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Now You See It, Now You Don't REVISITED: The Copyright Owners' Right to Terminate Licenses and Assignments

Posted on **September 1, 2006** by **Editor**



By **Leonard D. DuBoff** <lduboff@dubofflaw.com>

It is quite common for copyright owners such as creative people 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.

The founders of this nation recognized the importance of providing incentives to creative people, and Article 1, Section 8, Clause 8 of the U.S. Constitution gave Congress the power to enact a body of law to provide those incentives for authors and inventors to create. Relying on this constitutional foundation, the first Congress passed a copyright law. The copyright statute has evolved throughout the years, with both the period of protection and scope of protection changing to accommodate contemporary philosophy and new technology.

The Copyright Revision Act of 1976 [1] made it clear that a copyright is infinitely divisible; that is to say, there can be assignments or licenses of different aspects of the copyright to different users. [2] Thus, for example, the artist Salvador Dali granted one party the right to reproduce a painting in full color, while another party was given permission to reproduce the same painting in black and white. In this case, the ambiguity of whether black and white are deemed to be colors rather than the presence or absence of light gave rise to an interesting dispute.

Under the Copyright Act of 1909, which was in effect until January 1, 1978, the period of protection for a copyrighted work was 28 years, with one permissible 28-year renewal. Copyright

owners were permitted to assign their rights. The assignment could be absolute and for the entire term of the copyright. Unfortunately, an assignment for the entire period of the copyright could, in some instances, provide the assignee with a nasty surprise. In a landmark case, the United States Supreme Court held that an absolute assignment for the entire term of the copyright, including any renewal, would be effective if and only if the copyright owner was alive at the end of the initial term. [3] If, on the other hand, the copyright owner died before the initial 28-year period ran, the renewal rights vested in the copyright owner's heirs and, the court held, unless those individuals joined in the assignment, it would not be effective. [4] Presumably, licenses would have been accorded the same treatment, since the same reasoning could also be applied to them.

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 likely 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. [5] 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. [6]

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 five-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 five-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 [7] extended the period of copyright protection by 20 years for all existing copyrights. [8] 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 five-year period beginning 75 years from the date the copyright was originally secured. The U.S. Supreme Court upheld the validity of the Sonny Bono Copyright Term Extension Act, which had been challenged on constitutional grounds. [9] Opponents to the Act argued that the Act effectively made copyright protection perpetual, thus violating the constitutional provision saying that copyright can be granted for limited times. They also argued that the extension restricts free speech.

Section 304(c) [10] 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.

In a recent case, *Milne v. Slesinger*, [11] the U.S. Court of Appeals for the Ninth Circuit interpreted this statute and the interplay between it and a newer assignment. This case involved the effectiveness of a notice of termination provided by Clare Milne, granddaughter of A. A. Milne, creator of several Winnie the Pooh works. In 1930, the merchandising rights for the works created by Milne from 1924-1928 were licensed to Slesinger, who entered into a licensing arrangement with Disney for the purpose of exploiting these merchandising rights. In 1983, the Milne heirs renegotiated the agreement with Slesinger and Disney. This new agreement provided the Milne Trust (then-owner of the rights) with more favorable economic treatment than did the prior agreement between the parties.

After the Sonny Bono Copyright Term Extension Act became law and the time during which reversionary rights could be exercised was extended, the late A. A. Milne's granddaughter provided the required statutory notice of termination to the then-owner of the Slesinger rights. It is worth noting that Disney and Slesinger had been involved in very acrimonious litigation for some time, and Disney was a coplaintiff in this case with the Milne estate seeking to have the rights revert to the Milne estate in order to cut out the Slesinger heirs. The district court pointed out that the renegotiated agreement between the A. A. Milne Trust and Slesinger was entered into after 1978 and long after A. A. Milne's death in 1956. It, therefore, held that the 1983 agreement fulfilled the legislative intent and provided the Milne Trust with a second opportunity to exploit its rights. Thus, the attempt to once again renegotiate the arrangement was improper.

The right to statutorily provide notice of rescission and obtain another chance to renegotiate arrangements for pre-1978 copyrights was more successful in *Steinbeck v. McIntosh & Otis, Inc.* [12] In this case, Southern District of New York Judge Richard Owen allowed the Steinbeck heirs the right to terminate many of the agreements entered into by the late John Steinbeck, which were in effect prior to January 1, 1978. Steinbeck granted the copyrights in ten of his early works to a predecessor of the Penguin Group. Steinbeck's son and grandson served five termination notices in 2004 when, after the death of Steinbeck's third wife, they became sole owners of the termination rights for those early works, as well as motion picture, radio and limited publication rights in *The Long Valley* and *The Red Pony*. Based in part on the Sonny Bono Copyright Term

Extension Act, Judge Owen held that the two heirs did, in fact, have the right to terminate the early publishing agreements. With regard to grants of film and theatrical rights for *The Wayward Bus* and *Cannery Row*, however, the court held that Steinbeck's third wife had automatically received the right to renew the copyright since Steinbeck died during the first 28-year term of the copyright. This left the blood heirs with no interest to terminate. In addition to these issues, the parties are in litigation over claims by the blood heirs of fraud and breach of fiduciary duty.

Unfortunately, the case law dealing with reversionary rights is very lean, and the opportunities for copyright owners or their heirs to exercise their rights are just beginning to mature. It will, therefore, be some time before the courts have had an opportunity to fully interpret and define the scope of these rights.

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. [13] In these situations, the term of protection is either 120 years from creation or 95 years from first publication, whichever expires first. [14] 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. [15] The termination right may be exercised at any time during a period of five 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 two years before the effective date of the termination but in no event more than ten 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. [16] 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 could have been given under Section 203 was January 1, 2003 . At any time after 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 economically advantageous, etc., to terminate or renegotiate any existing license or assignment. Time is of the essence, since the law provides only a five-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.

[1] P.L. 94-553, 17 USC § 101 *et seq.*

[2] 17 USC § 201(d).

[3] *Miller Music Corp. v. Charles N. Daniels, Inc.* , 362 U.S. 373, 80 S.Ct. 792 (1960).

[4] *d.*

[5]See 17 USC § 304(c) and 17 USC § 203.

[6]*Id.*

[7] P.L. 105-298.

[8]See 17 USC § 302.

[9]*Eldred v. Ashcroft* , 537 U.S. 186, 123 S.Ct. 769 (2003).

[10] 17 USC § 304(c).

[11] 77 USPO 2d 1281 (9 th Cir. 2005).

[12] F. Supp. 2d (SDNY 2006).

[13] 17 USC § 302.

[14]*Id.*

[15] 17 USC § 203.

[16] 17 USC § 101.

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20 THOUGHTS ON "NOW YOU SEE IT, NOW YOU DON'T REVISITED: THE COPYRIGHT OWNERS' RIGHT TO TERMINATE LICENSES AND ASSIGNMENTS"

weight loss Tips green tea

on **January 30, 2014 at 2:55 PM** said:

Wow, this piece of writing is nice, my younger sister is analyzing such things, therefore I am going to inform her.

fx trading signals

on **January 31, 2014 at 2:40 AM** said:

continuously i used to read smaller articles that also clear their motive, and that is also happening with this article which I am reading here.

inbox blueprint bonus

on **January 31, 2014 at 3:51 AM** said:

Wonderful goods from you, man. I have understand your stuff previous to and you're just extremely great. I really like what you've acquired here, certainly like what you are stating and the way in which you say it. You make it entertaining and you still care for to keep it wise. I can't wait to read far more from you.

This is really a terrific website.

Kenneth

on **January 31, 2014 at 5:04 AM** said:

I don't know whether it's just me or if everyone else encountering issues with your site.

It appears as if some of the text within your posts are running off the screen.

Can somebody else please provide feedback and let me know if this is happening to them as

well? This could be a problem with my internet browser because I've had this happen previously. Cheers

Keira

on **January 31, 2014 at 6:13 AM** said:

I'm gone to inform my little brother, that he should also go to see this blog on regular basis to take updated from most recent news.

Lilliana

on **February 1, 2014 at 8:06 AM** said:

What's up, its nice piece of writing concerning media print, we all be familiar with media is a impressive source of facts.

money exchange

on **February 1, 2014 at 9:05 AM** said:

Does your website have a contact page? I'm having problems locating it but, I'd like to shoot you an e-mail. I've got some ideas for your blog you might be interested in hearing. Either way, great site and I look forward to seeing it develop over time.

Money Font

on **February 1, 2014 at 11:42 AM** said:

It's a shame you don't have a donate button! I'd most certainly donate to this excellent blog! I guess for now i'll settle for book-marking and adding your RSS feed to my Google account.

I look forward to brand new updates and will share this website with my Facebook group.

Talk soon!

internet Marketing glossary

on **February 2, 2014 at 6:29 AM** said:

Simply wish to say your article is as amazing. The clarity in your submit is simply spectacular and i could suppose you are a professional in this subject. Well with your permission let me to snatch your feed to stay up to date with imminent post.

Thank you a million and please keep up the enjoyable work.

cash flow can be said to equal

on **February 2, 2014 at 7:34 AM** said:

Hi! I understand this is kind of off-topic however I needed to ask. Does building a well-established blog such as yours require a lot of work? I am completely new to blogging however I do write in my diary everyday. I'd like to start a blog so I can easily share my experience and views online. Please let me know if you have any recommendations or tips for brand new aspiring blog owners. Thankyou!

affiliate marketing business model

on **February 2, 2014 at 10:59 AM** said:

I loved as much as you will receive carried out right here. The sketch is tasteful, your authored subject matter stylish. nonetheless, you command get bought an edginess over that you wish be delivering the following. unwell unquestionably come further formerly again as exactly the same nearly a lot often inside case you shield this hike.

Guadalupe

on **February 2, 2014 at 5:18 PM** said:

Great article.

money key reviews

on **February 2, 2014 at 8:55 PM** said:

Interesting blog! Is your theme custom made or did you download it from somewhere? A design like yours with a few simple adjustments would really make my blog stand out. Please let me know where you got your design. With thanks

Carissa

on **February 3, 2014 at 12:22 AM** said:

Nice post. I used to be checking constantly this blog and I'm inspired!

Extremely useful information particularly the final phase 😊 I care for such information a lot. I used to be looking for this certain information for a very long time. Thanks and good luck.

Vernon

on **February 3, 2014 at 8:10 AM** said:

What's up everyone, it's my first go to see at this web site, and article is really fruitful designed for me, keep up posting such content.

Wade

on **February 3, 2014 at 11:47 PM** said:

I was recommended this blog by my cousin. I'm not sure whether this post is written by him as no one else know such detailed about my problem. You're wonderful! Thanks!

money economy

on **February 4, 2014 at 1:15 AM** said:

I don't create many responses, but i did some searching and wound up here Now You See It, Now You Don

make money doing what you love

on **February 4, 2014 at 6:41 PM** said:

Howdy just wanted to give you a quick heads up. The words in your content seem to be running off the screen in Firefox. I'm not sure if this is a format issue or something to do with web browser compatibility but I figured I'd post to let you know. The design look great though! Hope you get the problem fixed soon.

Many thanks

affiliate marketing niche

on **February 4, 2014 at 6:55 PM** said:

Magnificent website. Lots of helpful information here.

I'm sending it to a few buddies ans additionally sharing in delicious. And obviously, thanks in your effort!

make cash quick

on **February 4, 2014 at 10:27 PM** said:

Hey very cool website!! Man .. Excellent ..
Amazing .. I'll bookmark your web site and take the feeds also?
I am happy to search out numerous helpful info here in the post, we need work out more techniques in this regard, thanks for sharing.

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