

COPYRIGHT ROYALTY JUDGES
The Library of Congress

In re

**DISTRIBUTION OF CABLE
ROYALTY FUNDS**

CONSOLIDATED DOCKET NO.
14-CRB-0010-CD/SD
(2010-13)

In re

**DISTRIBUTION OF SATELLITE
ROYALTY FUNDS**

ORDER ON ORDER TO SHOW CAUSE
[Public Version]

On February 24, 2020, the Copyright Royalty Judges (Judges) issued an *Order to Show Cause why Multigroup Claimants should not be Disqualified as an Agent to Receive Funds on Behalf of Claimants* (*Order to Show Cause*). Worldwide Subsidy Group LLC d/b/a Multigroup Claimants¹ (WSG) filed its response to the Order to Show Cause (*WSG Response*)² on February 28, 2020, together with a declaration by WSG’s counsel, Brian Boydston (*Boydston Decl.*).³

The Judges issued an *Order for Further Briefing in Response to Order to Show Cause* (*Order for Further Briefing*) on March 2, 2020. The Settling Devotional Claimants filed their Further Briefing in Response to Multigroup Claimants’ Response to Order to Show Cause (*SDC Further Briefing*) on March 16, 2020, together with volumes 1, 2, and 3 of an appendix. The MPA-Represented Program Suppliers (MPA) also filed a response (*MPA Further Briefing*) on the same day.

On March 18, 2020, WSG filed a document entitled “Multigroup Claimants’ Emergency Motion to Expand Briefing Limits and Response Date” (*Motion for Leave*) seeking leave to file a brief in excess of the ten-page limit imposed in the Order for Further Briefing one week after the due date imposed in that order.⁴ The Motion for Leave was unopposed.

On March 22, 2020, WSG filed its “Reply in Support of Response to Order to Show Cause” (*WSG Reply*).

For reasons discussed below, the Judges find insufficient grounds to disqualify WSG from acting as an agent to receive funds on behalf of claimants in this proceeding. However, the

¹ Alfred Galaz and Worldwide Subsidy Group LLC have both used “Multigroup Claimants” as an assumed business name in the course of this proceeding. In order to minimize confusion, the Judges will refer to Alfred Galaz d/b/a Multigroup Claimants as “Alfred Galaz” and Worldwide Subsidy Group d/b/a Multigroup Claimants as “WSG” in this Order, unless the context dictates otherwise.

² WSG’s decision to file the WSG Response as a restricted document, and the SDC’s objection to that decision, resulted in numerous other pleadings that are addressed in a separate order filed today.

³ WSG also filed a Supplemental declaration of Brian Boydston (*Boydston Supplemental Decl.*) on March 12, 2020, to correct an inaccuracy in the Boydston Decl.

⁴ Although WSG describes the Motion for Leave as an “emergency” motion, there is no provision in the Judges’ procedural rules for filing a motion on an emergency basis.

Judges also find that they are unable to determine on the record before them who—if anyone—has clear authority to represent the copyright owners who were represented by Alfred Galaz (d/b/a Multigroup Claimants) at the beginning of this proceeding. The Judges **GRANT** WSG and/or Ryan Galaz **LEAVE** to file a motion with the Judges for substitution of parties, supported by documentary evidence or legal authority that establishes that the person or entity put forward as the substitute for Alfred Galaz has legal authority to represent the copyright owners formerly represented by Alfred Galaz.

I. Background

A. Dramatis Personae

The pleadings presently under consideration involve the following entities, individuals and assumed business names.

Entities

Worldwide Subsidy Group LLC (WSG) – WSG is a limited liability company, established in 1999, that has been owned, primarily, by members of the Galaz family. Evidence in the record suggests that WSG, throughout this proceeding has been operated primarily by Raul Galaz in an unknown capacity. WSG is the party that has entered into representation agreements with the copyright owners represented by Alfred Galaz in this proceeding. As noted below, WSG assigned its rights to collect royalties for the years covered by this proceeding to Alfred Galaz.

RTG, LLC (RTG) – RTG is a limited liability company owned by Ryan Galaz. Evidence in the record indicates that Raul Galaz has acted on RTG’s behalf in matters involving real estate in Florida.

Assumed Business Names

Multigroup Claimants (MGC) – MGC has been used in this proceeding as an assumed business name for both Alfred Galaz, as a sole proprietor, and, more recently, for WSG.

Spanish Language Producers (SLP) – SLP was another assumed business name for Alfred Galaz, as a sole proprietor, early in this proceeding. After SLP withdrew its request to create a separate claimant category in the allocation phase for Spanish-language programming, SLP assigned its interest to MGC.

Independent Producers Group (IPG) – IPG is an assumed business name of WSG.

Individuals

Raul Galaz – Raul Galaz appears to be the founder of WSG. While Raul Galaz’s current formal position, if any, with WSG is unknown, he appears to be the principal person conducting WSG’s business, and appeared to be the principal person conducting business on behalf of Alfred Galaz earlier in this proceeding.

Alfred Galaz – Alfred Galaz is Raul Galaz’s father and a former owner of a 99% interest in WSG. Alfred Galaz filed petitions to participate, and participated in this proceeding under the assumed business names of MGC and SLP. WSG transferred the right to collect royalties under its representation agreements with copyright owners to Alfred Galaz d/b/a MGC and SLP in 2015 for royalty years from and after 2010. Alfred Galaz filed for bankruptcy in the Northern District of Oklahoma (along with his wife, Lois May Galaz) on May 28, 2019.

Lois May Galaz – Lois May Galaz is currently married to Alfred Galaz and is a signatory (along with Alfred Galaz) to a petition for bankruptcy filed in the Northern District of Oklahoma on May 28, 2019.

Ruth Galaz – Ruth Galaz is Alfred Galaz’s ex-wife and Raul Galaz and Denise Vernon’s mother. Ruth Galaz formerly owned a 1% interest in WSG, and is named (apparently incorrectly) in Alfred Galaz’s bankruptcy petition as the assignee of his interest in WSG. Ruth Galaz apparently remained, as of January, 2020, a designated agent for service of process on WSG.

Ryan Galaz – Ryan Galaz is Raul Galaz’s son. He is the transferee of Alfred Galaz’s interest in MGC and SLP, and of Alfred Galaz’s and Ruth Galaz’s interests in WSG. Ryan Galaz is also assertedly the sole owner of RTG.

Denise Vernon – Denise Vernon is Raul Galaz’s sister and a former owner of a 99% interest in WSG that she conveyed to Alfred Galaz. Ms. Vernon was for a time one of the principal people carrying out WSG’s business, but appears to have withdrawn from any active role in the company.

B. Order to Show Cause

On December 26, 2019, the SDC advised the Judges that Alfred Galaz, a participant in this proceeding under the assumed business name “Multigroup Claimants,” and his wife Lois May Galaz, had filed a bankruptcy petition in the Northern District of Oklahoma earlier that year. *See generally* Settling Devotional Claimants’ Motion for Order to Show Cause why Multigroup Claimants should not be Disqualified as an Agent to Receive Funds on behalf of Claimants (Dec. 26, 2019) ([Motion for Order to Show Cause](#)). Alfred Galaz did not list Multigroup Claimants among businesses in which he held an interest, and stated that he no longer held an interest in WSG. *See id.* at 5-7. In light of the bankruptcy filing, the SDC questioned Multigroup Claimants’ authority to act on behalf of copyright claimants and asked the Judges to issue an Order to Show Cause why Alfred Galaz and Multigroup Claimants should not be disqualified and debarred from participating in royalty distribution proceedings for a number of alleged improprieties. *See id.* at 7-9, 13-14. In particular, the SDC stated that the bankruptcy petition “raised serious questions as to whether Multigroup Claimants is in fact Alfred Galaz, and whether Multigroup Claimants has the right to pursue or collect royalties on behalf of the claimants it has claimed.” *Id.* at 5.

The Judges granted the Motion for Order to Show Cause and issued the *Order to Show Cause*, stating:

In the event the legal name and/or address of the copyright owner entitled to royalties *or the person or entity filing the claim* changes after the filing of the claim, the filer or the copyright owner shall notify the CRB of the change. 37 CFR 360.4(c). These provisions are not mere formalities. They are essential to ensure that only those parties entitled to a share of royalties are included in the pool of eligible claimants and that the information contained in the royalty claims remains accurate throughout the copyright royalty distribution process, which can (and usually does) last for several years after the claim is filed. The provisions also help to ensure that when funds are available for distribution, they are paid to the claimant whose copyrighted works were used pursuant to the applicable

statutory license, which is the ultimate goal of the royalty distribution process. If the good faith efforts of the CRB to contact the copyright owner or filer are frustrated because of outdated or otherwise inaccurate contact information, the claim may be subject to dismissal. 37 CFR 360.4(c).

Order to Show Cause at 4-5 (emphasis added).

The Order continued: “Multigroup Claimants did not believe that it was required to inform the Judges of the ownership changes it had made. The Judges disagree. The Judges’ rule of this point, 37 CFR 360.4(c), is very clear: ‘In the event the legal name and/or address of the copyright owner entitled to royalties or the person or entity filing the claim changes after the filing of the claim, the filer or the copyright owner shall notify the Copyright Royalty Board of the change.’” *Id.* at 5. The Judges stated that:

Whatever or whomever Multigroup Claimants is, [it] is at its core purportedly an agent representing the interests of claimants that own or control interests in copyrights that may be eligible for royalty payments pursuant to statutory licenses that the Judges administer. Who or what that entity is matters to the Judges in determining whether that person or entity can properly represent the interests of copyright claimants. As a result, it is essential that the Judges be kept informed about the legal status of the entity that would be responsible for ensuring that copyright owners receive the royalties that the Judges order to be distributed. At this point, the current record in this proceeding lacks clarity regarding the identity and ownership of the entity that calls itself Multigroup Claimants.

Id. at 6. Given that lack of clarity in the record over the critical issue of the ownership and identity of Multigroup Claimants, the Judges found that it was necessary and appropriate to grant the SDC’s motion to issue an order to show cause. *Id.*

In the *Order to Show Cause*, the Judges directed WSG (d/b/a MGC) to provide the following information and documentation:

- (1) The identity and legal status (*i.e.*, whether the person is an individual, a limited liability company, or some other type of entity) of every person or entity that has or has had an interest in representing any of the claimants that Multigroup Claimants purports to represent in this proceeding, as well as the percentage of legal and/or beneficial ownership interests or interest that any person or entity held or holds in the claims asserted in this proceeding.
- (2) For any person or entity identified in (1), provide the beginning and ending dates of such representation and the name under which that person or entity operated during that period (*e.g.*, Alfred Galaz d/b/a Multigroup Claimants represented all claimants’ interests from January 1, 2015 through January 1, 2018).
- (3) For any sale or transfer of interests between or among persons or entities identified in (1) provide documentation regarding the sale of interest or transfer of ownership. If no documentation is available, make an affirmative statement to that effect and provide a supporting affidavit of a person knowledgeable about such sale or transfer testifying to the transfer and explaining the absence of documentation.

- (4) For any entity identified in (1) that is not an individual provide any documentation identifying the legal status and ownership of the entity that was filed with any government agency (*e.g.*, certificate of incorporation).
- (5) For any and all transfers of ownership of any of the parties in (1) provide copies of any communication made either to the Copyright Royalty Board or the Judges as well as any communication provided to the copyright claimants that Multigroup Claimants purports to represent as agent in this proceeding. If no such communication was provided, affirmatively state the reason why such communication was not made and provide a supporting affidavit from a person knowledgeable about the transfer of ownership.
- (6) For any claimant whose representation agreement requires the claimant's consent to an assignment of the agreement, documentation evidencing such consent. *See, e.g.*, Ruling and Order Regarding Objections to Cable and Satellite Claims, at 15-16) (Oct. 23, 2017).

Order to Show Cause at 6-7.

II. Arguments of the Parties

A. WSG Response

In its response to paragraph 1 in the *Order to Show Cause*, WSG, *sua sponte*, cabined its response to address only the period from the initial filings of Petitions to Participate (January 20, 2015) to the date the Judges issued their determination addressing the devotional category (July 18, 2018) and the date the Judges issued their determination with respect to the program suppliers category (October 1, 2018). For that time period, WSG identified four individuals (Alfred, Ryan, and Ruth Galaz and Denise Vernon), two sole proprietorships (MGC and SLP) and one limited liability company (LLC) (WSG) that “has or has had an interest in representing any of the claimants that Multigroup Claimants purports to represent in this proceeding.”⁵ WSG submits documentation indicating that WSG was organized on March 29, 1999, and records of the Copyright Royalty Board show that WSG did business as IPG in the past, but WSG but did not indicate who owned WSG from March 29, 1999, until January 20, 2015. *See* WSG Response at 3.

WSG stated that MGC and SLP were sole proprietorships of Alfred Galaz when they filed petitions to participate in this proceeding. *See* WSG Response at 3. Alfred Galaz filed assumed name certificates for both names in Bell County, Texas, on January 20, 2015 (the same day Alfred Galaz filed PTPs in the 2010-12 cable and satellite proceedings). *See id.* at Exs. B, C. Also on January 20, 2015, WSG engaged Alfred Galaz to act as its representative in connection with all cable and satellite proceedings relating to 2010 and later years. *See id.* at 5, Exs. D, E. WSG represents that, at that time, the owners of WSG were Denise Vernon (99%) and Ruth Galaz (1%). *See id.* at 3.

WSG states that Denise Vernon transferred ownership of her 99% share in WSG to Alfred Galaz on January 1, 2017. *See id.* at 3, Ex. F. WSG also represents that Alfred Galaz and Ruth Galaz transferred their respective ownership shares to Ryan Galaz on December 31, 2017,

⁵ To the extent that the sole proprietorships discussed in this order were not or are not incorporated in some fashion (*e.g.*, as an S Corporation or as a single-owner LLC), they would not be separate legal entities but rather would be simply fictional business names for the individual or individuals who operate them.

making Ryan Galaz the 100% owner of WSG. *See id.* at 3, Ex. G. Alfred Galaz transferred his interest in MGC and SLP (including the right to collect royalties that had been assigned to MGC and SLP by WSG) to Ryan Galaz on January 1, 2018. *See id.* at 3, Ex. H.

WSG provided documentation for each of these transfers. *See id.* at Exs. D, E, F, G, H.

According to WSG, “[a]s of January 1, 2018, there was a commonality of ownership of all the foregoing entities. To the extent that [MGC] and [SLP] were sole proprietorships of Alfred Galaz, of which he had conveyed all his interests thereto, rather than become sole proprietorships of Ryan Galaz, their interests were merged into that of [WSG].” *Id.* at 4.

SLP, an assumed business name that Alfred Galaz adopted for the sole purpose of representing a single claimant in the proceeding—Azteca International Corp. (AIC), ceased to play any further role in the proceeding after SLP withdrew its request to create a separate allocation phase claimant category for Spanish Language programming and assigned the right to collect royalties for AIC to MGC. WSG Response at 5. Moreover, on January 1, 2018, Alfred Galaz presumably stopped doing business as MGC when he assigned his interest in MGC to Ryan Galaz. *See id.*

WSG presents no documentation for a transfer from Ryan Galaz to WSG of his the interests in MGC and SLP that Alfred Galaz transferred to him (including Alfred Galaz (d/b/a MGC)’s authority to represent copyright owners (previously assigned to Alfred Galaz by WSG)). Nor does it present any legal authority that would lead the Judges to conclude that the purported “merger” of interests took place by operation of law.

WSG contends that it had no obligation to apprise the claimants it purports to represent of the change in ownership in MGC. *See id.* at 7-10. The only representation agreement that required notification to, and approval by the copyright owner was for a claimant (Azteca International Corporation) whose claims were disallowed earlier in the proceeding. *See id.* at 11-12. WSG also argues that it had no obligation to inform the Judges or other participants of the change in ownership. For this proposition WSG cites to the Judges’ *Order Granting In Part and Denying In Part Multigroup Claimants’ Motion to Compel Production by Settling Devotional Claimants* (Sept. 14, 2016) (*Order on MGC MTC*) in which the Judges denied Alfred Galaz’s discovery request for documentation concerning the corporate structures of the SDC’s constituent ministries. *See id.* at 8. WSG also disputes the Judges’ interpretation of 37 CFR 360.4(c) as requiring the person or entity that filed joint claims to notify the Copyright Royalty Board (CRB) of any changes in the filer’s identity. To the contrary, WSG argues that section 360.4(c) is “entirely inapplicable.” *Id.* at 12-14.

Similarly, WSG states that it was under no legal or contractual obligation to inform the Judges or represented copyright owners of changes in WSG’s ownership. *See id.* at 10-11.

B. SDC’s Further Briefing

In response to the *Order for Further Briefing* the SDC argue that WSG failed to show cause why it should not be disqualified, and urge the Judges to “disqualify or debar [WSG d/b/a] Multigroup Claimants from further participation as an agent in all pending and future copyright royalty proceedings.” SDC Further Briefing at 1. The SDC’s argument rests on four assertions:

1. The documentation provided by WSG is unauthenticated and conflicts with publicly available information. *See id.*

2. The documentation, even if genuine, does not show that WSG has authority to collect funds on behalf of copyright owners. *See id.* at 1-2.
3. The parties using the name “Multigroup Claimants” (*i.e.*, Alfred Galaz and WSG) have deceived the Judges. *See id.* at 2.
4. Public records relating to WSG, Ryan Galaz, and RTG, document “transactions replete with indications of fraud” including transfers of substantial assets from WSG to RTG for no consideration. *See id.*

1. Alleged Inconsistencies and Lack of Authentication

The WSG Response does not include any declaration authenticating the documents that purport to memorialize the various transfers of ownership. In his declaration accompanying the WSG Response, WSG Counsel Brian Boydston merely states “I am advised, and understand from publicly filed documents that on January 1, 2018, Alfred Galaz formally transferred all his interest in Multigroup Claimants to Ryan Galaz.” Boydston Decl. ¶ 2. After being challenged on this point, Mr. Boydston later corrected his declaration, stating “[i]n fact, no ‘publicly filed documents’ state that ‘on January 1, 2018, Alfred Galaz formally transferred all his interest in Multigroup Claimants to Ryan Galaz.’ Rather, non-public documents, attached to the declaration, state that and are the basis for my understanding.” Boydston Supplemental Decl. ¶ 2; *see* SDC Further Briefing at 6-7.

The SDC enumerate a number of inconsistencies between the unauthenticated transfer documents provided by WSG, and other publicly-available documents:

- The document purporting to show Denise Vernon’s transfer of her entire interest in WSG to Alfred Galaz on January 1, 2017, is contradicted by the “Public Information Report” (a document that a LLC must file annually in Texas for franchise tax purposes) that Denise Vernon signed on WSG’s behalf on September 11, 2017, and that identifies her as WSG’s “sole member.” *See* SDC Further Briefing at 7.
- The document purporting to show Alfred and Ruth Galaz’s transfer of their interest in WSG to Ryan Galaz on December 31, 2017, is contradicted by the Public Information Reports for 2017 (described above) and 2018. The 2018 Public Information Report, dated June 23, 2018, bears Alfred Galaz’s typewritten “signature” and identifies Alfred and Ruth Galaz as “partners” in WSG. It is also inconsistent with Alfred and Lois May Galaz’s May 28, 2019 bankruptcy petition, which claims that Alfred Galaz transferred “Worldwide Subsidy” to Ruth Galaz on January 1, 2018. It is also inconsistent with Ryan Galaz’s July 22, 2019 deposition testimony in a civil proceeding, in which he refers to WSG as belonging to “my family” and “my grandparents.” It is also inconsistent with the assumed name certificate that WSG filed in Texas on January 6, 2020, and which bears Ruth Galaz’s typewritten “signature” as an “officer, general partner, manager, representative or attorney-in-fact.” *See id.* at 7-8.
- The document purporting to show Alfred Galaz’s transfer of his interest in MGC and SLP to Ryan Galaz on January 1, 2018 (one day after he transferred his interest in WSG to Ryan Galaz), is inconsistent with Alfred Galaz’s declaration filed with the Judges on January 9, 2020. In his declaration, Alfred Galaz stated that he transferred his interests in MGC to WSG, and subsequently transferred his 99% interest in WSG. *Id.* at 8-9.

The SDC seek to liken these inconsistencies to Raul Galaz's use of aliases when he committed the fraud on the U.S. Copyright Office for which he was convicted and incarcerated. *See id.* at 9. The SDC speculate that Raul Galaz may have signed some of the documents claimed to have been signed by others, and engaged a handwriting expert who opined that certain of Ryan Galaz's signatures on documents in an unrelated litigation were signed by one or more other people. *See id.* at 9-12.

2. Alleged Failure to Show WSG is an Authorized Agent of Copyright Owners

The SDC point out that, on their face, the documents submitted by WSG show that Alfred Galaz transferred the right to represent copyright owners from himself (doing business as MGC) to Ryan Galaz, not to WSG. *See id.* at 12. There is no evidence in the motion record that Ryan Galaz has ever done business under the name "Multigroup Claimants." *See id.* at 13.

Neither Ryan Galaz nor WSG has sought to be substituted for Alfred Galaz as a party in this proceeding. Thus, the SDC assert, it does not appear that Ryan Galaz—the only person or entity with authority to act on behalf of copyright owners—is a party in this proceeding. *See id.* at 12.

3. Alleged Deception of Judges and other Participants

The SDC identify three statements in pleadings filed in the name of "Multigroup Claimants" and state that at least one is "false, with the intent to deceive:"

- Multigroup Claimants' repeated descriptions of Worldwide Subsidy Group as "[Multigroup Claimants'] predecessor" or "[Multigroup Claimants'] assignor" in pleadings to both the Judges and the D.C. Circuit. These descriptions were false if Alfred Galaz transferred his interests in Multigroup Claimants to Worldwide Subsidy Group on or before January 1, 2018, as he claimed.
- "[E]ven if I had been required to identify 'Multigroup Claimants' in my bankruptcy petition, I had already transferred all interests held by it into Worldwide Subsidy Group, LLC, which adopted 'Multigroup Claimants' as an assumed name." This statement is unsupported by any documentary evidence, and it was false if the descriptions of Multigroup Claimants as Worldwide Subsidy Group's "successor" or "assignee" were correct or if the "Transfer of Ownership" dated January 1, 2018, transferring the assets associated with Multigroup Claimants to Ryan Galaz, is genuine.
- "[O]n January 1, 2018, Alfred Galaz formally transferred all his interest in Multigroup Claimants to Ryan Galaz." This statement can be true only if the statement that Alfred Galaz transferred his interests in Multigroup Claimants to Worldwide Subsidy Group was false.

SDC Further Briefing at 13-14 (citations omitted).

The SDC argue that the Judges need not decide which, if any statement is true, since at least one of them must be a "lie." *Id.* at 14.

4. Ryan Galaz's Alleged Involvement in Further Evidence of Potential Wrongdoing

The SDC allege that Ryan Galaz, through his company, RTG, “appears to be deeply entangled in potential fraudulent activity with” WSG. *Id.* at 14-15. Specifically, the SDC disclose that

- WSG owned a condominium in Miami that it purchased for \$265,000 in cash, and later transferred the property (then valued at \$362,066) to RTG for no consideration. *See id.* at 15.
- RTG purchased a condominium for \$900,000 in cash which, according to Ryan Galaz's deposition testimony in unrelated litigation, it received from WSG under an oral loan agreement. *See id.*
- Ryan Galaz has testified that he is the sole member of RTG, but Raul Galaz has acted on RTG's behalf as an “Authorized Member.” *See id.*
- RTG has paid for at least \$367,000 in renovations to one of the properties. Ryan Galaz claims in deposition testimony that the funds came from RTG's revenues, but was unable to account for sufficient revenues to cover the amount paid. *See id.*

The SDC assert that WSG has “funneled at least \$1,262,066.00, and possibly \$1,753,265.31, of value into RTG, a company controlled by Raul Galaz and Ryan Galaz, for no apparent business purpose and without receiving any value in return.” *Id.* at 15-16. They speculate that the transfers “included claimant funds and were made at least in part for the purpose of putting those funds out of reach of Worldwide Subsidy Group's claimants, along with other creditors of Worldwide Subsidy Group, Raul Galaz, and Alfred Galaz.” *Id.* at 17. Moreover, they invite the Judges to draw the inference that Alfred Galaz's conveyances of his interests in WSG and MGC to Ryan Galaz “were at least in part for the purpose of putting those assets out of the reach of his creditors, and of the bankruptcy court.” *Id.* The SDC conclude that “‘badges of fraud’ are strongly present” *Id.* at 18.

5. Requested Remedies

The SDC urge the Judges to disqualify or debar MGC and WSG from acting as an agent for copyright owners. *See id.* They argue that “[i]t would not be a responsible administration of copyright royalty funds to put them in the hands of [MGC] or [WSG] under the circumstances presented in this case.” *Id.*

In the alternative, the SDC urge the Judges to obtain “authenticated written consent from each claimant that Multigroup Claimants purports to represent, after full disclosure of all material facts relating to Multigroup Claimants' trustworthiness and fitness as an agent” before authorizing any distribution of royalties to MGC or WSG. *Id.*

C. MPA Further Briefing

MPA notes that the SDC “have gathered a substantial quantity of documentary evidence illustrating a complicated shell game being played by MC in this proceeding.” MPA Further Briefing at 1. MPA expresses concerns about the asset transfers documented by the SDC “as they appear to evidence a surreptitious means for Raul Galaz to secure access to substantial funds while avoiding public disclosure, in a blatant attempt to avoid his significant outstanding restitution obligation to MPA for defrauding MPA.” *Id.* at 2.

MPA opines that the SDC “appear[] to have presented compelling evidence in support of the disqualification or debarment of [MGC] as an agent in royalty proceedings.” *Id.* Alternatively, if the Judges determine that they are unable to decide this issue on the papers, “MPA urges the Judges to schedule a formal Show Cause Hearing where Ryan Galaz can be called as a witness and provide testimony addressing these matters.” *Id.*

D. WSG Reply

1. Motion for Leave

The Judges gave WSG the opportunity to file a reply of no more than 10 pages (exclusive of exhibits, etc.) no later than March 23, 2020. *Order for Further Briefing* at 1. Five days before the deadline WSG filed its Motion for Leave, seeking an expansion of the page limit and extension of the deadline. WSG accuse the SDC of “sandbagging” it by including evidence and arguments that did not appear in the SDC’s original December 26th Motion for Order to Show Cause. Motion for Leave at 1-2. WSG asked to be provided “additional briefing and response limits” so that it could respond to the SDC’s arguments “in more than a cursory manner.” *Id.* at 2. The Judges did not rule on the Motion for Leave before the March 23rd deadline for WSG’s reply. WSG filed the WSG Reply by the original March 23rd deadline, but exceeded the page limit by two pages.

2. Alleged Inconsistencies and Lack of Authentication

WSG argues that it was not required to authenticate the documents that it submitted as evidence of the transfers of interests in WSG and MGC because the Judges did not ask them to do so. *See* WSG Reply at 3. Nevertheless, WSG attaches to its reply declarations from Denise Vernon, Alfred Galaz, Ruth Galaz, Ryan Galaz, and Raul Galaz that, among other things, authenticate the documents attached to the WSG Response. *See id.* at 3-4 & attached declarations. WSG also states that the declarants’ statements concerning ownership “are perfectly corroborated by federal tax returns,” and offers to allow the Judges to review the returns *in camera*. *See id.* at 3-4 & n.1.

WSG offers a series of “benign explanations” for the inconsistencies between the statements and documents submitted by WSG and information in the public record. *Id.* at 3. Specifically:

- WSG’s public information reports were prepared by WSG’s tax professional and not shared with WSG personnel before filing. The discrepancies between the public information filings and the “transfer of ownership documents” are due to errors by the tax professional, and WSG personnel were not aware of the errors until the current controversy arose. *See id.* at 4-6 & attached declarations.
- Alfred Galaz’s bankruptcy petition misstates that Alfred Galaz transferred his interest in WSG to Ruth Galaz due to an error by his bankruptcy counsel. *See id.* at 5-6. WSG speculates that the bankruptcy attorney misread the transfer of ownership document, which was signed by Alfred Galaz and Ruth Galaz as transferors. *See id.* at 5, Declaration of Alfred Galaz in support of Response to Order to Show Cause ¶ 5 (Alfred Galaz Decl.). Alfred Galaz states in his declaration that he was advised that, because MGC had never been assigned an EIN he did not have to report his transfer of interests in MGC on his bankruptcy petition. Alfred Galaz Decl. ¶ 6. He also maintains that “by my common ownership I had already merged all interests held by it into [WSG]” *Id.*

- WSG argues that there is no inconsistency between the “transfer of ownership documents” and Ryan Galaz’s deposition testimony because the SDC mischaracterized that testimony. *See* WSG Reply at 7.
- The existence of Ruth Galaz’s signature on an assumed name certificate filed on behalf of WSG in Texas in January is not inconsistent with Ryan Galaz’s ownership of WSG because she signed the certificate in her capacity as an “authorized representative” of WSG. *See id.* at 6. WSG claims that Ruth Galaz is an authorized representative of WSG by virtue of her designation as WSG’s agent for service of process. *See id.* at 7.
- WSG denies that Ryan Galaz’s signature on any of the transfer documents was not genuine. *See id.* at 9.

3. WSG’s Alleged Lack of Authority to Act on behalf of Copyright Owners

WSG reiterates its theory that, as of January 1, 2018, the interests of MGC merged into WSG by virtue of Ryan Galaz’s common ownership of each. *See id.* Again, WSG provides no legal authority for this conclusion.

4. Alleged Deception of Judges and other Participants

WSG argues that it “has no plausible reason to be deceptive” about its ownership, because the ownership changes were not “remotely relevant to this or any proceeding Multigroup Claimants has never asserted that there were different individuals involved in Multigroup Claimants’ business than WSG’s, only that ownership of the particular entities varied – all accurate statements when made.” *Id.* at 10.

WSG asserts that the SDC cite no acts of deception by WSG. *See id.* The SDC’s reference to three pleadings in early 2018 referring to IPG as MGC’s “predecessor” was “an accurate statement even if they had only recently merged, where each reference is only for the purpose of referring to decisions involving WSG, not to address its ownership interests.” *Id.* at 10-11.

WSG characterizes the SDC’s challenge to Alfred Galaz’s statement that he “had already transferred all interests held by [MGC] into Worldwide Subsidy Group, LLC, which adopted ‘Multigroup Claimants’ as an assumed name” as quibbling over whether the merger of interests took place immediately before January 1, 2018, or immediately after. WSG describes this challenge as “splitting hairs.” *Id.* at 11.

WSG describes the question before the Judges as “whether the reference to WSG as a ‘predecessor’ to Multigroup Claimants in the first few weeks after the January 1, 2018 transfer, were ‘deceptive’ because it was not clarified that the interests of those entities were now merged, and whether those inconsequential matters warrant the ‘disqualification or debarment’ of WSG and any of its representatives.” *Id.* WSG answers the question in the negative, and describes the contention as “absurd.” *Id.*

5. Ryan Galaz’s Alleged Involvement in Further Evidence of Potential Wrongdoing

WSG denies the SDC’s contention that “WSG transfers of value to RTG . . . were made at least in part for the purpose of putting those funds out of reach of [WSG] claimants, along with other creditors of [WSG], Raul Galaz, and Alfred Galaz.” *Id.* WSG argues that the SDC have insufficient knowledge of WSG’s business dealings to reach its conclusions. According to

WSG, the transactions that the SDC disclose in their submission do not reflect anything untoward. *See id.* at 12.

III. Discussion

A. Motion for Leave

Because the Motion for Leave was unopposed, and the Judges find that WSG has demonstrated good cause for WSG's request to file an over-length reply, the Judges **GRANT** the Motion for Leave, *nunc pro tunc*, to the extent it seeks an enlargement of the page limit. The Judges accept the WSG Reply as filed and consider it in resolving the issues addressed in the instant order. The Judges **DENY** the Motion for Leave **AS MOOT** to the extent it seeks an extension of the filing deadline.

B. Identity and Authority of "Multigroup Claimants"

The *Order to Show Cause* sought to determine who was participating in this proceeding in the name of "Multigroup Claimants," and whether that person or entity had authority to represent the copyright owners that, at the outset of this proceeding, were represented by Alfred Galaz d/b/a Multigroup Claimants. On the present record, the answers to those questions are inconclusive.

WSG provided documents and declarations that appear to establish that Alfred Galaz and Ruth Galaz transferred their interests in WSG to Ryan Galaz on December 31, 2017, making Ryan Galaz the owner of 100% of WSG. At that time, WSG did not have authority to collect royalties on behalf of copyright owners for the 2010 and later royalty years, having engaged Alfred Galaz (d/b/a MGC) to collect those royalties on January 20, 2015.

WSG also provided documents and declarations that appear to establish that Alfred Galaz transferred his entire interest in MGC (including its authority to collect royalties) to Ryan Galaz on January 1, 2018.

WSG provided plausible explanations for the inconsistencies that the SDC identified between WSG's documents and declarations, on one hand, and documents in the public record, on the other. The record before the Judges more strongly supports a conclusion that the inconsistencies resulted from errors and inattention to detail, rather than intent to deceive.

WSG and its declarants contend that Alfred Galaz's interests in MGC merged into WSG by virtue of Ryan Galaz's ownership of both. Since WSG offers no evidence that Alfred Galaz's interests in MGC were conveyed to WSG, WSG appears to be arguing that Alfred Galaz's interest in MGC merged into WSG by operation of law once Alfred Galaz conveyed that interest to Ryan Galaz. None of WSG's declarants is qualified to testify to this legal conclusion, and WSG provides no argument or legal authority in its pleadings to support it, beyond counsel's *ipse dixit*.

The Judges conclude that WSG has provided sufficient evidence to demonstrate that Alfred Galaz transferred the rights that he had to collect royalties to Ryan Galaz. The Judges also conclude that WSG has *not* provided sufficient evidence or legal authority to support the proposition that WSG presently has the right to represent claimants who may be entitled to collect royalties.

Alfred Galaz filed petitions to participate as an agent for copyright claimants in the cable and satellite proceedings in 2015. Neither WSG nor Ryan Galaz filed a Petition to Participate in

this proceeding, and the statutory cutoff for accepting late petitions has long since passed. *See* 17 U.S.C. § 803(b)(1)(A)(ii). No person or entity ever notified the CRB that the entity that filed claims on behalf of the MGC claimants had changed in accordance with 37 CFR 360.4(c).⁶ No person or entity ever filed a motion asking for a substitution of parties in the proceeding. Until the SDC’s December 26, 2019 motion, the Judges believed that the party before them representing the MGC claimants was Alfred Galaz.

Ryan Galaz does not contend that he is a participant in this proceeding (in fact, WSG argued vociferously that he did not even have to reveal publicly his connection to this matter). *See generally* [Multigroup Claimants’ Opposition to SDC’s Motion to De-Designate Restricted Materials](#) (Mar. 18, 2020). WSG holds itself out as a participant in this proceeding because it contends it has authority to collect royalties on behalf of the claimants formerly represented by Alfred Galaz and because it acts under the “Multigroup Claimants” assumed name (which it registered in Texas *after* the SDC filed its December 26, 2019 motion). As discussed above, WSG has failed to demonstrate that it does have authority to act on behalf of those claimants. In the absence of that authority, the fact that WSG adopted “Multigroup Claimants” as an assumed name does not advance WSG’s contention any more than if a random third party adopted the name.

Based on this record, the Judges cannot conclude that there is presently an authorized representative of the claimants formerly represented by Alfred Galaz participating in this proceeding. The Judges **GRANT** WSG and/or Ryan Galaz **LEAVE** to remedy the situation by filing a motion for substitution of parties, supported by documentary evidence and/or compelling legal argument (with citation to legal authority) that the incoming party has authority to represent the claimants that Alfred Galaz formerly represented in this proceeding.

C. Disqualification or Debarment of MGC or WSG

On at least two occasions the Judges have declined to disqualify or debar WSG (d/b/a IPG) “in the absence of regulations governing how, and under what circumstances” we may do so. *Order Denying MPAA and SDC Motions for Sanctions*, Docket Nos. 2012-6 CRB CD 2004-09 (Phase II) & 2012-7 CRB SD 1999-2009 (Phase II), at 7 (Mar. 12, 2019); *see Memorandum Opinion and Ruling on Validity and Categorization of Claims*, Docket Nos. 2012-6 CRB CD 2004-09 (Phase II) & 2012-7 CRB SD 1999-2009 (Phase II), at 9 (Mar. 13, 2015). The Judges have not yet adopted any such regulations. That is sufficient reason to deny the SDC’s request to disqualify or debar MGC or WSG.

Moreover, the Judges find that the SDC have not made out a sufficient case of intentional misconduct that rises to a level that would justify such extraordinary sanctions. For example, the reference to WSG as MGC’s predecessor in some early 2018 filings, while inaccurate, does not appear to have been intended to deceive. At that time the Judges had already ruled on matters for which Alfred Galaz d/b/a MGC’s separate existence from WSG, and its status as WSG’s successor, were relevant. For example, the Judges had already rejected Alfred Galaz’s

⁶ Notwithstanding WSG’s argument to the contrary, section 360.4(c) applies to both copyright owners and persons or entities who file claims on behalf of copyright owners. In relevant part, section 360.4(c) states that “[i]n the event the legal name and/or address of ... the person or entity filing the claim changes after the filing of the claim, the filer ... shall notify the Copyright Royalty Board of the change.” WSG, as representative of the copyright owners, filed the claims represented by Alfred Galaz in this proceeding. As the filer, it was obligated to notify the CRB when it assigned its rights to Alfred Galaz, and Alfred Galaz was obligated to notify the CRB when he assigned his rights to Ryan Galaz.

arguments that the claims he represented were entitled to a presumption of validity. Those matters were no longer before the Judges when WSG inaccurately described WSG d/b/a MGC as WSG's successor in 2018. MGC's status as WSG's "successor" was no longer relevant.

There is insufficient evidence in the record to support the SDC's suggestion that WSG, RTG, Ryan Galaz, and Raul Galaz are engaged in any wrongdoing involving transfers of WSG assets. There is nothing in the Copyright Act or the Judges' regulations that prevents an entity that represents copyright owners from engaging in other, unrelated business transactions. As to the specific transactions that the SDC highlight:

- There is no evidence to support the SDC's assertion that WSG transferred a condominium in Miami to RTG "without consideration." The quit claim deed (SDC App. 324) that transferred the property recites only a nominal consideration of \$10. This is not an uncommon practice, as evidenced by the recitation of nominal consideration in the warranty deed that transferred property to WSG (SDC App. 300), for which the SDC contend WSG paid actual consideration of \$265,000. A documentary stamp tax of \$2,172.40 was paid on the transfer to RTG, consistent with actual consideration equal to the appraised value of the property of \$362,066.
- In itself, WSG's lending of \$900,000 to RTG is not evidence of fraud. The absence of documentation may be unusual in a business setting, but it is not evidence of fraud. Rather, it suggests that members of the Galaz family have not always adhered to proper formalities in carrying out business transactions through the family business.
- There is no evidence that Ryan Galaz's testimony that he is the sole member of RTG was inaccurate. Contemporaneous emails provided by WSG appear to show that Raul Galaz acted on behalf of RTG under a power of attorney.
- The SDC correctly state that Ryan Galaz was unable to account in deposition testimony for sufficient income to RTG to bear the costs of renovations to a condominium owned by RTG. As RTG is not involved in this proceeding, however, the assertion is not relevant.

The SDC's overarching assertion is that WSG has moved substantial assets to RTG without compensation for the purpose of shielding funds from WSG's, Raul Galaz's, and Alfred Galaz's creditors. The SDC have not established that the transfers were without compensation. Nor have they demonstrated that the transactions were for the purpose of defrauding creditors, or for any purpose other than engaging in a real estate business.

MPA suggests that the Judges hold a show cause hearing and call Ryan Galaz to testify. The Judges find a live hearing to be unnecessary (as well as impractical at the present time). MPA has been clear that its motivation is to ensure that it is able to collect on Raul Galaz's restitution obligation. That is well outside of the Judges' remit.

IV. Conclusion

The Judges find that WSG has shown cause why WSG should not be disqualified or debarred from representing copyright claimants. However, WSG has not established that it has authority to represent the claimants formerly represented by Alfred Galaz (d/b/a MGC) in this proceeding, nor has any entity or individual made a motion with the Judges to be substituted for Alfred Galaz as a participant in this proceeding. The Judges, therefore, **GRANT** WSG and/or Ryan Galaz **LEAVE** to file a motion for substitution of parties, supported by documentary evidence and/or compelling legal argument (with citation to legal authority) that the incoming party has authority to represent the claimants that Alfred Galaz formerly represented in this proceeding. WSG and/or Ryan Galaz must file the motion **no later than ten days after the date of this Order.**⁷

SO ORDERED.

Jesse M. Feder
Chief Copyright Royalty Judge

DATED: June 12, 2020.
November 13, 2020 (public version).

⁷ The Judges issue the instant Order as a restricted document to allow WSG to seek interim relief under the *Protective Order* (Mar. 31, 2016) as described in the *Order Granting SDC Motion to De-Designate and Denying Worldwide Subsidy Group LLC's Motion for Sanction* at 13 n.10 (Jun. 12, 2020). The Judges will issue the Order as a public document after the conclusion of the ten-day period described in that footnote, or after the resolution of any interim relief that WSG seeks.