A MAP THROUGH THE MAZE OF COPYRIGHT TERMINATION: AUTHORS OR THEIR HEIRS CAN RECAPTURE THEIR VALUABLE COPYRIGHTS

By Stephen K. Rush

The Copyright Act gives authors and the heirs of deceased authors "termination rights", i.e. the inalienable right to recover the author's copyrights from prior transferees of the copyrights, thus affording another opportunity to derive value from the copyrighted works. These termination rights have been and are currently being exercised by the heirs of numerous famous authors.

The children of legendary artist Jack Kirby filed suit in March of 2010 in Federal District Court in Los Angeles against Marvel and Disney seeking to terminate copyrights to, and receive profits from, characters created by their father. Previously in September 2009 these heirs served 45 copyright-termination notices on these defendants and others. Between 1936 until his death in 1994 Kirby authored or co-authored numerous original comic book stories which featured various characters including "The Fantastic Four," "X-Men," "Spiderman," "The Incredible Hulk," and "Thor." In addition to the comic books printed and distributed these characters have been successfully adapted to the screen. The heirs could be entitled to recapture rights as early as 2014.

The termination rights enacted under the Copyright Act reflect the desire of Congress to protect the heirs of authors, writers, artists and musicians who often signed away their copyrights early in their careers for little or no money. This right provides the heirs with an opportunity to financially benefit from the increased value of the copyrights. For example, in 1938 two young Cleveland men, Jerome Siegel and Joseph Schuster signed over all of their rights to the "Superman" character to DC Comics for $130. In April 1997 Joanne Siegel and Laura Siegel Larson, the widow and the daughter of Jerome Siegel served 7 separate notices of termination of copyright on Warner Brothers, Time Warner and DC Comics. After years of litigation, in August 2009 the District Court in the Central District of California affirmed its earlier holding that the Siegel heirs were entitled to recapture and become co-owners of certain of the original "Superman" works. The Siegel Court observed in the opening paragraph of its opinion, quoting "Patry on Copyright," that the termination provisions have been aptly characterized as formalistic and complex, such that authors or heirs successfully terminating the grant to the copyright in their original work of authorship is a feat accomplished "against all odds." The Siegel heirs successfully exercised their termination rights provided under the U.S. Copyright Act of 1976 against all odds.

Termination rights have been the subject of litigation in *Penguine Group (USA) Inc. v. Steinbeck* (2nd Cir. 2008) involving the rights to "The Grapes of Wrath," "Of Mice and Men" and other works by John Steinbeck; *Milne v. Slesinger* (9th Cir. 2005) involving the "Winnie the Pooh" books; *Classic Media, Inc. v. Mewborn* (9th Cir. 2008)

regarding the ownership of "Lassie;" and *Marvel v. Simon* (2nd Cir. 2002) involving the Marvel character "Captain America."

History of U.S. Term Protection

Termination rights were enacted in the 1710 English Statute of Anne, the first copyright act that provided protection for the works of authors. The act provided that after the first 14 year term, the second 14 year term vested back to the author. Under the 1909 U.S. Copyright Act the term was doubled, copyright protection was divided into two separate terms: an original term of 28 years and a renewal term of 28 years for a total term of 56 years. Congress began debating the extension of the term of copyright as the end of the two terms drew near.

As a result of this debate Congress passed the Copyright Act of 1976 which provided that for works created after January 1, 1978, copyright protection would endure for the life of the author plus an additional 50 years matching the term requirements of the Berne Convention. The Act further provided that for works in their renewal term of copyright on December 31, 1977, the term was automatically extended an additional 19 years for a total term of 75 years (a first term of 28 years plus the renewal term of 28 years plus an additional 19 years). Then in the Copyright Renewal Act of 1992, Congress did away with the renewal term by giving copyright protection term protection of 75 years for all works published under the 1909 Act.

The Sonny Bono Term Extension Act (CTEA), signed into law on October 27, 1998, amended the provisions concerning duration of copyright protection. Effective immediately, the term of copyright was extended for an additional 20 years:

> **For Works Created after January 1, 1978**, copyright protection would endure for the life of the author plus an additional 70 years, again matching the new Berne Convention term requirement.
>
> **For pre-1978 works still in their original or renewal term of copyright**, the total term was extended to 95 years from the date copyright was originally secured.

Congressional History

The drafters of the 1909 Act granted rights in the renewal term directly to the author of the work or his/her statutory designees, intending that the author or his/her heirs be given an opportunity to sell or commercially exploit the work on better terms than might have been secured when the author had little bargaining power with respect to unproven works. The congressional intent was thwarted by business reality. It became common practice for an initial assignment of copyright to include an assignment of both the original term and the renewal term.

When drafting the 1976 Act, Congress was urged to create an opportunity for authors to recapture rights in their works that could not be taken away from the author by companies with greater bargaining power. The congressional response was to grant authors and their statutory designees the inalienable right to terminate an exclusive or non-exclusive grant of a transfer or license of copyright and regain the rights so transferred, including ownership of the copyrights. This right extended both to works subject to the 1976 Act grant of life-plus 50 years term of copyright, and to works still subject to original and renewal term protection, excluding works made for hire. The Act provided specific procedures by which an author or his/her statutory designees must exercise such rights and if such rights were not exercised within the guidelines of the Act, such rights were lost.

The Sonny Bono Term Extension Act in 1998 granted authors a second opportunity to terminate an exclusive or non-exclusive grant if the author did not exercise his rights under the 1976 Act.

An important distinction between the renewal term scheme provided under the 1909 Copyright Act and the right to terminate transfers granted under the 1976 Act is that the termination right may be exercised notwithstanding any waiver or other agreement to the contrary, including an agreement to make a will or to make any future grant of a transfer or license.

Grants Subject to Termination

For works in their original or renewal term on January 1, 1978 ("**Pre-'78 Works**"), the termination right under the 1976 Act, (17 U.S.C.A. §§ 304(c) and 304(d)), applies only to grants of rights in the renewal term made by the author or the author's heirs before January 1, 1978.

For **Post-'78 Works**, the termination right under the 1976 Act, 17 U.S.C.A. § 203, applies only to grants of rights made by the author on or after January 1, 1978 regardless of a work's copyright date.

The termination of a grant only affects U.S. copyright rights and does not affect rights under any other federal, state or foreign laws. If no notice of termination is given, the original grant continues uninterrupted.

Effective Date of Termination

For **Pre-'78 Works**, under §304(c) works can be recaptured between 56 and 61 years after the date of copyright vesting. The author or heirs may select a termination date within this 5-year window beginning at the end of 56 years from the date that copyright was original secured, or January 1, 1978, whichever is later. Termination notice must be served not more than 10 years or less than 2 years from the effective date of termination. Up to the last 39 years of copyright protection can be recaptured. By way of example:

Original copyright date:	June 15, 1960
Earliest possible date of termination:	June 15, 2016
(56 years after date of copyright vesting)	
Latest possible date of termination:	June 15, 2021
(61 years after date of copyright vesting)	
Earliest possible date to serve notice:	June 15, 2006
(10 years before earliest possible termination date)	
Latest possible date to serve notice:	June 15, 2019
(2 years before latest possible termination date)	

The Sonny Bono Copyright Extension Act added a second period for effecting termination. If a **Pre-'78 Work** was still in its renewal term on October 27, 1998 and the first period for effecting termination had expired before that date without having been exercised, under § 304(d) works can be recaptured between 75 and 80 years after the date of copyright vesting thus effecting only the additional copyright term added by the Sonny Bono Copyright Extension Act. Up to the last 20 years of copyright protection can be recaptured.

With respect to **Post-'78 Works**, the termination of a grant may be effected at any time during the five year period beginning at the end of 35 years from the execution of the grant (rather than the date of copyright) or, if the grant covers the right of publication of the work, the period begins at the end of 35 years from the date of publication of the work under the grant or at the end of 40 years from the date of execution of the grant, whichever period ends earlier. This alternate calculation of the termination period was included to provide grantees a period within which to exploit the work without penalty. Termination notice must be served not more than 10 years or less than 2 years from the effective date of termination. The earliest notice date is 25 years after the grant date and the latest is 38 years after the grant date. The principal difference between § 203 and § 304 is who has the right to terminate. Under § 203, which applies only to contracts signed by the author, only the author or the author's assignee via a will or other document has the right to exercise the termination provision. The first § 203 termination right will vest as of January 1, 2013 for a work created by the author under an agreement dated January 1, 1978. By way of example:

Original date of grant:	June 15, 1990
Earliest possible date of termination:	June 15, 2025
(35 years after date of grant)	
Latest possible date of termination:	June 15, 2030
(40 years after date of grant)	
Earliest possible date to serve notice:	June 15, 2015
(10 years before earliest possible termination date)	
Latest possible date to serve notice:	June 15, 2028
(2 years before latest possible termination date)	

Notice of Termination

In order to effect the termination of a grant, the owner(s) of the termination interest (author or author's heirs) must serve notice on the grantee or the grantee's successor in title. The notice must designate the effective date of termination (which must fall within the applicable five-year period) and otherwise comply with Copyright Office Regulations, 37 CFR 201 §10. The notice of termination must be served not less than two or more than ten years before the designated effective date and the rights vest when the notice is properly served on the owner under the original grant. Thus, for a work that was created, assigned and first published in 1978 (a **Post-'78 Work**), termination could be effective as early as 2013 and notice of the termination could have been given in 2003. A copy of the notice must be recorded in the Copyright Office before the effective date as a condition to its taking effect.

Pre-1978 and Post-1978 Grants: Special Rules

Termination rights may not be assigned and any purported assignment is not valid. A new agreement for a terminated work will not be effective until after the termination date. The original grantee, however, can enter into a new agreement following receipt of a termination notice, but before the termination date. An author or heir can revoke a grant and re-grant the rights prior to termination if the re-grant is made based on the author's exercising the termination right as a bargaining chip. Statutory termination rights are only a creature of U.S. copyright law and do not affect a grant of foreign rights.

Works created as "works made for hire" are not terminable. A work for hire is a work that was created during the term of employment or a work that can be classified as a "commissioned work." For a work to be deemed a "commissioned work" there must be a written contract signed by the parties stipulating that the work is a work for hire plus the work must fall within one of the nine specially enumerated categories under the Copyright Act of 1976. The categories are encyclopedias, motion pictures or other audiovisual works, atlases, contributions to a collective work, instructional text, tests and answer materials for tests, translations, supplementary works and compilations, all of which are examples of types of creations involving many different authors. Even if the author enters into a contract that provides that the creation, say a novel, will constitute a work for hire, if the work does not fall into one of the enumerated categories, it will not be considered a work for hire. Since a novel does not likely fall within one of the categories it cannot be a work for hire. Since computer software did not exist at the time the Act was passed it was not given its own separate category. Interestingly sound recordings also were not included. It is left for the courts to determine whether an author is an employee and what works fall within one of the nine enumerated categories.[1]

[1] See California Speed Bump article "Work for Hire Language Makes Independent Contractor an Employee" in the Primerus BCI E-Newsletter for May 2010 which points out a little-known booby trap in California law when a contract with an author includes a "work for hire" provision. http://www.primerus.com/news/resources_business/welcome-to-california-watch-out-for-those-speed-bumps-5 ; http://www.nvlawllp.com/articles/Work%20for%20Hire%20Language.pdf

The Termination Right "Black Hole"

A "black hole" occurs when a work does not come within the termination rights pursuant to either §304 or §203. To illustrate this problem, assume that an author entered into a co-publishing agreement dated January 1, 1976 for the recording of 3 CDs. Further assume that CD2 is created on January 1, 1979. Can the termination rights holder recapture the copyrights embodied on CD2 under either §203 or §304? Unfortunately no, as it is not terminable under §203 since the agreement was executed prior to January 1, 1978 and it is not terminable under §304 since CD2 did not exist prior to January 1, 1978.

This article is intended to provide a general summary and should not be construed as a legal opinion or a complete legal analysis of the subject matter. Stephen Rush is an attorney at Niesar & Vestal LLP in San Francisco, a law firm specializing in business law, intellectual property and corporate finance.