



LEGAL UPDATES

Receiverships May Continue Even After Judgment Is Paid

A court's broad discretion to keep a receiver in place, once the receiver has been appointed, was reaffirmed recently by the Ninth Circuit Court of Appeals in *WB Music Corp., et al. v. Royce International Broadcasting Corporation*.

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The appointment of a receiver can be a powerful tool in obtaining satisfaction of a judgment against a debtor. A court's broad discretion to keep a receiver in place, once the receiver has been appointed, was reaffirmed recently by the Ninth Circuit Court of Appeals in *WB Music Corp., et al. v. Royce International Broadcasting Corporation*, Case No. 21-55264 (9th Cir. Aug. 31, 2022).

The defendants owned and operated three radio stations, in California and Nevada. The plaintiffs owned copyrights of various musical works, and sued the defendants for copyright violations resulting from broadcasts of unauthorized performances of the works. The plaintiffs obtained a substantial judgment against the defendants.

When the defendants did not promptly pay the judgment, the district court appointed a receiver at the plaintiffs' request, giving the receiver the power to take charge of and manage the radio stations, and to sell the stations to satisfy the judgment. The defendants eventually deposited the amount of the judgment with the court, and then sought to have the receivership terminated.

The district court denied the defendants' motion, principally (i) to protect various other creditors who had substantial claims against the defendants, and (ii) to ensure payment both of the receiver and of various receivership expenses. The defendants appealed, arguing that the district court did not have discretion to continue a receivership once the judgment had been satisfied.

The appellate court rejected the defendants' argument. The court held that, even though the primary purpose of a receivership is to obtain satisfaction of the judgment, the court may prolong a receivership for various reasons, among them (i) to continue the receivership for the benefit of other creditors, and (ii) in order to ensure that all the receivership claims are properly taken care of. Since the district court therefore had legitimate reasons for continuing the receivership even after the defendants had deposited funds covering the judgment, the court had discretion to keep the receivership in place.

The case is a reminder of the broad discretion granted to district courts in determining the purpose and duration of receivership, and reaffirms the value of receivership as a powerful tool in collecting a judgment against a recalcitrant

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debtor. Our experienced team of creditors' rights attorneys have the knowledge and expertise to assist with the appointment of receivers to aid in the collection of commercial debt.

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