Corp A operates a website that offers electronic books for download onto end-users' computers or other electronic devices. The books offered by Corp A are protected by copyright law. Under the agreements between content owners and Corp A, Corp A receives from the content owners a digital master copy of each book, which Corp A downloads onto its server, in addition to the non-exclusive right to distribute for sale to the public an unlimited number of copies in return for paying each content owner a specified amount for each copy sold. Corp A may not transfer any of the distribution rights it receives from the content owners. The term of each agreement Corp A has with a content owner is shorter than the remaining life of the copyright.

(B) The transaction between each content owner and Corp A is a transfer of copyright rights. In obtaining a master copy of the book along with the right to sell an unlimited number of copies to customers, Corp A receives a copyright right described in Reg. 1.861-18(c)(2). For purposes of Reg. 1.861-18(b)(2), the digital master copy is de minimis. Under Reg. 1.861-18(f)(1), there has not been a transfer of all substantial rights in the copyright rights to the content because each content owner retains the right to further license or sell the copyrights, subject to Corp A's interest; Corp A has acquired no right itself to transfer the copyright rights to any of the content; and the grant of distribution rights is for less than the remaining life of the copyright to each book. Therefore, the transaction between each content owner and Corp A is classified as a license, and not a sale, of copyright rights.

HUNDREDS of additional charts at www.andrewmitchel.com