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Now You See It, Now You Don’t: The Copyright Owner’s Right to Terminate Licenses and Assignments

Posted on April 1, 2003 by Editor

By Leonard DuBoff <lduboff@dubofflaw.com>

It is quite common for copyright owners to allow others to exploit their copyrighted works, typically for a fee. These arrangements can be structured as an outright assignment of the copyright or as a grant of a license to use the work in question. A license can be either exclusive, in which event no one but the permitted user may exploit the copyright, or nonexclusive, in which event there may be several permitted users.

In addition, the period within which the protected work may be exploited can be limited by time (such as a fixed number of years less than the entire term of the copyright) or last for the entire period of copyright protection, though this may be illusory. A careful reading of the statute will disclose that Congress has, in fact, given copyright owners, and in some cases their estates, the ability to reclaim the rights granted before the specified period of exploitation has elapsed.

When Congress was considering the issue of copyright revision in the early- to mid-1970s, articles appeared in the media about the plight of the two men who initially developed the Superman character and assigned all of their rights in the character. The Superman comic book series was doing extremely well for the assignee, and the first Superman movie was being released, with great prospects for financial rewards. At the same time, the two individuals who developed the Superman concept were not doing so well. One of the creators was blind, and both were unemployed and living on welfare. Editorials condemned the process by which creative people were forced to assign their protected works before they could realize the true economic rewards to be had from them. The Superman situation may have influenced Congress, and it was decided to give creative people a “second bite at the apple” after a reasonable period of time had elapsed, allowing copyright owners or their heirs to rescind assignments or licenses, with certain limitations. This right was not given for “works made for hire” since the right of
termination was apparently intended to help individual creators and not business entities.

Section 304(c) of the Copyright Act deals with copyrights in effect prior to January 1, 1978, the effective date of the current statute. The law provides that any transfer or license (other than those made by will) predating the effective date of the new law may be terminated during a 5-year window beginning after 56 years have elapsed from the date the copyright was first secured or beginning January 1, 1978, whichever was later. Since the 5-year window after January 1, 1978, has come and gone, the only relevant time period is that beginning after 56 years from the date the copyright was first granted.

In 1998, the Sonny Bono Copyright Term Extension Act extended the period of copyright protection by 20 years for all existing copyrights. Because it was felt that this extension of the period of protection was a windfall for copyright assignees and licensees, Congress also extended the period to exercise the right of termination where it had not previously been exercised. Thus, in this situation, the termination may be effected during a 5-year period beginning 75 years from the date the copyright was originally secured. The validity of the Sonny Bono Copyright Term Extension Act is being challenged on constitutional grounds, and the U.S. Supreme Court is expected to rule on it this term.

Section 304(c) identifies the people who may terminate any pre-1978 licenses or assignments and provides certain requirements for effective termination. Thus, the person(s) who initially assigned the copyright or granted the license, if other than the author, may exercise this termination right. If the grant was made by one or more of the authors of the work, then each author is given the termination right to the extent of his or her share in the ownership of the copyright. If an author is dead, then the surviving spouse is given the termination right, unless there are surviving children or grandchildren. In that event, the surviving spouse owns one-half of the author’s interest and the surviving children of the author will own the other half. If an author’s child is dead, that child’s rights descend to his or her children. A majority of heirs must agree to terminate a license or an assignment. In the event the deceased author has no living spouse, children or grandchildren, the author’s personal representative, executor or the like shall own the author’s termination right for the benefit of the estate.

With respect to copyrights created on or after January 1, 1978, the period of protection is different. The statute provides that the term of copyrights created under the current law is the life of the creator plus 70 years for individuals, unless those individuals publish the work anonymously or under a pseudonym. In these situations, the term of protection is either 120 years from creation or 95 years from first publication, whichever expires first. The conditions for termination of assignments or licenses are also different for assignments or licenses executed on or after January 1, 1978. The conditions are set forth in Section 203 of the copyright statute. The termination right may be exercised at any time during a period of 5 years beginning at the end of 35 years from the date the assignment or license was granted or, if the grant includes a right to publish the work, 35 years from the date the work was published or 40 years from the date the grant was made, whichever is earlier.
This statute also identifies the individuals who may exercise the termination right. If there are two or more copyright owners, then they must exercise the right by majority rule. If a copyright owner or joint copyright owner is dead, then the surviving spouse is granted the right, unless there are surviving children or grandchildren, in which case the surviving spouse must share that right with the surviving children or grandchildren in the same manner as is discussed above.

Under both statutes, the law requires that the assignee or licensee be given written notice of the intent to terminate no less than 2 years before the effective date of the termination but in no event more than 10 years before that date. In addition, the notice of termination must be filed with the Copyright Office and be in the form required by the Register of Copyrights. Any attempt to waive the right to terminate granted by the aforementioned statutes is void as against public policy unless the waiver is made after the termination right has vested.

The copyright statute provides assignees and licensees with some protection where a derivative work has been created in accordance with a valid assignment or license. A derivative work is defined by the statute as a work based upon one or more preexisting works. In this situation, the transferee may continue to exploit the derivative work for the entire period set forth in the agreement, even though the assignment or license is terminated; however, no other use may be made of the terminated rights – that is, the original work may no longer be used, nor can any additional derivative works be created.

The first time the notice of termination may be given under Section 203 is this coming New Year’s Day, January 1, 2003. On that date, copyright owners or their heirs may provide notice of the intent to rescind any or all assignments, licenses and the like, and the rights will revert on the date specified in the notice, which can be no earlier than January 1, 2013. This is true even if the license or assignment provides for a longer term.

As noted above, copyrights that are “works made for hire” are not vulnerable to termination under Section 304 or Section 203. In the case of a work made for hire, the copyright owner is the person or entity for whom the work was created, as defined in the statute, rather than the actual person(s) who developed the copyrighted work. It will, therefore, be important to determine whether a copyrighted work was created as a “work made for hire” or whether it was assigned, licensed or otherwise conveyed to the person or other entity exploiting it.

Many business people have been concerned about the reversionary right and have included in agreements language they hope will neutralize it. As of this date, no case law is available regarding these types of clauses. It is unclear whether courts would uphold a clause which states that a copyright owner who exercised the right of reversion must pay something to the agreed licensee, assignee or other person exploiting the copyright in the event of termination. Commentators have suggested that a provision stating that the exercise of a termination right that automatically triggers a limited license for the remaining term of the period of protection would violate the public policy surrounding the termination right and be unenforceable.
Thus, creative persons should determine whether works they created have continued commercial vitality after the termination period has elapsed, and, if so, they should evaluate whether it would be appropriate to terminate or renegotiate any existing license or assignment. Time is of the essence, since the law provides only a 5-year window in which to exercise the termination right. If this law had been in effect when the Superman character was first developed, the character’s creators could have enjoyed some of the fruits of their creative energy by virtue of the popularity of the superhero.

Both copyright creators and those who exploit copyrights created by others should be aware of the termination right and plan accordingly.

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18 THOUGHTS ON “NOW YOU SEE IT, NOW YOU DON’T: THE COPYRIGHT OWNER’S RIGHT TO TERMINATE LICENSES AND ASSIGNMENTS”

Internet marketing zoom
on February 2, 2014 at 8:21 AM said:

If you wish for to take a good deal from this post then you have to apply these methods to your won webpage.

sell dvds for cash
on February 3, 2014 at 2:57 AM said:

Great article, exactly what I wanted to find.

weight loss tips jennifer hudson
on February 3, 2014 at 7:24 AM said:

It’s not my first time to pay a quick visit this website, i am visiting this site daily and get nice data from here all the time.
Since the admin of this site is working, no doubt very shortly it will be famous, due to its quality contents.

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**Kassandra**  
*on February 3, 2014 at 1:11 PM said:*

This is the right web site for anybody who would like to find out about this topic. You realize so much its almost tough to argue with you (not that I personally will need to...HaHa).  
You certainly put a fresh spin on a subject that has been written about for many years.  
Wonderful stuff, just wonderful!

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**Work At Home**  
*on February 3, 2014 at 1:47 PM said:*

I've learn several just right stuff here.  
Definitely value bookmarking for revisiting. I wonder how so much effort you place to create any such great informative web site.

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**empower fitness lebanon nj**  
*on February 3, 2014 at 4:54 PM said:*

Great goods from you, man. I have be mindful your stuff previous to and you’re simply too great. I really like what you have acquired right here, really like what you are saying and the way in which wherein you are saying it.  
You’re making it enjoyable and you continue to care for to
keep it smart. I can not wait to read far more from you.
This is actually a terrific site.

Astrid
on February 3, 2014 at 9:10 PM said:

It’s hard to come by educated people for this topic, however, you sound like you know what you’re talking about! Thanks

Tonya
on February 3, 2014 at 10:35 PM said:

I do trust all the ideas you have offered for your post.
They are very convincing and will certainly work. Nonetheless, the posts are very brief for newbies.
May just you please extend them a bit from next time?
Thanks for the post.

Dominic
on February 3, 2014 at 10:50 PM said:

I visited various blogs except the audio quality for audio songs present at this web site is actually fabulous.

Caitlyn
on February 4, 2014 at 12:53 AM said:

Do you mind if I quote a couple of your articles as long as I provide credit and sources back to your website?
My website is in the exact same area of interest as yours and my users would certainly
benefit from a lot of the information you provide here. Please let me know if this ok with you. Thank you!

Carla
on February 4, 2014 at 11:37 AM said:

Hey There. I found your blog using msn. This is a really well written article. I’ll be sure to bookmark it and come back to read more of your useful info. Thanks for the post. I’ll definitely comeback.

www.lighthousesites.com
on February 4, 2014 at 6:59 PM said:

Hello there, jut became alert to your blog through Google, and found that it is really informative. I’m going to watch out for brussels. I will be grateful if you continue this in future. A lot of people will be benefited from your writing. Cheers!
Very nice post. I just stumbled upon your weblog and wanted to say that I've really enjoyed browsing your blog posts. After all I will be subscribing to your rss feed and I hope you write again soon!

Laverne

on February 5, 2014 at 10:25 AM said:

I’m not that much of a online reader to be honest but your blogs really nice, keep it up! I’ll go ahead and bookmark your site to come back later on.
All the best

online work trucks

on February 5, 2014 at 6:01 PM said:

Good post. I learn something new and challenging on sites I stumbleupon on a daily basis. It’s always exciting to read content from other authors and practice something from other web sites.

how to use an ipad

on February 5, 2014 at 6:48 PM said:

An outstanding share! I have just forwarded this onto a coworker who was doing a little homework on this. And he actually ordered me dinner simply because I discovered it for him… lol. So let me reword this…. Thank YOU for the meal!! But yeah, thanx for spending time to discuss this topic here on your website.