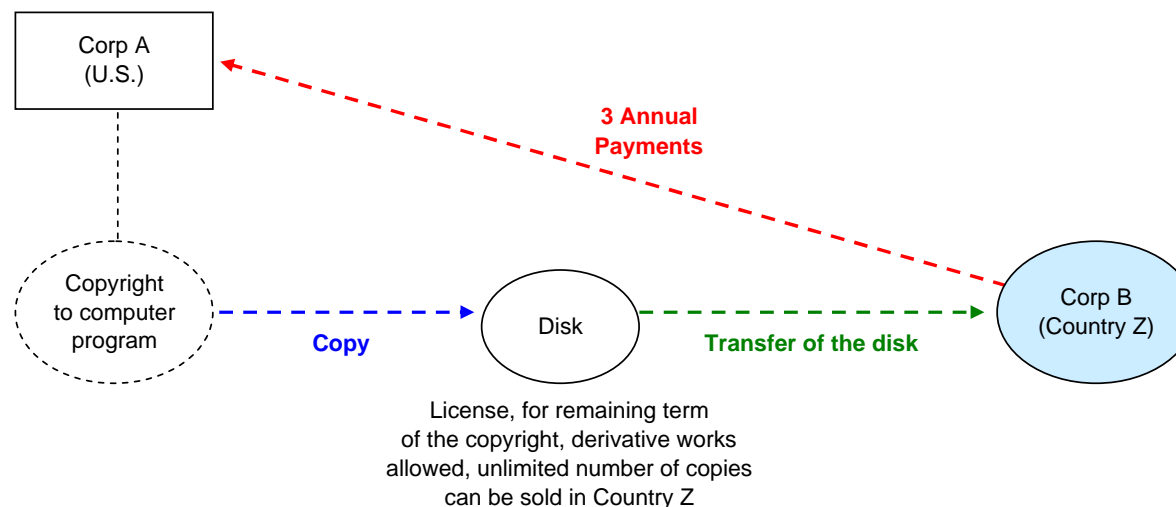


Reg. 1.861-18(h), Example 5

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"License" For 3 Annual Payments Treated as Sale of Copyright Rights



Corp A, a U.S. corporation, transfers a disk containing Program X to Corp B, a Country Z corporation, and grants Corp B an exclusive license for the remaining term of the copyright to copy and distribute an unlimited number of copies of Program X in the geographic area of Country Z, prepare derivative works based upon Program X, make public performances of Program X, and publicly display Program X. Corp B will pay Corp A a royalty of \$y a year for three years, which is the expected period during which Program X will have commercially exploitable value.

Although Corp A has transferred a disk with a copy of Program X on it to Corp B, because this transfer is accompanied by a copyright right, this transaction is a transfer solely of copyright rights, not of copyrighted articles. The disk containing a copy of Program X is a de minimis component of the transaction.

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