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In re

DISTRIBUTION OF CABLE ROYALTY FUNDS

**DOCKET NO. 14-CRB-0010 CD/SD
(2010-2013)**

ORDER GRANTING MULTIGROUP CLAIMANT’S MOTION FOR FINAL DISTRIBUTION OF 2010-2013 CABLE ROYALTY FUNDS

On February 3, 2021, Worldwide Subsidy Group LLC (WSG) d/b/a Multigroup Claimants requested that the Copyright Royalty Judges (Judges) grant it its share of copyright royalty funds allocated to the Devotional and Program Suppliers categories collected for cable royalty years 2010 through 2013. Multigroup Claimants’ Motion for Final Distribution of 2010-2013 Cable Royalty Funds at 2 (Feb. 3, 2021) ([Motion](#)). According to Multigroup Claimants, the Judges resolved all allocation phase controversies regarding the Devotional and Program Suppliers categories’ share of funds collected for cable royalty years 2010 through 2013 in the Judges’ [Final Allocation Determination](#), 84 Fed. Reg. 3552 (Feb. 12, 2019), and the U.S. Court of Appeals for the D.C. Circuit affirmed the determination. Motion at 2 (citing *Program Suppliers v. Copyright Royalty Board*, No. 19-1063 (Apr. 14, 2020) (per curiam)). Multigroup Claimants also notes that the Judges previously resolved all distribution phase controversies regarding Multigroup Claimants’ share of Devotional category funds collected for cable royalty years 2010 through 2013 in the Judges’ [Final Distribution Determination](#), 83 Fed. Reg. 38326 (Aug. 6, 2018), pursuant to an agreed resolution among the distribution phase parties, which no party appealed. Motion at 2.

Multigroup Claimants represents that its distribution phase shares of cable royalty funds allocated to the Devotional category for cable royalty years 2010 through 2013 are as follows:

Cable Royalty Year	Multigroup Claimants’ Share of Cable Royalties Allocated to Devotional Category
2010	22.9%
2011	17.4%
2012	15.2%
2013	10.9%

Motion at 2-3.

Multigroup Claimants also states that the Judges previously resolved all distribution phase controversies regarding Multigroup Claimants’ share of Program Suppliers category funds

collected for cable royalty years 2010 through 2013 in the Judges’ *Final Distribution Determination*, 83 Fed. Reg. 61683 (Nov. 30, 2018), and all appeals were exhausted on February 5, 2020. Motion at 3. Multigroup Claimants’ represents that its distribution phase shares of cable royalty funds allocated to the Program Suppliers category are as follows:

Cable Royalty Year	Multigroup Claimants’ Share of Cable Royalties Allocated to Program Suppliers Category
2010	0.63%
2011	0.53%
2012	0.55%
2013	0.50%

Motion at 3.

On February 3, 2021, the Settling Devotional Claimants (SDC) filed an *Opposition* to the Motion in which the SDC asserted that the Judges should not authorize and finalize any further distributions to Multigroup Claimants, WSG, or any of their respective principals or alter egos until a restraining order issued by the U.S. District Court for the Western District of Texas (District Court) is resolved. *Opposition* at 1. The restraining order prohibited Raul Galaz (Raul), Multigroup Claimants, and all affiliated entities and persons from dissipating satellite copyright royalties distributed to Multigroup Claimants in the companion case. *Id.* The SDC also stated that the Judges should condition release of all money to Multigroup Claimants on “enforceable controls and other assurances” that the distributed proceeds will reach the intended recipients, the copyright owners that Multigroup Claimants purportedly represents as a “designated agent” under 17 U.S.C. § 111(d)(4)(B). *Id.*

The SDC direct the Judges’ attention to a restraining order (*Restraining Order*) (attached as Ex. A to the *Opposition*) that the District Court entered on January 29, 2021. The Ex Parte Motion to Prevent Dissipation of Assets (*Ex Parte Motion*), which requested the *Restraining Order* (attached as Ex. B to the *Opposition*), was submitted by an Assistant U.S. Attorney in Texas. Among other things, the Ex Parte Motion alleged that Raul, who formed WSG in 1999, was subsequently convicted of mail fraud in violation of 18 U.S.C. § 1341. According to the Ex Parte Motion, Raul was sentenced to eighteen months in prison and ordered to pay \$328,303 in restitution, in addition to a special assessment and fine. Ex Parte Motion ¶ 1. The Ex Parte Motion contended that Raul had made no restitution payments since January 2015, and, as of January 28, 2021, he still owed \$223,864.39 plus interest. *Id.* ¶ 2. The Ex Parte Motion alleged that a writ of garnishment was litigated before the District Court in 2008, which resulted in WSG garnishing Raul’s wages. In December 2014, however, Raul quit working for WSG as a direct employee and, on January 1, 2015, became a consultant, ostensibly to avoid the garnishment, which WSG ceased. *Id.* at 1 and ¶ 5. The Ex Parte Motion further alleged, among other things, that Raul — who reportedly has no income or employment but has monthly expenses of \$5,231 — lives in a \$900,000 home (owned by Raul’s son, Ryan Galaz) that Raul’s girlfriend purchased in April 2020 with the help of WSG, which paid a portion of the closing costs. *Id.* ¶¶ 9-11. The

Ex Parte Motion alleged that WSG's (d/b/a Multigroup Claimants) primary source of income is copyright royalties and that WSG was set to receive over a million dollars from the U.S. Copyright Office on or after February 11, 2021.

In seeking a restraining order, the Assistant U.S. Attorney stated as follows:

This state of affairs — the Defendant [Raul Galaz] not paying restitution for five years and claiming near poverty while simultaneously enjoying a lavish lifestyle,¹ together with a corporate state of financial affairs built on obfuscation on the brink of a large distribution — is problematic. The United States requires time to investigate WSG and the Defendant's financial affairs, without the risk of existing assets being dissipated. The appropriate remedy is a restraining order pursuant to the All Writs Act, 28 U.S.C. § 1651.

Ex Parte Motion at 1.

In the Restraining Order, the District Court ordered that Raul, WSG, Ryan Galaz, Brian Boydston, Pick & Boydston, LLP, Multigroup Claimants (among other persons and entities) together with Raul's other representatives, attorneys, agents, family members, co-owners, joint account holders, co-signers, and assigns, for, or in concert with Raul (Restrained Parties), shall fully comply with the terms of the Restraining Order and not take any action prohibited by it. Restraining Order at 1.

Under the Restraining Order, compliance requires that the Restrained Parties shall not engage in the following:

Directly or indirectly alienate, dissipate, transfer, sell, assign, lease, pledge, encumber, dispose, conceal, move or attempt to complete any action that would affect the royalties from the final distribution of proceeds for the 2010-2013 satellite royalties allocated to the Devotional and Program Suppliers categories set to be distributed on or after February 11, 2021 in accordance with [the Copyright Royalty Judges'] "Order Granting Multigroup Claimants' Third Motion for Final Distribution of 2010-2013 Satellite Royalty Fund."

Upon the royalties being placed in WSG's bank account, WSG must immediately notify the District Court and the U.S. Attorney's Office. The Restraining Order shall remain in full force and effect until Raul has satisfied any restitution obligation ordered by the District Court in the case or until further order of the District Court. Restraining Order at 2.

According to the SDC, Multigroup Claimants should have disclosed the Restraining Order to the Judges and to its represented claimants before filing the current motion, but it did not. Opposition at 2. The SDC believe that the Judges should require Multigroup Claimants, as a designated agent under the Copyright Act, to notify the claimants that it represents of the Restraining Order and any order of the Judges. The SDC contend that they have previously shown that WSG made significant transfers for no apparent consideration totaling more than \$1.7 million, or, more than three-quarters of the total amount of \$2 million in revenue that WSG has received from the Licensing Division since Raul's release from prison. *Id.* at 3. The SDC

¹ The Ex Parte Motion alleged that "WSG paid the purchase price for a condominium for [Raul] to live in, and it rented a million-dollar home for him in Delray Beach, Florida. Moreover, [Raul] gifted \$152,000 just last year to his girlfriend to purchase the home where they currently reside." Ex Parte Motion at 1.

contend that the Judges erred in their June 12, 2020 *Order on Order to Show Cause* in concluding that “[t]here is no evidence to support the SDC’s assertion that WSG transferred a condominium in Miami to RTG ‘without consideration.’” Opposition at 3. The SDC assert that Ryan Galaz, the sole member of RTG, LLC, admitted in his deposition testimony that the transfer of the condominium from WSG to RTG was without consideration. *Id.* The SDC contend that the transfer of \$152,000 to Raul’s girlfriend in connection with her purchase of the home where Raul now resides (referenced in the Ex Parte Motion at 1) brings the total amount of known transfers to \$1.9 million, or, 94% of the revenues that WSG has received from the Copyright Office. *Id.* (citing Ex Parte Motion). The SDC contend that releasing funds at issue in the pending Motion with no controls to ensure that the money will not be dissipated or spent to support Raul would be imprudent and would run the risk that the copyright claimants could be denied their entitlement determined by the Judges. *Id.* at 4. The SDC contend that, in light of Raul’s past fraud and fraudulent conveyances, “[t]here is no basis on which to presume that the funds will reach their intended recipients in the absence of controls.” *Id.*

In response, Multigroup Claimants argues, among other things, that the Restraining Order was substantially modified on February 2, 2021, before Multigroup Claimants’ re-submission of its Motion.² Reply at 3. Multigroup Claimants asserts that the Restraining Order was issued against eighteen persons and entities, most of which do not have, nor ever had, any relation to Multigroup Claimants. *Id.* at 3 n.2. Multigroup Claimants also contends that it is currently drafting a motion to “dissolve or modify the already-modified Restraining Order.” *Id.* at 4. Multigroup Claimants contends that its motion will demonstrate that “literally 100% of the accusations made against Multigroup Claimants in the Ex Parte Motion are inaccurate.”³ *Id.* Nevertheless, Multigroup Claimants asserts that even if the accusations made in the Ex Parte Motion were accurate, they would have no bearing on Multigroup Claimants and cannot logically be used to encumber Multigroup Claimants’ proceeds. *Id.*

Multigroup Claimants asserts that even if the Restraining Order remained in full force and effect as it was originally issued, it only restricts Multigroup Claimants’ *dissipation* of funds, not its *receipt* of funds. *See id.* at 4. From Multigroup Claimants’ perspective, if the District Court (or the Government) had sought to interrupt the distribution of funds from the Licensing Division it would have done so. *Id.* at 5. Multigroup Claimants believes that the District Court is the appropriate entity to administer and enforce its own orders and it is irrational for the SDC to argue that a third party — the CRB — should alter its existing legal obligations to Multigroup Claimants in an attempt to help accomplish the perceived intention of the District Court. *Id.* at 4-5.

Multigroup Claimants also argues that since the SDC did not oppose its Motion when it originally filed it in December 2020, the SDC’s Opposition is late and the Judges should not entertain it. Counsel for Multigroup Claimants states that he notified the CRB staff that he had attempted to file the Motion under the appropriate docket number, but that eCRB only allowed him to file it under “the parallel *allocation* proceeding for 2010-2013 cable royalties.” Reply at

² Multigroup Claimants states that it had originally filed its Motion on December 10, 2020, but refiled it on February 2, 2021, at the request of CRB staff “[b]ecause of issues arising with the eCRB system.” Reply at 1. In fact, Multigroup Claimants filed its original motion in the wrong case. On February 11, 2021, the District Court modified the Restraining Order to encumber \$250,000 of the funds set to be deposited with WSG on or after February 11, 2021; the court also ordered WSG to deposit \$250,000 into the IOLTA account of its attorney’s law firm, Snell & Snell, LP, to be held until further orders from the court. *See Order, U.S. v. Galaz*, Case No. SA-06-CR-331-FB.

³ Multigroup Claimants also contends that the “aggregate of allegations” against Raul are false. Reply at n.4.

n.5 (emphasis original). According to counsel, “[c]onfusion further arose because the eCRB system provided no confirmation emails following the filing of either of the motions by Multigroup Claimants on December 10, 2020.” *Id.* Multigroup Claimants contends that the SDC “acquiesced” to the Motion when it was initially filed and therefore the Judges should not entertain the SDC’s “late opposition.” *Id.* at 5-6.

Multigroup Claimants contends that the SDC’s intent across multiple CRB proceedings has been to “barrage the record” with unsubstantiated allegations of fraud and misconduct by Multigroup Claimants and its related entities and persons and that the consequences of the SDC’s practice is demonstrated by the Ex Parte Motion, portions of which rely on the SDC’s unsubstantiated allegations from past proceedings. *Id.* at 6-7. Multigroup Claimants asserts that it has challenged the SDC to make its allegations outside the context of CRB proceedings, in which the SDC may take cover behind “the absolute privilege afforded to statements made in legal pleadings,” but the SDC has refused to do so. *Id.* at 7. Multigroup Claimants contends that the SDC’s actions compromise the integrity of the Judges’ proceedings. *Id.* at 8.

Judges’ Analysis and Conclusions

As a threshold matter, the Judges reject Multigroup Claimants’ argument that, because it originally filed a motion in December in the 2010-2013 satellite royalty proceeding that the SDC did not oppose, the SDC’s Opposition to the current motion is untimely. *See* Reply at 5-6 & n.5. It is incumbent upon Multigroup Claimants (and all other participants) in CRB proceedings to file motions and other filings under the appropriate docket number. 37 C.F.R. § 303.5. If a party encounters a technical issue while attempting to file a document, it is responsible for contacting the CRB staff promptly to inform staff about the issue so that it may be resolved. *Id.* Multigroup Claimants could readily determine that its Motion had not been posted in eCRB under the correct docket number, but, rather than immediately contact CRB staff to inquire about the matter, Multigroup Claimants instead chose to file the Motion in the docket for a separate proceeding. Multigroup Claimants now asks that the Judges penalize the SDC for a situation that Multigroup Claimants helped to create, even though the SDC played no role. The Judges will not do that. The SDC’s Opposition is timely.

In its Opposition, the SDC assert that the Judges should not authorize and finalize any further distributions to Multigroup Claimants, WSG, or any of their respective principals or alter egos until the District Court’s Restraining Order is resolved. Opposition at 1. The Judges acknowledge that until it is fully resolved, the Restraining Order could hinder Multigroup Claimants’ ability to disburse funds to the claimants that it represents in the current proceeding.⁴ As such, the Restraining Order could prevent Multigroup Claimants from carrying out the terms of any order that the Judges were to issue to disburse funds in a manner consistent with Multigroup Claimant’s fiduciary obligations as a claimant representative.⁵ The Judges also

⁴ While the Restraining Order directly applies to funds that the Judges ordered distributed in the 2010-2013 satellite proceeding, by its terms, the Restraining Order “shall remain in full force and effect until [Raul] has satisfied any restitution obligation ordered by this Court in the above-captioned case or until further order of this Court.” Restitution Order at 2. At this time, the Judges cannot know the full extent of Raul’s restitution obligation and how much, if any, of that restitution the District Court might seek from Multigroup Claimants.

⁵ The Judges also acknowledge the SDC’s implication that MGC has disbursed virtually none of the funds it received pursuant to the Judges’ December 29, 2020 *Order Granting Multigroup Claimants’ Third Motion for Final Distribution of 2010-2013 Satellite Royalty Funds* to the claimants that Multigroup Claimants represents. *See* Opposition at 3. There is insufficient evidence in the record in this proceeding, however, upon which the Judges

recognize, however, that Multigroup Claimants believes it can disprove the allegations made in the Ex Parte Motion and that the terms of the Restraining Order may already have been satisfied to the District Court's satisfaction. On the current record, however, the Judges cannot determine the status of conditions placed on Multigroup Claimants in the Restraining Order.

The SDC also stated that the Judges should condition release of all money to Multigroup Claimants on "enforceable controls and other assurances" that the distributed proceeds will reach the copyright owners that Multigroup Claimants purportedly represents. Opposition at 1. The SDC do not specify what such "enforceable controls and other assurances" might be, what authority the Judges have for imposing such measures, and, perhaps most importantly, what interest the SDC have in seeking them. The SDC do not claim an interest in any of the funds that remain undistributed in the captioned proceeding. Therefore, it no longer has standing to challenge the way in which those funds are distributed.

Therefore, for the forgoing reasons, the Judges hereby **GRANT** Multigroup Claimants' Motion for a final distribution of the remaining cable funds for royalty years 2010-2013. The Judges also **ORDER** Multigroup Claimants to provide the Judges (via a filing through eCRB) no later than June 8, 2021, with documentation establishing, to the Judges' satisfaction, that Multigroup Claimants has complied with all terms of the Restraining Order, as modified. The Judges **FURTHER ORDER** Multigroup Claimants to file a copy of this Order with the District Court that issued the Restraining Order no later than June 8, 2021, to ensure that it becomes part of the record in that proceeding, and file in eCRB within five days thereafter proof that it has done so

Pursuant to 17 U.S.C. § 801(b)(3)(A), the Judges **ORDER** final distribution of MGC's share of cable royalty funds allocated to the Devotional and Program Suppliers categories for cable royalty years 2010-2013 in accordance with the calculations already performed by the Licensing Division of the Copyright Office (Licensing Division), as modified by the *Order Clarifying Calculation of Final Distribution Shares and Directing Final Distribution of Royalty Funds* (Nov. 17, 2020) (*Nov. 17 Order*). The Licensing Division shall allocate to MGC 100% of investment growth accruing on the subject funds after final distribution of the other participants' shares in accordance with the *Nov. 17 Order*. MGC must provide all pertinent information to

could base a finding that the funds that the Judges authorized distributed to Multigroup Claimants in the 2010-2013 satellite proceeding were the same funds that the SDC contend were allegedly used to support Raul. Moreover, the Judges' proceedings are public. The claimants that Multigroup Claimants represents (and has represented since 2010 at the earliest) should reasonably be familiar with Raul's history and his connection to Multigroup Claimants and its current owner, Ryan Galaz, Raul's son. Yet, no claimant has notified the Judges that it has not received funds to which it believed it was entitled pursuant to the Judges' December 29, 2020 *Final Distribution Order*. In the absence of such evidence, the Judges have no justification for acting on the SDC's speculative, seemingly baseless accusation that Multigroup Claimants is not disbursing royalty funds to the claimants that it represents as it is required to do by the Judges' December 29, 2020 *Final Distribution Order*.

effect the transfer of funds to the Licensing Division no later than August 5, 2021. The distributions shall take place on or after August 12, 2021.

SO ORDERED.

Dated: May 26, 2021

Jesse M. Feder
Chief Copyright Royalty Judge