POOH-POOHING COPYRIGHT LAW'S "INALIENABLE" TERMINATION RIGHTS®

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ABSTRACT

From its earliest manifestations, copyright law has struggled to deal with the equitable and efficient division of value and control between creators and the enterprises that distribute their works. And for almost as long as copyright has existed, there has been concern about creators getting the short end of the stick in their dealings with distributors. Since 1909, Congress has sought to protect authors and their families by allowing them to grant their copyrights for exploitation and then, decades later, to recapture those same rights. After judicial interpretation of the 1909 Act frustrated this intent by upholding advance assignments of renewal terms, Congress spoke unambiguously in 1976: "Termination of the grant may be effected notwithstanding any *agreement to the contrary . . . ." Yet recent decisions in the Ninth and Second Circuits have eviscerated that clear congressional command by permitting a grantee to renegotiate the terms of the grant so as to frustrate recapture by the author's family. After critically analyzing these decisions, this article provides a comprehensive framework for restoring the integrity and clarity of the termination of transfer provisions.*

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INTRODUCTION

From its earliest manifestations, copyright law has struggled to deal with the equitable and efficient division of value and control between creators and the enterprises that distribute their works. Until the flourishing of the Internet, publishers had been indispensable for authors seeking to reach a mass audience.[1] In addition to printing books, publishers have

[1] The role of publishers — as well as other content distributors — is undergoing substantial change in the digital age. Authors and other creators can more

traditionally provided editing, printing, marketing, distribution, and enforcement services. Due to the difficulties of predicting winners and the costs of these other functions, publishers have historically driven a hard bargain, especially with new authors. They typically demand full assignment of the copyright in the work. Similarly, record labels have traditionally required recording artists to assign their sound recording copyright in exchange for advances against future royalties (subject to recoupment).[2] The division of profit and risk between creators and distributors can be detailed and complex. But for almost as long as copyright has existed, there has been concern about creators getting the short end of the stick in their dealings with distributors.[3]

Since 1909, Congress has sought to protect authors and their families by allowing them to grant their copyrights for exploitation and then, decades later, recapture those same rights. After judicial interpretation of the 1909 Act frustrated this intent by upholding advance assignments of renewal terms,[4] Congress spoke unambiguously in 1976: "Termination of the grant may be effected notwithstanding *any* agreement to the contrary . . .."[5] Yet, first, the Ninth Circuit in *Milne v. Stephen Slesinger, Inc.*[6] and, more recently, the Second Circuit in *Penguin Group (USA,) Inc. v. Steinbeck*,[7] have eviscerated that clear congressional command by enabling a grantee to renegotiate the terms of the grant so as to frustrate recapture by the author's family. Notwithstanding the broad and transpar-

readily reach large audiences through Internet distribution, but their ability to derive revenue has been made more difficult due to the ease of unauthorized distribution. *See generally* Peter S. Menell, *Envisioning Copyright Law's Digital Future*, 46 N.Y.L. SCH. L. REV. 63, 98-199 (2002–03).

2 *See generally* DONALD PASSMAN, ALL YOU NEED TO KNOW ABOUT THE MUSIC BUSINESS (6th ed. 2006).

3 *See* WILLIAM A. JENNER, THE PUBLISHER AGAINST THE PEOPLE: A PLEA FOR THE DEFENSE 61 (1907) ("The second term of fourteen years to the author or to his widow or children is always a distinct and important advantage to him, and never a disadvantage, because if the author has made an improvident bargain with his publisher for the first term, its disadvantages may be redressed by the bargain for the second term with a surer knowledge of the selling value of the work."). Samuel L. Clemens, more commonly known by his nom de plume (Mark Twain), informed the Chairman of the House Committee responsible for the 1909 Act that he benefitted from his novel *Innocents Abroad* largely as a result of his retention of the renewal term. *See* Malcolm L. Mimms, Jr., *Reversion and Derivative Works Under the Copyright Acts of 1909 and 1976*, 25 N.Y.L. SCH. L. REV. 595, 600-01 (1980). This off-the-record comment played a significant role in Congress's decision to retain a renewal term in the 1909 Act. *See id.*

4 *See* Fred Fisher Music Co. v. M. Witmark & Sons, 318 U.S. 643 (1943).

5 17 U.S.C. § 304(c)(5) (2006) (emphasis added).

6 430 F.3d 1036 (9th Cir 2005), *cert. denied*, 548 U.S. 904 (2006).

7 537 F.3d 193 (2d Cir. 2008), *cert. denied*, 128 S. Ct. 2383 (2009).

ent meaning of the word "any" in the statutory language, explicated unmistakably in its legislative history, those decisions invite grantees to engage in all manner of opportunistic behavior to frustrate Congress's clearly expressed language and intent.

These issues will arise with increasing frequency as more copyrighted works reach their fifty-six-year and seventy-five-year milestones triggering the termination right. In addition to the *Milne* and *Steinbeck* cases, the courts have struggled in recent years with the 1976 Act's termination provisions in cases involving *Lassie*[8] and *Superman*.[9] Termination of copyright transfers has also cast a cloud over the chain of title underlying a $4 billion acquisition of Marvel comic book characters.[10] Comparably complex termination issues are also unfolding in the record industry under the thirty-five-year milestone applicable to works created since 1978,[11] a topic that we address elsewhere.[12]

This article comprehensively analyzes this challenging terrain.[13] Part I traces the evolution of the statutory framework governing recapture of copyrights by authors and their families. Part II reviews the judicial interpretation of pertinent statutory provisions. Part III critically analyzes the *Steinbeck* and *Milne* decisions, revealing their fundamental errors in statutory interpretation. Building upon the text and context of the Copyright Act, Part IV presents a comprehensive framework for restoring the integrity and clarity of the termination of transfer provisions. Part V responds to counterarguments, and Part VI concludes.

8 *See* Classic Media v. Mewborn, 532 F.3d 978 (9th Cir. 2008).

9 *See* Siegel v. Warner Bros. Entm't, Inc., 542 F. Supp. 2d 1098 (C.D. Cal. 2008).

10 *See* Lauren A.E. Schuker, *Heirs of Comic Book Creator Seek to Recapture Copyrights*, Wall St. J., Sept. 21, 2009, at B7 (reporting that "heirs of late comic-book creator Jack Kirby served forty-five copyright-termination notices to Marvel Entertainment Inc., and other Hollywood studios relating to comic-book characters and stories created by Mr. Kirby, including 'X-Men' and 'The Fantastic Four,'" seeking to recapture copyright in these characters as early as 2014).

11 *See* 17 U.S.C. § 203(a) (2006); Eriq Gardner, *Copyright Battle Comes Home*, Law.com (Oct. 8, 2009), http://www.law.com/jsp/cc/PubArticleCC.jsp?id=1202434372952; Eliot Van Buskirk, *Copyright Time Bomb Set to Disrupt Music, Publishing Industries*, Wired, Nov. 13, 2009, *available at* http://www.wired.com/epicenter/2009/11/copyright-time-bomb-set-to-disrupt-music-publishing-industries.

12 *See* David Nimmer & Peter S. Menell, *Sound Recordings, Works for Hire, and the Termination-of-Transfers Time Bomb*, 49 J. Copyright Soc'y 387 (2001); Peter S. Menell & David Nimmer, Defusing the Termination of Transfer Time Bomb (in process).

13 See *id.* (separately addressing distinct issues relevant to the record industry).

I. *STATUTORY PROVISIONS FOR COPYRIGHT RECAPTURE*

Prior to the 1976 Act, authors' future interest in their copyrighted work consisted of the right to renew the second term of protection. In theory, the right of renewal gave authors and their families a second chance to benefit from the work by canceling unremunerative transfers and regaining copyright. Yet, authors rarely realized what Congress had originally intended, as publishers routinely required authors and their families to assign renewal rights in advance. Because Congress concluded that alienable reversionary interests did not adequately protect authors in their relationships with publishers and other assignees of their works, it expressly rendered those rights inalienable and unwaivable when it granted the termination of transfer right under the current Act in 1976 and, again, via an amendment in 1998.[14]

A. *1909 – The Right of Renewal and Its Judge-Made Alienability in* Fisher

Under the 1909 Act (which governed until the current Act became effective on January 1, 1978), authors enjoyed a twenty-eight year term of copyright protection and held the right to renew for an additional twenty-eight years.[15] Congress intended this right to be "exclusive" to authors and their families so that they "could not be deprived of this right."[16] Nevertheless, in 1943, the Supreme Court in *Fred Fisher Music Co. v. M. Witmark & Sons*[17] upheld an author's assignment of the right to renew copyright in his musical composition *When Irish Eyes Are Smiling. Fisher* declined to read the 1909 Act as imposing a restriction on the alienability

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[14] 17 U.S.C. §§ 203(a)(5), 304(c)(5), (d)(1) (2006).

[15] Pub. L. No. 349, §§ 23-24, 35 Stat. 1075, 1080-81 (1909).

[16] The House Committee report explains:

> It was urged before the committee that it would be better to have a single term without any right of renewal, and a term of life and fifty years was suggested. . . . Your committee, after full consideration, decided that it was distinctly to the advantage of the author to preserve the renewal period It not infrequently happens that the author sells his copyright outright to a publisher for a comparatively small sum. If the work proves to be a great success and lives beyond the term of twenty-eight years, your committee felt that it should be the exclusive right of the author to take the renewal term, and the law should be framed as is existing law, so that he could not be deprived of that right.

H.R. Rep. No. 60-2222, at 14-15 (1909); *see also* Mimms, Jr., *supra* note 3, at 600-01; Frank R. Curtis, *Protecting Authors in Copyright Transfers: Revision Bill Section 203 and the Alternatives*, 72 Colum. L. Rev. 799, 805-06 (1972).

[17] 318 U.S. 643 (1943).

of renewal interests insofar as the statute did not explicitly provide one.[18] As Justice White later observed, Congress's attempt to grant authors and their families a future copyright interest "was substantially thwarted by this Court's decision in *Fred Fisher Music Co. v. M. Witmark & Sons*."[19]

B. 1976 – Congress Overrides Fisher *by Introducing the Termination of Transfer as an Author's Inalienable Right of Recapture*

What *Fisher* permitted under the 1909 Act, Congress expressly forbade in the amended legislation. In 1961, the Copyright Office submitted a comprehensive study of copyright law to Congress so that it might revise the 1909 Act. The report noted that the "reversionary feature of the present renewal system has largely failed to accomplish its primary purpose. It has also been the source of more confusion and litigation than any other provision in copyright law."[20] The study then commented that "the primary purpose of the reversionary interest would seem to require that the renewal interest be made unassignable in advance."[21] Congress included this suggestion in its very first draft of the revised copyright bill.

The Draft Committee entertained several suggestions to update the author's reversionary right so as to remedy what was referred to as "the

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18 *Id.* at 655-56 (reasoning that if Congress had intended "statutory restraints upon the assignment by authors of their renewal rights, it is almost certain that such purpose would have been manifested"). The Court recognized, however, that the alienability of future copyright interests was a policy choice properly left to the legislature:

> It is not for courts to judge whether the interests of authors clearly lie upon one side of this question rather than the other . . . . We do not have such assured knowledge about authorship . . . as to justify us as judges in importing into Congressional legislation a denial to authors of the freedom to dispose of their property.

Id. at 657. Nonetheless, when confronted with Congressional legislation that did impose such a denial in the interests of authors, the Ninth and Second Circuits found a way around it. *See* discussion *infra* Part III. As a result, it appears that the *Fisher* lesson remains elusive, even today.

19 Mills Music, Inc. v. Snyder, 469 U.S. 153, 185 (1985) (White, J., dissenting) (citation truncated); *see also* Siegel v. Warner Bros. Entm't, Inc., 542 F. Supp. 2d 1098, 1140 (C.D. Cal. 2008) (noting that "re-valuation mechanism provided by the renewal term under the 1909 Act was largely frustrated by the Supreme Court's decision in *Fred Fisher Music*, 318 U.S. at 656-59, allowing authors to assign away at the outset all of their rights to both the initial and the renewal term").

20 REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 53 (Comm. Print 1961).

21 *Id.* at 53-54.

deficiency of the Supreme Court in *Witmark v. Fisher*."[22] These included: limiting all copyright assignments to twenty years with automatic reversion thereafter; permitting termination of assignments deemed to be unfair to authors; and granting termination of assignments rights to authors who were paid only a lump sum upfront. The committee debates over reversion were spirited, and ultimately Congress chose to include provisions granting authors the right to terminate an assignment of copyright.[23] Crucially, the statute guaranteed authors a second opportunity to control copyright by ensuring that "termination of the grant may be effected notwithstanding any agreement to the contrary."[24] It would take almost twelve years and many more drafts before Congress enacted the Copyright Act of 1976, but this language survived verbatim in order to "protect authors against unremunerative transfers."[25]

1. *Termination of Copyright Grants Made Prior to the 1976 Act*

Notably, the 1976 Act provided that grants of copyright in newly created works were to be subject to statutory termination[26] after thirty-five years from the date of the grant (the § 203 termination right),[27] whereas grants of copyright made under the 1909 Act would be terminable fifty-six years after copyright was first obtained (the § 304(c) termination right).[28]

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[22] DISCUSSION AND COMMENTS ON THE REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 93 (Comm. Print 1963).

[23] 1964 Revision Bill, H.R. 11947, 88th Cong. §§ 16(a), 22(c) (1964) (codified at 17 U.S.C. §§ 203(a), 304(c) (1976)).

[24] *Id.* §§ 16(a)(1), 22(c)(1) (codified as 17 U.S.C. §§ 203(a)(5), 304(c)(5) (1976)).

[25] H.R. REP. NO. 94-1476, at 124 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5740; *see also* Mills Music, Inc. v. Snyder, 469 U.S. 153, 172-73 (1985) (noting that Congress's intent to "relieve authors of the consequences of ill-advised and unremunerative grants that had been made before the author had a fair opportunity to appreciate the true value of his work product . . . is plainly defined in the legislative history and, indeed, is fairly inferable from the text of § 304 itself").

[26] Unfortunately, courts sometimes use the word "terminate" in the state-law sense that various contractual devices may cause a previous agreement to end. *See infra* note 232. In fact, even Congress is guilty of such conflation. *See infra* note 244. In an effort at terminological clarity, this article reserves the word "termination" and its cognates to the exercise of rights under 17 U.S.C. §§ 203 and 304. In addition, sometimes courts refer to those who are statutorily entitled to succeed to the author's termination interest as "heirs." In a further effort at terminological clarity, this article labels those entitled to the interest set forth in 17 U.S.C. §§ 203 and 304 as the author's "statutory successors." Those who are named in the author's will, by contrast, constitute his or her "heirs."

[27] 17 U.S.C. § 203(a) (2006).

[28] *Id.* § 304(c).

> The arguments for granting a right of termination are even more persuasive under section 304 than they are under section 203; the extended term represents a completely new property right, and there are strong reasons for giving the author, who is the fundamental beneficiary of copyright under the Constitution, an opportunity to share in it.[29]

Thus, Congress determined that the new property right of an extended copyright term should pass to the author and the author's statutory successors (widow(er), children, and grandchildren) rather than copyright assignees.[30]

2. *Statutory Inheritance Scheme*

Moreover, the 1976 Act provided that if the author did not survive to exercise termination, the interest would be distributed to the author's family members as a statutory class.[31] Congress specifically made this scheme inalienable: "Termination of the grant may be effected notwithstanding *any* agreement to the contrary . . . ."[32] The author's statutory successors take the interest despite any assignment or will of the author divesting them of copyright ownership. This provision shows Congress's intent to give the author's statutory successors, rather than the author's assignees or devisees, the benefits of copyright recapture — including the new property right of an extended term of protection.

C. *1998 – Congress Extends Copyright Duration Again and Grants Authors a Second Inalienable Right of Recapture*

In 1998, the Sonny Bono Copyright Term Extension Act added twenty years to copyright terms.[33] Likewise wishing to bestow this additional term on authors and their families, Congress once again adopted the same termination device.[34] The resulting provision (the § 304(d) termination right) allows the author's statutory successors to recapture copyrights that had been granted decades earlier, so long as they had not already exercised their termination rights. As with the § 203 termination right, the 1998 legislation granted authors and their successors a statutory termination right, allowing them to abrogate agreements by which the author had

[29] H.R. Rep. No. 94-1476, at 140, *reprinted in* 1976 U.S.C.C.A.N. at 5756.

[30] The termination interest is distributed among the author's widow(er), children, and grandchildren upon the author's death, but if none are then living the entire right passes to the author's executor, administrator, personal representative, or trustee. *See* 17 U.S.C. §§ 203(a)(2), 304(c)(2) (2006).

[31] *See id.*

[32] *Id.* § 304(c)(5) (emphasis added).

[33] Pub. L. No. 105–298, 111 Stat. 2827.

[34] *See* 17 U.S.C. § 304(d) (2006).

assigned the extended term, "notwithstanding any agreement to the contrary."[35]

II. JUDICIAL CONSTRUCTION OF THE TERMINATION OF TRANSFER PROVISION

A trio of decisions involving classic works — *Winnie the Pooh, The Grapes of Wrath*, and *Lassie* — have interpreted the scope of the right to terminate a copyright transfer "notwithstanding any agreement to the contrary." We explore these cases in chronological order.

A. Winnie the Pooh: Milne v. Stephen Slesinger, Inc.[36]

In 1930, A.A. Milne granted certain rights in his *Winnie-the-Pooh* works to Stephen Slesinger, Inc.[37] A.A. Milne died in 1956, bequeathing his full copyright interest to the Pooh Properties Trust.[38] In 1961, Slesinger licensed those rights to Disney.[39]

After Congress granted authors and their statutory successors the right to terminate pre-1978 copyright transfers, the 1930 licenses to Slesinger and subsequent grant to Disney became subject to termination.[40] Recognizing the risk of recapture, Slesinger and Disney revisited the arrangements with the trustees of the Pooh Properties Trust in 1983.[41] Although the author's son, Christopher Robin Milne, was alive at that time and therefore could have terminated his father's grants,[42] he signed an agreement with the Trust stating that he had decided not to serve a notice of termination.[43] In the resulting 1983 Agreement, the Trust revoked the

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[35] *Id.* § 304(c)(5), *incorporated by reference in id.* § 304(d)(1).

[36] 430 F.3d 1036 (9th Cir. 2005), *cert. denied*, 548 U.S. 904 (2006).

[37] The 1930 Agreement was entered with Stephen Slesinger personally. Later, he transferred those interests to his loan-out corporation, Stephen Slesinger, Inc. References herein to "Slesinger" are to that latter entity, litigant in the case to be described below.

[38] The will actually named as heir the Milne Trust, later succeeded by the Pooh Properties Trust.

[39] *Milne*, 430 F.3d at 1040.

[40] The termination window opened fifty-six years after the commencement of copyright protection for each of the subject *Pooh* works. 17 U.S.C. § 304(c)(3) (2006). The four works in question were published between 1924 and 1928. *Milne*, 430 F.3d at 1039. As to the first, therefore, it was subject to termination in 1980 (1924 + 56), for a five-year window (which therefore closed in 1985). 17 U.S.C. § 304(c)(3) (2006). As to the last, its termination window ran four years later, 1984–89.

[41] Note that those trustees included no members of the Milne family. *See infra* Part III.C.2.

[42] A.A. Milne's widow was dead by 1983. He had no children other than Christopher.

[43] *See infra* Part III.C.2 *and* note 139.

1930 Agreement and re-granted those rights back to Slesinger at a royalty rate more favorable to the Trust.[44]

When Congress extended the duration of existing copyrights by an additional twenty years in 1998, it granted authors and their statutory successors another chance to terminate pre-1978 transfers if termination had not been effectuated during the previous window.[45] By then, Christopher was dead; but his only child, Clare Milne, was still alive. Accordingly, the termination interest vested in Clare, who in 2002 served notice to terminate the 1930 Agreement with Slesinger.[46]

Slesinger contested the notice. The district court found for Slesinger based on its determination that the 1983 Agreement revoked the 1930 Agreement and therefore left no pre-1978 copyright for Clare to terminate.[47] Clare appealed, arguing that the 1983 Agreement was an "agreement to the contrary" and hence could not extinguish Clare's right to reclaim the *additional* twenty years added by Congress in 1998.

The Ninth Circuit affirmed. It rejected the assertion that the statutory provision at issue — "termination . . . may be effected notwithstanding any agreement to the contrary" — was plain on its face. It relied on a general statement in the legislative history that "[n]othing in the Copyright Acts has altered the power of private parties to contract."[48] The court then engaged in a functional analysis, determining that because the Milnes received a better deal through the 1983 Agreement, the rationale behind the termination of transfer rule — safeguarding authors against unremunerative transfers — was not applicable.[49] In essence, it held that the use by the author's testamentary heirs of "the increased bargaining power conferred by the imminent threat of statutory termination to enter into new, more advantageous grants" was consistent with the goal of the statute and a permissible substitute for termination.[50] The opinion did not justify the basis on which it effectively deprived the statutory successors' rights in the *additional* twenty years that Congress conferred in 1998.

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44 *See Milne*, 430 F.3d at 1040-41.

45 *See* 17 U.S.C. § 304(d) (2006). This right to terminate applies starting seventy-five years after the implicated pre-1978 work achieved federal copyright subsistence. Accordingly, the relevant termination window under § 304(d) for the 1924 publication applied 1999–2004; for the 1928 publication, 2003–08. *See supra* note 40.

46 *Milne*, 430 F.3d at 1041. That service was timely as to all the affected works.

47 *Id.*

48 *Id.* at 1045 (quoting H.R. Rep. No. 94-1476 (1976)).

49 *Id.* at 1046.

50 *Id.*

B. The Grapes of Wrath *and Other Works by John Steinbeck:* Penguin Group (USA), Inc. v. Steinbeck[51]

In 1938, John Steinbeck assigned the publishing rights in his books to Viking Press in exchange for royalties.[52] Penguin Group (USA), Inc. subsequently assumed the contract from Viking and undertook its obligations to the author.[53] Steinbeck died in 1968, leaving his copyrights to his widow, Elaine Steinbeck.[54] Steinbeck's sons from a previous marriage, Thomas Steinbeck and John Steinbeck IV, each received a sum of money but the author's will excluded them from ownership of the copyrights.[55] When Congress granted the § 304(c) statutory termination right in 1978, Steinbeck's sons and his widow (who was unrelated to them) each had a one-half interest in the right to terminate.[56]

Being at loggerheads, the second wife and the sons of the first wife never formed the majority interest necessary to terminate the 1938 grant under § 304(c). Instead, Elaine Steinbeck, as owner of the copyrights to Steinbeck's books, entered into a new agreement with Penguin in 1994 to re-grant publishing rights to the works specified in the 1938 Agreement and some additional works.[57] She received an increased royalty rate as compared to 1938, as well as a large guaranteed advance that was not part of the 1938 scheme.[58] The parties explicitly provided that the 1994 Agreement would end and supersede the 1938 Agreement.[59] Neither Thomas nor John IV were parties to the 1994 Agreement.

After Elaine Steinbeck died in 2003, Thomas Steinbeck (the author's only then-surviving son) and Blake Smyle (the author's granddaughter, child of his late son, John Steinbeck IV) acquired the necessary greater-than-half interest in Steinbeck's termination rights necessary to serve notice of termination upon Penguin.[60] In June 2004, the author's surviving son and granddaughter (Steinbeck Descendants) served a notice to termi-

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51 537 F.3d 193 (2d Cir. 2008), *cert. denied*, 129 S. Ct. 2383 (2009).

52 *Id.* at 196.

53 *Id.*

54 *Id.* at 197.

55 *Id.*

56 *See* 17 U.S.C. § 304(c)(2)(A)–(B) (2006).

57 *Steinbeck*, 537 F.3d at 197.

58 Simultaneously, Penguin executed another agreement with Elaine; Thomas Steinbeck ratified that other agreement, which gained him greater royalties. *Id.* at 196 n.1. The opinion only adverts to that other agreement in a footnote and calls it "not at issue on this appeal." *Id.*

59 *Id.*

60 Although Elaine left her ownership interest in the copyrights to a variety of heirs (other than Thomas Steinbeck or John Steinbeck IV's daughter), her half-share of the termination right was not devisable or inheritable and hence expired upon her death. *See* §§ 304(c)(2), (d)(1).

nate the 1938 Agreement and recapture the copyrights from Penguin.[61] Penguin replied that their notice of termination was invalid because the 1938 Agreement, having been superseded by the 1994 Agreement, was no longer subject to termination (on the basis that it was no longer in existence).[62]

The district court upheld the Steinbeck Descendants' termination notice[63] on the ground that even if the 1994 Agreement superseded the 1938 Agreement, it was nonetheless "an agreement to the contrary" under § 304(c)(5) to the extent that it barred the Steinbeck Descendants from exercising their termination right.[64] Judge Owen took the phrase "notwithstanding any agreement to the contrary" to mean "any contract the effect of which is in contravention of or which negates either of these [i.e., § 304(c) and § 304(d)] termination rights."[65] The district court reasoned that to give the 1994 Agreement the effect of blocking Steinbeck's statutory successors from exercising their termination right to the benefit of Elaine and her heirs would be "contrary to the very purpose of the termination statute."[66]

On appeal, the Second Circuit reversed on essentially the same grounds as the Ninth Circuit had followed in *Milne*. The opinion validated the 1994 Agreement, which had the effect of superseding the 1938 Agreement. Therefore, there was no pre-1978 grant of copyright to terminate.[67] To the argument that the Steinbeck Descendants could terminate the 1938 Agreement "notwithstanding any agreement to the contrary" under § 304(c)(5), the Second Circuit did not read "agreement to the contrary" to mean any agreement that has the effect of eliminating a termination right, as the lower court had construed that phrase.[68] Following the reasoning in *Milne*, the court concluded that neither the plain language nor legislative intent of the Copyright Act precluded authors and their statutory successors from losing the right to terminate a pre-1978 grant by renegotiating it.[69] It held the statute satisfied by the circumstance that Elaine used her termination right as bargaining power to renegotiate the agreement with Penguin.[70]

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61 *Steinbeck*, 537 F.3d at 197.
62 *Id.* at 199.
63 Steinbeck v. McIntosh & Otis, Inc., 433 F. Supp. 2d 395, 401 (S.D.N.Y. 2006).
64 17 U.S.C. § 304(c)(5) (2006).
65 *Steinbeck*, 433 F. Supp. 2d at 399 (citing 17 U.S.C. § 304(c)(5)).
66 *Id.* at 402 n.23.
67 *Steinbeck*, 537 F.3d at 202.
68 *Id.*
69 *Id.* at 203.
70 *Id.* at 204 ("nothing in the statute suggests that an author or an author's statutory heirs are entitled to more than one opportunity, between them, to use termination rights to enhance their bargaining power or to exercise them").

Nor did the court consider the 1994 Agreement an "agreement to the contrary" because it barred exercise of the § 304(d) termination right, which Congress did not grant until 1998.[71] The court reasoned that, because § 304(d) termination is available only if the rights-holder(s) has not already exercised § 304(c), the statute affords but one opportunity to use the termination right.[72] Moreover, because Elaine used the § 304(c) termination right as a bargaining chip to renegotiate the original publishing agreement, she "exhausted the single opportunity provided by statute."[73] Thus, although the 1994 Agreement precluded the exercise of § 304(d) termination rights, the court held that it did not violate the statute as an "agreement to the contrary."[74]

C. Lassie: Classic Media v. Mewborn[75]

The third case in our trilogy concerns copyright in the classic children's story *Lassie.* In 1938 and 1940, Eric Knight authored the novel *Lassie Come Home.*[76] He subsequently assigned television rights to Classic Media, Inc., which produced the popular *Lassie* television series.[77] Knight died in 1943, so the interest in his copyright renewal term passed to his widow and three surviving daughters, including Winifred Knight Mewborn.[78] Each family member made a timely filing for renewal, at which point Classic sought to re-obtain the rights necessary to continue to exploit *Lassie.*[79]

In 1976, Mewborn assigned her share of the movie, television, and radio rights in *Lassie* to Classic in exchange for a lump sum.[80] However, the 1976 Agreement did not convey Mewborn's share of other ancillary *Lassie* rights, such as merchandising.[81] In 1978, Classic again approached Mewborn, who agreed to transfer her share in the ancillary rights for an-

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71 *Id.* at 202-23 ("[w]e cannot see how the 1994 Agreement could be an 'agreement to the contrary' solely because it had the effect of eliminating termination rights that did not yet exist").

72 *Id.* (citing 17 U.S.C. § 304(d) (2006)).

73 *Id.* at 204.

74 *Id.*

75 532 F.3d 978 (9th Cir. 2008).

76 *Id.* at 980.

77 *Id.* Actually, the initial grant was to Lassie Television, Inc., predecessor-in-interest to Classic.

78 *Id.*

79 *Id.*

80 *Id.*

81 *Id.*

other upfront sum.[82] The 1978 Agreement also re-granted the rights Mewborn had conveyed in the 1976 Agreement.[83]

In 1996, Mewborn served a notice to terminate the 1976 Agreement with Classic pursuant to § 304(c).[84] In litigation seeking to effectuate that termination, the district court, relying on *Milne*, ruled that the termination notice was invalid inasmuch as Mewborn had relinquished her termination interest in the 1978 Agreement when she re-granted the *Lassie* rights.[85]

On appeal, the Ninth Circuit reversed, holding that the district court erred in concluding that the 1978 Agreement precluded Mewborn's termination since "such an assignment would be void as an 'agreement to the contrary' pursuant to § 304(c)(5)."[86] The court distinguished *Milne* as a scenario in which the rights-holder "had — and knew that he had — the right to vest copyright in himself at the very time he revoked the prior grants and leveraged his termination rights to secure the benefits of the copyrighted works for A.A. Milne's heirs."[87] In contrast, Mewborn had "nothing in hand with which to bargain" when she entered into the 1978 Agreement, as her termination interest had not yet vested.[88] The court also found it significant that the 1978 Agreement, although purporting to re-grant the rights Mewborn granted via the 1976 Agreement, did not explicitly revoke the prior grant, as was the case in *Milne.*[89] The 1976 Agreement was still in force and therefore subject to § 304(c) termination.[90] Finally, unlike the "sui generis nature of the agreement at issue in *Milne*,"[91] the 1978 Agreement did not extinguish Mewborn's termination right, her termination of the 1976 Agreement was valid, and the *Lassie* rights reverted to her.[92]

III. MILNE *AND* STEINBECK *REPUDIATE THE STATUTORY REGIME FOR COPYRIGHT RECAPTURE*

The phrase "[t]ermination of the grant may be effected notwithstanding any agreement to the contrary" plainly means that authors and their

[82] *Id.* at 980-81.
[83] *Id.* at 981.
[84] *Id.*
[85] *Id.* at 982.
[86] *Id.* at 986. The Ninth Circuit relied in part on the *Steinbeck* district court decision for the proposition that a later agreement cannot act as a bar to termination of an earlier agreement. *See id.*
[87] *Id.* at 989.
[88] *Id.*
[89] *Id.* at 986-87 ("[T]he language in the 1978 Assignment purporting to assign [the rights granted by the 1976 Assignment] is a nullity.").
[90] *Id.*
[91] *Id.* at 983 n.2.
[92] *Id.* at 990.

successors may terminate copyright assignments in spite of any contractual device that purports to divest them of the right; the express legislative intent is to override *Fisher* by guaranteeing that authors and their successors have the opportunity to regain copyright "notwithstanding any agreement to the contrary."

The Supreme Court has remarked that such termination of transfer rights are "inalienable."[93] Yet, *Milne* and *Steinbeck* effectively held that statutory successors' termination rights are alienated when the copyright owner renegotiates an existing grant.[94] Those decisions not only harm the statutory successors of innumerable copyrights, but also undermine Congress's intention of shielding authors from the pressures of unequal bargaining power that had produced unremunerative transfers in the creative arts. At base, they substitute a subjective judicial balancing rule for a clear, legislatively established, categorical rule.

It is not our object to analyze here whether the legislative determination constraining freedom of contract was the best policy for addressing the problem of unremunerative transfers in the realm of copyrighted works.[95] Given that Congress already chose that policy, however, we can say that *Milne* and *Steinbeck* overstep judicial authority within our constitutional structure.

Those rulings implicate numerous valuable copyrights, as all copyrights that are not works-made-for-hire are subject to termination.[96] Furthermore, although those rulings construed the section of the Copyright Act governing the right to terminate grants in works that achieved protection before 1978 (§ 304(c)), the coordinate provision of the Copyright Act governing the right to terminate post-1978 grants (§ 203) includes the identical provision that "[t]ermination of the grant may be effected notwithstanding any agreement to the contrary . . . ."[97] Therefore, when

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[93] Stewart v. Abend, 495 U.S. 207, 230 (1990); *see also* New York Times Co. v. Tasini, 533 U.S. 483, 496 n.3 (2001) (characterizing statutory termination regime as creating "inalienable authorial right to revoke a copyright transfer" under 17 U.S.C. § 203(a)(5), the post-1978 provision coordinate to § 304(c)(5) for pre-1978 works).

[94] Penguin Group (USA) v. Steinbeck, 537 F.3d 193, 202-03 (2d Cir. 2008); Milne v. Stephen Slesinger, Inc., 430 F.3d 1036, 1046 (9th Cir 2005), *cert. denied*, 548 U.S. 904 (2006).

[95] There are rich literatures on the choice between categorical rules and balancing standards, see, e.g., Louis Kaplow, *Rules Versus Standards: An Economic Analysis*, 42 DUKE L.J. 447 (1992), and the proper role for inalienable rules, see, e.g., Susan Rose-Ackerman, *Inalienability and the Theory of Property Rights*, 85 COLUM. L. REV. 931 (1985); Guido Calabresi & Douglas A. Melamed, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, 85 HARV. L. REV. 1089 (1972).

[96] 17 U.S.C. § 304(c), (d) (2006).

[97] *Id.* § 203(a)(5).

grants in post-1978 works become terminable beginning in 2013,[98] courts will rely on *Milne* and *Steinbeck* to determine whether the author's right to terminate is available. Authors and their successors unfortunately can expect protracted courtroom battles when they attempt to enforce their statutorily mandated recapture rights.

A. *By Making Termination Rights Alienable,* Milne *and* Steinbeck *Have Resurrected* Fisher *and Its Unfortunate Effects on Authors and Statutory Successors*

The Ninth and Second Circuit decisions have turned back the clock to the *Fisher* regime, under which publishers could contractually block authors and their families from exercising copyright reversion. Ironically, they did so by interpreting the statutory provision that was intended to overrule *Fisher*: "Termination . . . may be effected notwithstanding any agreement to the contrary . . . ."[99] Indeed, the Second Circuit stated that it did not "read the phrase 'agreement to the contrary' so broadly that it would include any agreement that has the effect of eliminating a termination right."[100] That construction substitutes judicial discretion for the categorical rule that Congress legislated; in the process, it threatens to inflict the harms that Congress intended its bright-line rule to avoid.

In *Steinbeck*, the panel reasoned that "nothing in the statute suggests that an author or an author's statutory heirs are entitled to more than one opportunity, between them, to use termination rights to enhance their bargaining power or to exercise them."[101] Granted, the statute does not provide more than one opportunity to terminate.[102] But what it explicitly commands is that "[t]ermination . . . may be effected notwithstanding any agreement to the contrary."[103] In other words, absent an antecedent termination, the statute conveys an unambiguous right to terminate, regardless of what machinations have been undertaken to avoid that statutory termination right under state law (such as "rescission and re-grant"). Accordingly, no occasion even arises for the statutory successors to realize any enhanced "bargaining power" apart from their statutory termination

[98] *See* David Nimmer & Peter S. Menell, *Sound Recordings, Works for Hire, and the Termination-of-Transfers Time Bomb*, 49 J. Copyright Soc'y 387 (2001).

[99] 17 U.S.C. § 304(c)(5) (2006).

[100] Penguin Group (USA), Inc. v. Steinbeck, 537 F.3d 193, 202 (2d Cir. 2008), *cert. denied*, 128 S. Ct. 2383 (2009).

[101] *Id.* at 204.

[102] Note that 17 U.S.C. § 304(d) accords a supplementary termination right, which is conditional on no previous termination having been effectuated under 17 U.S.C. § 304(c).

[103] 17 U.S.C. § 304(c)(5) (2006).

rights[104] — all other contracting parties should simply realize that, absent the successors' perfection of the various steps required to effectuate statutory termination,[105] those successors retain the inalienable right to terminate in the future (until such time as the statutory termination window closes).

The *Steinbeck* panel also asserted that "[t]here is . . . no indication in the statutory text or the legislative history of the Copyright Act that elimination of a termination right through termination of a pre-1978 contractual grant was to be precluded or was undesirable."[106] But Congress explicated the so-called missing indication as tersely and plainly as it could: "the right [to terminate a transfer] cannot be waived in advance or contracted away."[107]

Congress enacted a regime guaranteeing authors and their statutory successors a future copyright interest by voiding any agreement to the extent that it prevented that interest from vesting. Yet, to validate what it saw as fair bargaining activity between authors and publishers, *Steinbeck* carved out an exception for renegotiated agreements — even as the Second Circuit recognized that "[t]he availability of termination rights under the Copyright Act is not dependent on the intent of the parties."[108] This decision transmogrifies the "availability of termination rights," which Congress intended to be unconditional, into a judicial inquiry dependent on an

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104 The Ninth Circuit in *Milne* made the similar mistake of equating the exercise of a statutory right with its contractual analogue. *See* Milne v. Steven Slesinger, Inc., 430 F.3d at 1036, 1046 (9th Cir. 2005), *cert. denied*, 548 U.S. 904 (2006) ("Congress sought to foster [the protection of authors] by permitting an author's heirs to use the increased bargaining power conferred by the imminent threat of statutory termination to enter into new, more advantageous grants.").

105 17 U.S.C. § 304(c)(3), (c)(4) (2006).

106 537 F.3d at 204. *Cf. Milne*, 430 F.3d at 1046-47 ("Clare presents no authority suggesting that Congress designed the statutory termination provisions to prevent the parties from agreeing to a simultaneuous revocation and new grant of rights.").

107 H.R. Rep. No. 94-1476, at 125, *reprinted in* 1976 U.S.C.C.A.N. 5659, 5740; S. Rep. No. 94-473, at 108 (1976). Although this language explicates § 203(a), it appears within the context of differentiating alienable renewal rights from inalienable termination rights in general, and for that reason is germane to § 304 as well. The Second Circuit's lack of attention to this passage is all the more remarkable, given that elsewhere it employs the legislative history of § 203 to construe § 304. *See* Penguin Group (USA), Inc. v. Steinbeck, 537 F.3d 193, 203 (2d Cir. 2008) (quoting H.R. Rep. No. 94-1476, at 127). In that latter instance, however, the court cited material explicating § 203 that was facially inapplicable to § 304 — and yet erroneously adduced it to interpret § 304. *See infra* Part V.A.3.a.

108 Penguin Group (USA), Inc. v. Steinbeck, 537 F.3d 193, 201 (2d Cir. 2008), *cert. denied*, 129 S. Ct. 2283 (2009).

antecedent determination whether an existing copyright grant was renegotiated using the threat of termination as leverage.[109] Congress wrote the statute as a categorical rule to overrule *Fisher* and to ensure that authors and their statutory successors enjoy the right to terminate a grant. Courts lack the power to rewrite that law into one embodying a wholly new balancing of interests.[110]

The history of copyright law suggests that alienable reversionary interests stand to benefit publishers — and copyright lawyers[111] — at the expense of authors' statutorily-designated successors.[112] By granting inalienable termination rights to authors and their statutory successors, Congress sought to prevent the "confusion and litigation" spawned by the alienable renewal rights of the 1909 Act.[113] *Milne* and *Steinbeck* reintroduce the uncertainty surrounding countless future copyright interests by holding that a renegotiation of a copyright grant is a substitute for its termination.

Copyright law has been here before. Given how fervently Congress tried in 1976 to eliminate the baleful consequences of *Fisher*, it is unfortunate that courts are again falling into the same trap.

B. *The* Milne *and* Steinbeck *Rule Improperly Looks to State Law Rather than Federal Statute to Determine the Validity of Federal Copyright Interests*

The Copyright Act permits authors and their successors to terminate a grant if they comply with statutory notice and timing requirements. The Second Circuit's decision imports the different legal regime of state law, such that federal termination becomes inoperative when publishers have engaged in re-granting, rescission, or novation that meet an ill-defined and inherently subjective "fairness test." The availability of termination rights, which are federally granted property interests, now turns on whether there has been a superseding agreement under state contract law. Indeed, the

109 *See supra* Part II.B.

110 *See* Eldred v. Ashcroft, 537 U.S. 186, 212 (2003) ("[I]t is generally for Congress, not the courts, to decide how best to pursue the Copyright Clause's objectives"); Stewart v. Abend, 495 U.S. 207, 230 (1990) ("[I]t is not our role to alter the delicate balance Congress has labored to achieve.").

111 One copyright practitioner recently referred to termination of transfers as "the gift that keeps on giving . . . although potentially fraught with peril." Bill Gable, *Taking It Back*, L.A. LAW., June 2008, at 34.

112 We acknowledge that inalienability rules can reduce the total surplus available by preventing some mutually beneficial trades. The wisdom of that decision lies with Congress. As previously noted, our mission here is to assure fidelity to the statute, not to choose among competing policies. *See infra* Part V.B.4.b.

113 *See supra* Part I.B.

Steinbeck court looked to New York state law to determine whether Steinbeck's original grant to Penguin in 1938 had been superseded by Penguin's renegotiated contract with Steinbeck's widow in 1994.[114] Such an inquiry guarantees further inconsistent law, encourages strategic forum shopping, and conflicts with federal policy pre-empting state laws that interfere with federal copyright law mandates and protections.[115]

A split has already emerged between the Second and Ninth Circuits — and even within the Ninth Circuit — over whether and in what circumstances a renegotiated grant extinguishes the right to terminate the original transfer. In contrast to *Steinbeck,* the Ninth Circuit in *Mewborn* held that a re-grant did not block an author's statutory successor from exercising termination because it concluded that she did not use her termination right as leverage nor rescind the original grant during renegotiations.[116] *Mewborn* distinguished the court's own prior decision in *Milne* — allowing a grantee to "rescind and re-grant" a copyright license for the express purpose of blocking the author's family members from exercising their statutory termination rights — on the ground that the rights-holder there "had — and knew that he had — the right to vest copyright in himself at the very time he revoked the prior grants and leveraged his termination rights to secure the benefits of the copyrighted works for A.A. Milne's heirs."[117] None of these decisions follows the clear dictate of the federal statute that "[t]ermination of the grant may be effected notwithstanding *any* agreement to the contrary."[118]

After *Milne, Steinbeck,* and *Mewborn,* not only will courts have to apply state law to determine whether a copyright assignment has been superseded, they will have to investigate whether the relevant parties knew that they possessed termination interests at the time and whether they received just benefits from the renegotiated terms. Having courts measure the adequacy of such bargains is neither an appropriate nor predictable method of determining a property right that "may be exercised notwithstanding any agreement to the contrary."

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114 Penguin Group (USA), Inc. v. Steinbeck, 537 F.3d 193, 2001-01 (2d Cir. 2008), *cert. denied*, 129 S. Ct. 2283 (2009).

115 *See* H.R. Rep. No. 94-1476, at 129, *reprinted in* 1976 U.S.C.C.A.N. 5745 ("One of the fundamental purposes behind the copyright clause of the Constitution . . . was to promote national uniformity and to avoid the practical difficulties of determining and enforcing an author's rights under the differing laws and in the separate courts of the various States.").

116 Classic Media, Inc. v. Mewborn, 532 F.3d 978, 989 (9th Cir. 2008).

117 *Id.*

118 17 U.S.C. § 304(c)(5) (2006) (emphasis added).

C. *The Ninth and Second Circuits Have Effectively Overridden Congress's Intent to Vest Copyright Interests in Statutory Successors*

1. *Condemnation of a Blueprint to Eliminate Termination*

In *Marvel Characters, Inc. v. Simon*,[119] the Second Circuit invalidated an agreement to settle pending litigation as an "agreement to the contrary" precisely because giving it effect would defeat an author's termination right.[120] The particular agreement in that case would have blocked termination by characterizing the copyright in question as a work made for hire.[121] The court recognized the vice of overriding the termination right by contract:

> [S]uch an interpretation would likely . . . provide a blueprint by which publishers could effectively eliminate an author's termination right. We conclude that Congress included the "notwithstanding any agreement to the contrary" language in the termination provision precisely to avoid such a result.[122]

Unfortunately, *Milne* and *Steinbeck* allow the very blueprint against which *Simon* warned. They invite crafty assignees to undermine the statute most readily in those situations where the statutory successors take the termination interest, but the author's will devises the copyright ownership interest elsewhere. Rather than bequeath their copyright royalties by will to their surviving family members, authors at times designate a favored charity,[123] a mistress,[124] or a testamentary trust to act for the benefit of numerous interests.[125] Notwithstanding those testamentary dispositions, Congress vested the right to terminate transfers automatically in the author's statutory successors (the surviving widow(er) and children, and in the case of pre-deceased children, then the author's grandchildren).[126]

Aware that the copyright bar would exercise its ingenuity to devise any and every stratagem to sidestep the termination interest, Congress further specified that the rights would not be subject to defeasement: "Termination of the grant may be effected notwithstanding any agreement to the

119 310 F.3d 280 (2d Cir. 2002).

120 *Id.* at 290.

121 For a discussion of that device, see *infra* Part IV.C.4.

122 *Marvel Characters*, 310 F.3d at 291.

123 Author William Saroyan preferred to leave his writings to his sister and a foundation as opposed to his own children. *See* Saroyan v. William Saroyan Found., 675 F. Supp. 843, 843-44 (S.D.N.Y. 1987), *aff'd mem.*, 862 F.2d 304 (2d Cir. 1988).

124 Composer Dave Dreyer left a portion of his earnings to his mistress. *See* Larry Spier, Inc. v. Bourne Co., 953 F.2d 774, 776 (2d Cir. 1992).

125 *See* discussion of *Milne infra* Part III.C.2.

126 17 U.S.C. §§ 203(a)(2), 304(c)(2), (d)(1) (2006). *See also supra* note 30.

contrary . . . ."[127] Yet the rule now followed in the Ninth and Second Circuits permits those rights to be eliminated when the inheritor of an author's copyright interest (the charity, trust, *etc.*) revisits the terms of a transfer — even if the statutory successors are not party to the negotiations. This scenario played out in both *Milne* and *Steinbeck.*

2. Milne *Offers One Such Blueprint*

A.A. Milne could have devised his interests in *Winnie-the-Pooh* directly to his widow and surviving son, Christopher Robin Milne. Had he done so, then his testamentary heirs would have corresponded exactly to the statutory successors mandated by Congress, in which case the subject litigation might never have arisen. But, instead, the author chose to bequeath his interests to a testamentary trust, the Pooh Properties Trust.[128] A potential conflict thereby arose — the copyright interest was owned by one entity (the Trust), but the right to terminate, when it matured, belonged inalienably to another (Christopher).

The licensee of valuable rights from the author, Slesinger, together with its own sublicensee, Disney, therefore faced the specter that their own rights might disappear as the result of unilateral action, should Christopher choose to terminate. To forestall that event, Slesinger and Disney entered into a new agreement in 1983 with the Pooh Properties Trust, whereby the Trust purported to revoke all rights granted in 1930 and to regrant the identical rights to Slesinger in a new agreement. That 1983 Agreement frankly discloses the parties' purpose behind this seemingly pointless shuffle:

> [T]he parties are agreeable to the revocation of and the parties are desirous of revoking the said prior agreements and Slesinger and Disney are desirous of entering into a new agreement for the future *which the parties believe would not be subject to any right of termination under 17 U.S.C. Secs. 203 or 304(c).*[129]

It was not the author's son (Christopher) who rescinded and regranted; he could not do so, as he held no interest at all in the copyright,[130] which was owned instead by the Trust. Rather, it was the Trust, as

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127 17 § 304(c)(5) (2006).

128 Milne v. Steven Slesinger, Inc., 430 F.3d at 1036, 1039 (9th Cir. 2005), *cert. denied*, 548 U.S. 904 (2006). As previously noted, A.A. Milne's will created the Milne Trust, later succeeded by the Pooh Properties Trust.

129 *Id.* at 1044 (quoting most of that language). For the full text, see Excerpt of Record, Milne v. Stephen Slesinger, Inc., No. 04-57189 (9th Cir.), at 209 (emphasis added).

130 Although Christopher held no copyright interest before termination, he did have the supposedly inalienable ability to exercise his right to terminate his father's 1930 grant. Moreover, as of 1983, the termination window was open, so he could have served a notice of termination at that juncture.

owner of the copyright, that rescinded the original 1930 grant to Slesinger and then re-granted Slesinger the identical rights.

A trust is an independent legal person; it is therefore every bit as distinct from the author's statutory successors (e.g., widow or children) as is a favorite charity.[131] But the Ninth Circuit attempted to gloss over that fact in two related particulars.

(a) The opinion stated that the "1930 grant . . . was terminated by the beneficiaries of the Pooh Properties Trust upon the execution of the 1983 agreement."[132] The court characterized the pertinent beneficiaries of the trust as the author's son, Christopher, together with his daughter, Clare (A.A. Milne's granddaughter).[133] By positing that termination took place "by the *beneficiaries* of the Pooh Properties Trust," the court characterized Christopher and Clare as the parties who acted, thereby corresponding to actions by the statutory successors designated by Congress.

In point of fact, however, it was the *trustees* of the Pooh Properties Trust, not its *beneficiaries*, who rescinded the 1930 Grant.[134] As of 1983, neither Christopher nor Clare (nor, for that matter, any other member of the Milne family) constituted a trustee of the Pooh Properties Trust.[135] The phraseology of the court's opinion ("terminated by the *beneficiaries* of the Pooh Properties Trust") masked its conclusion that allowed the *trustee*'s agreement to eliminate the *family*'s ability to terminate. The Ninth Circuit panel attempted to bury the fact that the opinion accomplished precisely what Congress had prohibited — depriving family members of their statutory termination right.

(b) By itself, the foregoing argument might seem technical: It shows that the individuals who rescinded were *trustees* rather than family members; but if those trustees acted for the benefit of family members who were the exclusive *beneficiaries* of their fiduciary duties, then perhaps the intent underlying the law was effectively followed after all.

The linchpin of that perspective is, as the opinion stated, that the "beneficiaries [of the] 'Pooh Properties Trust' . . . included [A.A. Milne's] son, Christopher, and Christopher's daughter, Clare."[136] Indeed, the opinion goes out of its way to label Clare repeatedly as "a prime benefici-

Once that termination became effective (a minimum of two years after service), he would have become exclusive owner of the copyright — thereby gaining the first copyright interest in his lifetime over the *Pooh* works.

131 *See supra* note 123.

132 *Milne*, 430 F.3d. at 1042.

133 *Id.* at 1039 ("other beneficiaries [of the] 'Pooh Properties Trust' . . . included his son, Christopher, and Christopher's daughter, Clare").

134 Excerpt of Record, *Milne*, No. 04-57189, at 225.

135 *Id.*

136 *Milne*, 430 F.3d. at 1039.

ary" of the Trust.[137] Under this world-view, Christopher acted out of self-interest by executing "a more lucrative deal . . . that would benefit the Pooh Properties Trust and its beneficiaries," i.e., himself and his only child.[138] This narrative culminates that Christopher "parlayed that right [to terminate] into a new agreement giving increased compensation to the Pooh Properties Trust, of which Clare is a prime beneficiary."[139]

The problem with that narrative is that the record on appeal flatly contradicts it, a circumstance of which the appellate judges who joined in issuing the opinion were only too cognizant. The evidence presented to the trial court affirmatively showed that Christopher was *not* a beneficiary of the Trust as of the 1983 renegotiation.[140] That evidence, moreover, contained no indication that Clare was then a beneficiary of the Trust, a deficit that Slesinger attempted to remedy by moving for judicial notice before the Ninth Circuit of certain "alleged facts," notably including that Clare Milne, as of 1983, "was a beneficiary of the Pooh Properties Trust."[141] Pointedly, the court denied that motion, ruling that so-called fact not appropriate for judicial notice.[142] But it did so in an unpublished memorandum, issued the same day as the published decision but nowhere mentioned therein.

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137 *Id.* at 1041, 1048.

138 *Id.* at 1040. *See id.* at 1045 ("Christopher presumably could have served a termination notice, he elected instead to use his leverage to obtain a better deal for the Pooh Properties Trust").

139 *Id.* at 1048. Christopher could have chosen to terminate, but instead effectively affirmed the ethos, *Gentlemen do not revoke their father's word, regardless of whatever rights the United States Congress may purport to confer.* The legal basis that Christopher followed was to state on the record of the 1983 Agreement that, as then-holder of the statutory termination right, he did not wish to exercise the right that Congress had conferred upon him:

> WHEREAS, [Chrisopher] Milne may have a potential right under Section 304(c) of the 1976 Copyright Act (Title 17, United States Code) to terminate both the 1930 Agreement and [another agreement], but if and to the extent that he may have such a potential right *he has resolved by agreement with the Trustees not to exercise such right.*

Excerpt of Record, *Milne*, No. 04-57189, at 209 (emphasis added). His participation in the 1983 Agreement is limited to that negative declaration — he did not rescind the rights to *Winnie-the-Pooh* (rights that belonged to the Trust, and not to him); he did not receive any re-granted rights (those went to Slesinger and Disney).

By stating that he had agreed with the independent trustees of the Pooh Properties Trust not to pursue his right to terminate, that provision constitutes a textbook example of what Congress characterized as an "agreement to the contrary" of termination. 17 U.S.C. § 304(c)(5) (2006). See *infra* Part IV.B.1.

140 Excerpt of Record, *Milne*, No. 04-57189, at 101, 365.

141 Milne v. Stephen Slesinger, Inc., 156 Fed. App'x 960, 961 (9th Cir. 2005).

142 *Id.* at 961.

Remarkably, though, the same three judges who, in their unpublished disposition, denied that Clare Milne was a beneficiary of the Trust, hinged their published opinion on that very same proposition. Indeed, the denied proposition was central to their published conclusion that Clare "was a beneficiary of this new arrangement, and her current dissatisfaction provides no reason to discredit the validity of the 1983 agreement and the rights conferred thereby."[143]

At the end of the day, *Milne* allowed a testamentary heir (Pooh Properties Trust) with no overlap with the author's statutory successors (Christopher or Clare) to engage in contractual manipulations with the author's grantee, with the result of eliminating the statutory successors' right to terminate.[144] That ruling constitutes a ready blueprint to avoid Congress's termination framework, the very result that the Second Circuit decried in *Simon* as a resurrection of the ill-fated *Fisher* decision.

3. Steinbeck *Adds Another Blueprint*

Milne and *Steinbeck* encourage publishers to escape the possibility of termination by heading straight to the bargaining table with the author's testamentary devisee, regardless of whether he or she happens to be one of the statutory successors. That result creates the opportunity for windfall to the testamentary devisee and publisher alike, thereby undermining the very basis for the termination regime. Sometimes the lucky heir named in the will may turn out to be a surviving spouse locking out hostile children from the author's former marriage; in other instances, publishers may tender compensation to some of the author's progeny in order to induce them to give up their advance termination right, to the prejudice of other children or grandchildren; sometimes the device may be labeled "rescission and re-grant" (as in *Milne*); at other times, it will purport to "cancel and supersede the previous agreements" (as in *Steinbeck*); sometimes the new grant will occur when termination itself could already proceed under the statute, at other times prior to the termination window opening.

143 *Id.* at 1045. Moreover, even if the panel had decided to take judicial notice of the purported "facts" alleged by Slesinger, there still is no justification for its published opinion. The evidence proffered by Slesinger for judicial notice attempted to demonstrate that, of the 5% of *Winnie-the-Pooh* royalties made payable to the Pooh Properties Trust, Clare's share was a mere eighth. Even had that allegation been proven at trial, therefore, the appellate panel still would have had no basis for its repeated characterization of Clare as "a *prime* beneficiary."

144 Had Christopher terminated, he would have been no fractional or even "prime" holder of the reclaimed copyright — he would have owned it outright.

The two appellate rulings allow all these variations and more. Not one of them produces the result that Congress intended — a matter to which we now turn.

IV. APPLYING INALIENABILITY

A. The Appropriate Test

The statutory provision in question reads in full as follows: "Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant."[145] Judge Owen, author of the district court opinion in *Steinbeck*, articulated the plain textual meaning of this provision: "To protect [the termination] right and prevent creators or statutory heirs from contracting away, for whatever reason, this absolute right to 'recapture' for the years of extended protection any pre-1978 copyright grant, the statute declares void any contract the effect of which is in contravention of or which negates either of these termination rights."[146] As Judge Owen explained:

> This statutory prohibition is intended to be broadly applied to invalidate such unlawful contracts and liberally protect termination rights. Indeed, copyright termination abrogates freedom of contract in two ways: it allows for the invalidation of the original contractual transfer, and it abrogates subsequent attempts to contract around the termination right it creates.[147]
>
> Any interpretation of the 1994 Agreement having the effect of disinheriting the statutory heirs to the termination interest . . . in favor of Elaine's heirs [the children of the surviving widow, not themselves related to the deceased author] must be set aside as contrary to the very purpose of the termination statute, which protects children and grandchildren, and not just widows.[148]

We agree with that formulation. It is sensitive to the risk of clever devices that Congress sought to preclude in that it recognizes that "agreements to the contrary" may at times overtly negate, and at other times act in contravention of, termination rights. It retains the categorical approach that Congress specified and avoids the unpredictable substantive review inherent in the Ninth and Second Circuit approaches. Rather than formulating the operative consequence, however, as declaring a contract "void" (as did Judge Owens), we would prefer to characterize the contract itself as potentially valid — but simply unable to stand in the way of the congressionally conferred right to terminate.[149]

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145 17 U.S.C. §§ 203(a)(5), 304(c)(5) (2006).
146 Steinbeck v. McIntosh & Otis, Inc., 433 F. Supp. 2d 395, 399 (S.D.N.Y. 2006).
147 *Id.* at 399 n.10 (citations omitted).
148 *Id.* at 402 n.23.
149 *See infra* Part IV.D.

To spell out the elements that trigger application of this provision, it is necessary to give content both to the element of "agreement" and how it acts "to the contrary" of termination. Building on Judge Owens' insight, courts should set aside:

(i) any agreement, among two or more parties, which

(ii) results in the practical inability to terminate the grant of copyright interest in a given work,

(iii) under circumstances in which, but for the agreement, the ability to terminate would otherwise exist.

At times, parties may attempt to accomplish the desired end-run through a variety of contractual undertakings. The same three factors set forth above should apply whether the matter under investigation is a single contract or a series of undertakings. As long as, taken as whole, that series fits into the above framework, it should be deemed to act "to the contrary" of termination.

B. *Navigating the Landscape of "Agreements to the Contrary"*

In view of the myriad variants that parties may attempt in order to block the ability to terminate, it will be useful to explore the broad spectrum of possibilities using concrete examples. The following illustrations[150] constitute "agreements to the contrary" of termination,[151] given that they embody the three elements set forth above. For the sake of completeness and clarity, we illustrate scenarios drawn from both the realms of § 203 and § 304(c). Accordingly, we need to summon up two paradigmatic frameworks. For purposes of the analysis, 2010 is deemed "the present time."

Pre-1978 Works Subject to § 304(c) (56-year and 75-year termination). In 1970, author "A" wrote a novel ("N") and agreed in exchange for royalty payments to assign copyright in N in perpetuity to publisher "P." P published N later that year. The fifty-six-year term for N expires in 2026. The termination window for that work runs from 2026 to 2031.[152] The first opportunity to serve a termination notice therefore ripens in 2016.[153] As of the present (2010), A is dead (pre-deceased by his wife) and succeeded by children K1, K2, and K3.

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150 The list is partially drawn from 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 11.07 (2010).

151 As illustrated below, the contracts themselves may be deemed valid in each instance, but nonetheless not stand in the way of valid termination. *See infra* Part IV.D.

152 17 U.S.C. § 304(c)(3) (2006).

153 *Id.* § 304(c)(4)(A) ("the notice shall be served not less than two or more than ten years before [the termination date falling within the pertinent five year

Post-1978 Works Subject to § 203 Termination (35-year termination). In 1991, composer "C" wrote ballad "B" and agreed in exchange for royalty payments to assign copyright in C in perpetuity to music publisher "S." C is still alive today and actively composing, and in fact is actively collaborating with her youngest grandchild. The term for S will last for C's lifetime and an additional seventy years, so at present we do not know its expiration date.[154] But the grant is subject to termination after thirty-five years, meaning that the termination window for that work runs from 2026 to 2031.[155] The first opportunity to serve a termination notice therefore ripens in 2016.[156]

We map out below types of agreements that constitute "agreements to the contrary" based upon the three-part framework set forth in subsection A. This typology is not intended to be exhaustive. There may well be other agreements that fall within the three-part test not discussed herein. But the illustrations set forth below should provide guidance in navigating other scenarios, as well.

1. Express Agreement Not to Terminate a Grant

The most straightforward example of an agreement that stands in the way of termination is one that expressly abandons the termination right. Thus, an agreement by K1, K2, and K3 with P not to terminate at any point in the future the grant from A to P would constitute an "agreement to the contrary" of statutory successors' termination right. If given effect, the children would lose their right to terminate under § 304(c). They would have no ability to terminate in the future under § 203 either, given that that latter provision applies solely to grants executed by the author.[157] Before the agreement, the children had the ability to terminate; after, they would have no such right if it were given effect. It is therefore an "agreement to the contrary" of termination.[158]

Similarly, an agreement by C with S not to terminate at any point in the future the grant from C to S would be an agreement to the contrary for reasons parallel to those just confronted.

statutory window — 56 to 61 years or 75 to 80 years following publication]").

154 *Id.* § 302. Copyright in S will last at least until 2080 (2010 + 70). If C dies in 2030, then it will last until 2100 (2030 +70).

155 *Id.* § 304(c)(3).

156 Id. § 203(a)(4)(A) ("the notice shall be served not less than two or more than ten years before [the termination date falling within the five year statutory window between 35 and 40 years after transfer]").

157 *Id.* § 203(a).

158 This agreement not to terminate in the future corresponds to Christopher Milne's agreement not to exercise his right of termination in the future. *See supra* note 139.

2. *Penalty Clause that Acts in Contravention of Termination*

An alternative tact that also constitutes an "agreement to the contrary" would be a contract to pay an exorbitant penalty in the event of termination — an *ipso facto* liquidated damage clause. Suppose, for example, that K1, K2 and K3 agreed to pay P the liquidated amount of $100 million in the event of a future termination of the grant from A to P — this agreement does not, strictly speaking, negate termination rights. But, to use Judge Owens' terminology, its economic consequences render it certain to "act in contravention to" those rights. For that reason, it should also be treated as an "agreement to the contrary" of termination.

Similarly, an agreement by C to pay S the liquidated amount of $100 million in the event of a future termination of the grant from C to S would also constitute an "agreement to the contrary" under parallel reasoning. Taking the matter several steps further, agreements by C that she will enter indentured servitude to S or forfeit the life of her first-born to S, should she serve a future termination notice, would constitute "agreements to the contrary" as penalties that act in contravention of termination.

Imposition of the penalty at an early point in time, as opposed to at the moment of actual termination, would also run afoul of the "agreements to the contrary" provision. For example, suppose that K1, K2 and K3 agreed that, in the event of their service upon P of a notice of termination, P would no longer be obligated to pay them any royalties and they would not thereafter be allowed to re-grant rights to anyone other than P. Such a contract functions, as an economic matter, in contravention to termination and therefore deserves the same status as the prior penalty clauses. An agreement by C that, in the event of her service upon S of a notice of termination, S would no longer be obligated to pay her any royalties and she would not thereafter be allowed to re-grant rights to anyone other than S, would be not be permitted to stand in the way of termination on parallel grounds.

3. *Agreement Mischaracterizing the Copyrighted Work so as to Avoid a Termination Right*

The Copyright Act expressly excludes works made for hire from the termination right,[159] creating the temptation to contract around termination rights through characterization of a copyrighted work. Suppose that K1, K2, and K3 agree (as of the present) that N was created as a work for

[159] *See* 17 U.S.C. § 203(a) (2006) ("In the case of any work other than a work made for hire . . . ."); *id.* § 304(c) ("In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, other than a copyright in a work made for hire . . . .").

hire. This agreement is post hoc, inasmuch as it is entered by the author's children in 2010, rather than by the author himself at the work's creation in 1970.[160] It definitionally places the grant from A to P outside the termination framework. Before that agreement, the grant could have been subject to termination (so long as the pertinent evidence failed to sustain the contested proposition giving rise to the 2010 agreement, *viz*. that N was created as a work for hire). Given that the agreement extinguishes an antecedent termination right (contingent on the contested evidentiary point), it is an "agreement to the contrary" of termination.[161] For parallel reasons, an agreement by C that B was created as a work for hire[162] would also constitute an "agreement to the contrary."

4. *Rescission and Re-grant of Testamentary Transfers*

With these relatively straightforward scenarios in place, we can move on to the complex scenarios presented in the *Milne* and *Steinbeck* cases. To do so, let us now bifurcate A to confront two different fact patterns: A1 was a loving father, whose will benefited the natural object of his bounty, namely his three children. By contrast, A2 was of a more bohemian disposition; when duly admitted to probate, his will bequeathed every copyright interest he had (including all ongoing royalties from P) to M, a woman other than his lawful wife.

A1. Suppose that K1, K2, and K3 "rescind" the rights that A1 originally granted, and simultaneously "re-grant" to P the identical rights. If given effect, the children would lose their right to terminate under § 304(c), as the new operative grant would be dated 2010, and that section only allows termination of pre-1978 grants.[163] They would have no ability to terminate in the future under § 203 (applicable to post-1978 works) either, given that that provision applies solely to grants executed by the author.[164] Before the agreement, the children had the ability to serve a notice of termination as of 2016;[165] if it is given operative effect, by con-

160 By contrast, when the author agrees at the time of the work's composition that it will be considered a work for hire, the agreement may pass muster. *See infra* Part IV.C.4.

161 This case corresponds to the holding of *Marvel Characters, Inc. v. Simon. See supra* note 119.

162 For the same reasons previously confronted, this 2010 agreement is post hoc; were it not, it could escape being an agreement to the contrary. *See supra* note 160.

163 17 U.S.C. §304(c) (2006) ("executed before January 1, 1978").

164 *Id.* § 203(a).

165 This date results from the following calculation: 1970 + 56 - 10 = 2016.

trast, then afterwards they would have no such right. It is therefore an "agreement to the contrary" of termination.[166]

A2. Turning to the other scenario, upon A2's death, M comes into possession of A2's rights to receive royalties from P. K1, K2, and K3 do not share in this interest, but, by statute, hold termination rights in novel N that they can initially exercise in 2016. K1, K2, and K3 have no ability at present to "rescind" the rights that A2 originally granted, inasmuch as they are strangers to that right (unless and until they reclaim such rights via termination in 2016 or later). Now suppose that M were to rescind the A2/P 1970 agreement in combination with a "re-grant" to P of the identical rights. This new operative grant is also dated 2010, and therefore is not subject to termination under § 304(c); it was not executed by author A2 himself, so it is also not subject to termination under § 203. Before this agreement, the children had the ability to terminate in 2016.

For the same reasons as above, therefore, this is an "agreement to the contrary" of termination. Moreover, it is all the more egregious than the A1 rescission/re-grant scenario as that scenario extinguishes the children's right to terminate based on their own conduct (and, undoubtedly some improved remuneration). The A2 variation, by contrast, extinguishes the children's right to terminate based on conduct of their adversary.[167] Congress passed this legislation to protect the authors' spouse and children from agreements that would extinguish their right to terminate. Yet this result is essentially the one that *Milne* approved,[168] in derogation of the structure, purpose, and language of the termination provisions.[169]

Suppose instead, in Scenario A1, that K1, K2, and K3 "cancelled" the rights that A1 originally granted, combined with a "superseding" grant to P of the identical rights. This scenario is essentially isomorphic with the

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166 As we shall see, a simultaneous rescission and re-grant by the author could be allowed under § 203. *See infra* Part IV.C.5.

167 *See* 17 U.S.C. § 304(c)(2) (2006).

168 Actually, two operative instruments were implicated in *Milne*. One, executed by the Pooh Properties Trust (holder of the author's copyright interest), exactly parallels the grant hypothesized above by M. *See supra* Part III.C.2. The other, executed by Christopher Milne, stated that he had agreed not to exercise his right of termination — a matter corresponding to the first scenario posited above. *See supra* Part IV.B.1. Accordingly, *Milne* more precisely arose at the confluence of a straight-up agreement not to terminate and a rescission/re-grant.

169 Congress realized that authors would, at times, choose to favor others than their own flesh and blood. For that reason, it defined the statutory successors to be the author's children and grandchildren, and made their ability to terminate inalienable. Yet that entire structure is defeated when M is allowed to deprive them of the rights that Congress intended to secure to their benefit, which is the result of Milne. *See supra* Part III.C.2.

Al rescission/re-grant variation described above and therefore should be treated the same.[170] Such a cancellation is an "agreement to the contrary."

Now consider the cancellation/superseding grant variation under the A2 scenario. A2 conveyed his rights by will to M. Hence, K1, K2, and K3 have no ability to "cancel" the rights that A2 originally granted. Accordingly, the parallel structure as to A2 is as follows: An agreement by M that she "cancels" the rights that A2 originally granted, combined with a "superseding" grant to P of the identical rights. This scenario is essentially isomorphic with the A1 cancellation/superseding grant variation, and therefore is to be treated the same — notwithstanding that it is essentially the one that *Steinbeck* approved,[171] in derogation of the structure, purpose, and language of the termination provisions.[172]

5. *Sub-Class Agreement in Contravention of Termination*

The previous scenarios have all treated K1, K2 and K3 as a monolithic group. But, of course, their interests may diverge. If K1 and K2 serve a notice of termination over K3's express objection, the statute nonetheless validates it as the product of majority action.[173] Conversely, no matter how fervently K3 wishes to terminate, she may not do so alone. Thereby arises the possibility of another sort of agreement.

Let us imagine that K1 and K2 enter into an agreement with P that neither will ever engage in termination. P could pay each handsomely for such forbearance, and then could safely ignore K3 (who, alone, could do nothing). That agreement among three parties (K1, K2, and P) results in the practical inability to terminate the grant of copyright interest, which otherwise would have existed. It is therefore an "agreement to the contrary."[174] Of course, that circumstance would not matter if K1 and K2

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170 Again, we shall see that a simultaneous cancellation and superseding grant by the author could be allowed, by contrast, under § 203. *See infra* Part IV.C.5.

171 Of course, there are differences. Author John Steinbeck did not bequeath his copyrights to a mistress who disinherited his children — instead, his will was in favor of his second wife, who effectively disinherited his children by his first wife.

172 *See* Penguin Group (USA), Inc. v. Steinbeck, 537 F.3d 193, 196-97 (facts), 202-03 (holding) (2d Cir. 2008); *see also supra* Parts I.B *and* II.B.

173 17 U.S.C. §§ 203(a)(2)(C), 304(c)(2)(C) (2006).

174 The Second Circuit assumed the opposite:

> If the holders of a majority of an author's termination interest were to agree that they would not exercise their termination rights, this would have the effect of eliminating a termination right as to the minority termination interests. Yet such an agreement could not be held ineffective as an "agreement to the contrary" inasmuch as section 304 itself contemplates elimination of termination rights in that manner.

remain alive and true to their word.[175] But, let us imagine that K1 dies while the termination window is still open, survived by her own children (the author's grandchildren): G1, G2, and G3.[176] At this point, G1, G3 could combine, and determine that they do not wish to honor K1's pact (notwithstanding that K1 was their mother) with K2 and P to the detriment of Aunt K3. On that basis, G1 and G3 could join forces with K3, at which point they would represent a majority of the deceased author's per stirpes interests.[177] Accordingly, they could validly terminate,[178] notwithstanding inevitable carping from K2 and P that the device (which they hatched together with K1) to avoid termination has thereby been frustrated.

6. *Agreement to Write a Will in Contravention of Termination*

Section 203(a) provides that termination of copyright grants executed after January 1, 1978 applies to all grants "otherwise than by will."[179] The fact that C is still alive today and hence does not yet have testamentary heirs opens up an alternative stratagem for circumventing the termination right. Specifically, C can still change the disposition of her testamentary estate. Suppose that C were to write a will naming Q, a cherished friend, as her sole legatee, rather than one of the statutory successors favored by Congress (spouse, child, grandchild).[180] Furthermore, Q could execute a

Steinbeck, 537 F.3d at 202. For the reasons set forth in note 176 *infra*, we respectfully disagree.

175 In other words, there is no independent right to file a civil action based on the "agreement to the contrary" provision of the termination statute. So K3 has no right to file suit against K1, K2, and P for entering into a forbidden agreement to the contrary. Instead, the Copyright Act simply allows termination to proceed when its requisites are otherwise met, and in that context nullifies any agreement that stands to the contrary of termination.

176 As previously noted, the Second Circuit stated that, "[i]f the holders of a majority of an author's termination interest were to agree that they would not exercise their termination rights," the result would not constitute a prohibited " 'agreement to the contrary' inasmuch as section 304 itself contemplates elimination of termination rights in that manner." *Steinbeck*, 537 F.3d at 202. *See supra* note 174. It is true that "section 304 itself contemplates elimination of termination rights" via the concerted *non-action* of K1 and K2. However, nothing in that section validates an *agreement* between K1 and K2 as a bar to the subsequent valid termination by G1, G2, and K3. Accordingly, we must respectfully reject the court's conclusion "that such an agreement could not be held ineffective as an 'agreement to the contrary' " as inconsistent with the statute, as explicated herein.

177 17 U.S.C. §§ 203(a)(2)(C), 304(c)(2)(C) (2006).

178 *Id.*

179 *Id.* § 203(a).

180 A non-termination case arose when dance legend Martha Graham bequeathed her copyrights to a friend, Ron Protas. *See* Martha Graham Sch. & Dance

new grant of her expectancy in ballad B to S. Given that § 203(a)'s exclusion of grants "otherwise than by will" from the termination schema, the two-step process is designed to be termination-proof. But such two-step procedures should be examined in toto, rather than separately.[181] The initial agreement, by which C obligated herself to write a will, negates an antecedent termination right.[182] It is therefore an "agreement to the contrary" of termination.[183]

7. *Anticipatory Agreement Not to Terminate*

We have thus far focused on agreements to modify antecedent grants from 1970 and 1991. Could publishers circumvent the termination provisions through anticipatory agreements? To explore this domain, let us change the operative facts so that C and S have never had any dealings. In 2015, C makes a grant to S, analogous to the type of agreement at issue in *Fisher v. Witmark*: "I hereby assign copyright in my work for the original term and the renewal term." The 2015 analog would be "I hereby assign copyright in my work to S and I agree never to terminate this agreement." That simultaneous approach still constitutes an agreement among two parties (C and S), which results in the practical inability to terminate the grant of copyright interest in a given work, under circumstances in which, but for the agreement, the ability to terminate would otherwise exist. Hence, it constitutes an "agreement to the contrary."

The foregoing example involved two simultaneous undertakings. It remains to consider an agreement "before the fact." Let us imagine now that C is a recording artist prepared to enter a multi-album deal with a record company. In 1980, C signed a contract in which she agreed, "I will never terminate any contract I reach with the record company." In 1985, she signs a recording contract and delivers her first album. Once again, we face an agreement between two parties that results in the practical inability to terminate the grant of copyright, under circumstances in which, but for the agreement, the ability to terminate would otherwise exist. Again, therefore, this latest instance is yet another agreement to the contrary.

Found. v. Martha Graham Ctr. of Contemporary Dance, Inc., 380 F.3d 624 (2d Cir. 2004).

[181] *See supra* Part IV.A.

[182] Note that the statute expressly singles out this type of agreement as invalid: "Termination of the grant may be effected notwithstanding any agreement to the contrary, *including an agreement to make a will* or to make any future grant." 17 U.S.C. §§ 203(a)(5), 304(c)(5) (2006) (emphasis added).

[183] If we alter the facts such that author A3, who published N in 1970, is still alive today, then the same conclusions would apply to his making an agreement in 2010 to bequeath all his copyright interests to Q. *See* 17 U.S.C. § 304(c) (2006) ("otherwise than by will").

Let us push the timeframe back even further. Recall that novel N was written by author A and first vended in 1970. Let us imagine that A actually wrote N in 1963 and entered into a contract with publisher P in that year, even though it was not published for another seven years; and, let us imagine further that P had rare prescience, foreseeing that *Fisher v. Witmark* could not last forever and Congress would pass a new scheme.[184] P therefore insisted that A sign a contract with the following language: "I hereby assign my rights and agree that I will never reclaim them by any means, including by the exercise of any right that Congress may grant me in the future, whether legislated under Title 17 of the United States Code or otherwise." This language also instantiates a before-the-fact agreement to the contrary of the later-established termination right.

The Second Circuit opinion seemingly dictates the contrary result: "None of the parties could have contemplated that Congress would create a second termination right four years later. * * * We cannot see how the 1994 Agreement could be an 'agreement to the contrary' solely because it had the effect of eliminating termination rights that did not yet exist."[185] As opposed to that reasoning, it is respectfully submitted that, just as P could have seen the handwriting on the wall in 1963, so the various *Steinbeck* parties could have contemplated in 1994 that Congress would do again what it had already done before, namely extend copyright terms and make the additional time-period subject to termination of transfers.[186]

These considerations suffice to demonstrate that the timing is irrelevant. An agreement cannot stand if it acts contrary to termination, whether it arises after the grant in question, before it, or simultaneously in time.

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184 As previously noted, Congress noted the deficiencies of that opinion in 1963. *See supra* note 22. But it was not until 1964 that the first draft termination bill emerged, so P was contemplating something that did not yet exist. *See supra* note 23.

185 Penguin Group (USA), Inc. v. Steinbeck, 537 F.3d 193, 202-03 (2d Cir. 2008).

186 A prognostication of this sort actually would have been grounded in concrete reality. By 1993, the European Union had extended copyright term in Member States from life of the author plus fifty years to life of the author plus seventy years. *See* Council Directive 93/98,1993 O.J. (L 290) 9-13. That same year, a domestic groundswell began to build. *See* Public Hearing and Notice of Inquiry: Duration of Copyright Term of Protection, Docket No. RM 93-8, Copyright Office, Library of Congress (Sept. 29, 1993). Those forces later gave rise to bills harmonizing U.S. copyright terms with European norms. *See* 141 Cong. Rec. E379 (daily ed. Feb. 16, 1995) (remarks of Rep. Moorhead on Copyright Term Extension Act of 1995). Thus, the ultimate enactment of the Sonny Bono Copyright Term Extension Act in 1998 was hardly a bolt out of the blue, unforeseeable in 1994 — notwithstanding the Second Circuit's characterization.

C. Permissible Eliminations of Termination Rights

To fully understand the termination terrain, it will be useful to explore those contexts in which termination rights may validly be eliminated. When one of the three essential elements set forth above[187] is lacking, the result is not an "agreement to the contrary" of termination. Further analysis of the statute reveals more subtleties.

1. Re-Assignment to Grantee Following Notice of Termination

The Copyright Act, according to its legislative history, provides an "exception, in the nature of a right of 'first refusal,' [that] would permit the original grantee or a successor of such grantee to negotiate a new agreement with the persons effecting the termination at any time after the notice of termination has been served."[188] The subtlety here is that the work can be transferred back to the original grantee *after* notice of termination, even *before* termination becomes effective. Thus, suppose that K1, K2, and K3 serve a timely notice of termination on P in 2016, followed by prompt sale of their termination interest back to P. That termination is not an "agreement" by two or more parties; it is the exercise of a unilateral right. Accordingly, the termination itself cannot be an "*agreement* to the contrary." Once the termination notice has been sent, there is no future ability to effectuate any future termination.[189] Therefore, at the time that the later agreement is made to sell the terminated rights, lacking are "circumstances in which, but for that agreement, the ability to terminate would otherwise exist." The agreement itself therefore does not act to the contrary of termination, either.

Similarly, C could timely serve a notice of termination on S in 2016 and thereafter immediately sell the terminated interest back to S. Section 203(b)(4) expressly provides for this right to re-assign ballad B immediately following proper notice of termination, even if termination could not take place for another decade.

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187 *See supra* Part IV.A.

188 H. R. REP. NO. 94-1476, at 127. *See* 17 U.S.C. §§ 203(b)(4), 304(c)(6)(D) (2006). The labeling of that right as one of "first refusal" is inaccurate: "[S]cholars agree that the congressional description of the competitive advantage enjoyed by the initial grantee as a right of first refusal is not accurate." *See* Bourne Co. v. MPL Commc'ns, Inc., 675 F. Supp. 859, 866 (S.D.N.Y. 1987), *modified*, 678 F. Supp. 70 (S.D.N.Y. 1988) (citing 3 NIMMER & NIMMER, *supra* note 150, § 11.08[A]).

189 *See* 17 U.S.C. § 304(d) (2006).

2. *Assignment to Third Party Following Termination*

Once termination takes effect, the owners of the terminated right are free to transfer the copyright.[190] Thus, suppose that K1, K2, and K3 serve a timely notice of termination on P in 2016. Instead of re-assigning the work back to P, however, they wait until termination becomes effective in 2026; at that juncture, they put their father's novel N up for bid on the open market. After bids come in, they select Z to publish N. This is precisely the mechanism that Congress envisioned. The author and statutory successors have the opportunity to recapture and re-market the copyrighted work following termination. There is no "agreement to the contrary" of termination because termination has already been effectuated. The statute expressly allows that sale to a third party, once the termination interest has ripened into actuality.[191] Similarly, following timely notice of termination on S in 2016, C can validly sell ballad B to Z starting in 2026.

3. *Unilateral Acts*

The "agreements to the contrary" limitation requires there to be an agreement. Hence, unilateral acts do not violate this provision. Thus, the following unilateral acts cannot stand in the way of termination:

- C makes a will today naming Q as her sole legatee. When probated, that grant will not be subject to termination.[192] A will is a unilateral act, not an agreement by two or more parties. For that reason, there is no "*agreement* to the contrary" of termination.[193]
- S, the music publisher, becomes insolvent and is dissolved, after which the bankruptcy court reassigns the copyright back to C, the composer. Again, this judicial action is not an "*agreement* to the contrary" of termination.[194]

These examples are merely illustrative. There may be other unilateral acts that fall outside of the "agreement" limitation.[195]

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190 The operative time period here is upon termination taking effect, not the earlier time when notice of future termination is served, which was the subject of the previous subsection. *See supra* Part IV.C.1.

191 *See* 17 U.S.C. § 304(c)(6)(D) (2006).

192 *See id.* § 203(a) ("otherwise than by will").

193 If we posited an alternative A3 who published N in 1970 and lived to today, the same considerations would apply to his will in favor of Q as to C's.

194 Note that the Copyright Act expressly contemplates transfers undertaken by the power of bankruptcy courts. *See id.* § 201(e).

195 Let us imagine that, subsequent to S's bankruptcy, C agrees to assign all rights in the work to Y for a period of thirty years, after which all rights revert to C. That agreement is too short to give rise to termination of transfers. *See id.* § 203(a)(3) (providing for termination after thirty-five years). The circumstance is therefore lacking that "but for that agreement, the ability to

4. *Works Made for Hire*

As noted above,[196] Congress expressly excluded works made for hire from the termination right,[197] based on which we explained that publishers could not circumvent the termination right merely by mischaracterizing a work as a work made for hire. But any valid work made for hire can be freely transferred without concern for the termination right.[198]

To illustrate, suppose that DreamWorks hires C to compose new music for its forthcoming animated motion picture. C signs an agreement that the resulting score will constitute a specially commissioned work for hire; for that reason, it will not be subject to termination. There are two reasons why this undertaking is not an "agreement to the contrary" of termination. First, Congress itself specified that works for hire fall outside the termination framework.[199] Structurally, therefore, the agreement to consider the resulting score as a specially commissioned work for hire cannot give rise to later termination. Second, adverting to the three criteria that determine what is an agreement to the contrary,[200] this agreement fails to qualify. The reason is that, before the subject agreement is signed, there is no score, no grant, and therefore no ability to terminate a grant.[201] Accordingly, this agreement is not entered "under circumstances in which, but for that agreement, the ability to terminate would otherwise exist."[202] It is therefore not an agreement "to the contrary" of termination.[203]

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terminate would otherwise exist." Accordingly, the agreement itself is not "to the contrary" of termination.

196 *See supra* Part IV.B.6.

197 *See* 17 U.S.C. §§ 203(a), 304(c) (2006).

198 *See id.* § 101 (definition of "work made for hire"); *see generally* 1 NIMMER & NIMMER, *supra* note 150, § 5.03 (explicating the statutory and jurisprudential contours of the class of "works made for hire").

199 17 U.S.C. §§ 203(a), 304(c) (2006) ("other than a work made for hire").

200 *See supra* Part IV.A.

201 Crucially, there is only one agreement here, which creates the contractual link between the parties and inherently negates any ability to terminate. By contrast, if there were two agreements, then the one denominating the work as one made for hire would serve to remove it from the termination framework, and therefore would be a prohibited agreement to the contrary. *See supra* Part IV.B.3.

202 To belabor the point in the previous footnote, lacking here are circumstances in which, but for C's agreement with DreamWorks, the ability to terminate would otherwise exist. By contrast, in cases the examples set forth in Part IV.B.3 *supra*, there would initially be an ability to terminate (to the extent that the facts showed the work was created outside the for-hire framework). Later, the subject agreements posited in Part IV.B.3 *supra* would negate that antecedent right.

203 Under Seventh Circuit law, an agreement to specially commission a work for hire must precede the work's creation. Schiller & Schmidt, Inc. v. Nordisco Corp., 969 F.2d 410 (7th Cir. 1992). Accordingly, the example discussed in

5. *Re-Assignment by Author of Grants or Licenses to Transferee*

For copyright transfers (by grant or license) executed after 1978, the legislative history counsels that "Section 203 would not prevent *the parties* to a transfer or license from voluntarily agreeing *at any time* to terminate an existing grant and negotiating a new one, thereby causing another 35-year period to start running."[204] Thus, authors (but not statutory successors) may rescind or cancel a grant or license at any time and re-grant such rights to the original transferee (but not to a third party). Of course, the transferee would be able to assign its interest to a third party to the extent authorized by the contract with the author or by operation of law.[205]

Congress authorized this mechanism for renegotiating post-1978 transfers with the original transferee precisely because it does not eliminate the termination right. Rather, it resets the termination clock to thirty-five years from the date of the re-grant. Thus, suppose that C and S wish to renegotiate the terms of their 1991 contract. They mutually agree at present to rescind (or cancel) the agreement and to re-grant the same rights on different financial terms. The net effect of this 2010 transaction is to postpone C's ability to terminate in 2026; this new grant is itself sub-

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the text is congruent with its holding. But Second Circuit law allows the agreement to be signed later, as long is it ratifies a previous oral agreement. *See* Playboy Enters., Inc. v. Dumas, 53 F.3d 549 (2d Cir. 1995). Under that variant, one could have a circumstance in which, before the agreement was signed, the musical score already existed. But even under those circumstances, before the ratifying agreement is signed, there is still no grant and therefore no ability to terminate a grant. The same conclusion therefore follows that it is not an agreement "to the contrary" of termination.

204 H.R. Rep. No. 94-1476, at 127 (emphasis added); *see* 17 U.S.C. § 203 (2006).

205 Transfers of copyright ownership may be freely transferred to third parties, see 17 U.S.C. §§ 101 (definition of "transfer of copyright ownership"), 201(d) (2006), although subject to any termination rights. The assignability of licenses is more complex. Where the instrument between the author and the grantee does not address assignability, courts will not permit transfer of nonexclusive copyright licenses absent licensor consent. *See In re* Patient Educ. Media, Inc., 210 B.R. 237, 240 (Bankr. S.D.N.Y. 1997) (drawing upon Everex Sys., Inc. v. Cadtrak Corp. (*In re* CFLC, Inc.), 89 F.3d 673, 679 (9th Cir. 1996) (holding that nonexclusive patent licenses cannot be assigned absent licensor consent) to hold that a nonexclusive copyright license "is personal to the transferee . . . and the licensee cannot assign it to a third party without the consent of the copyright owner")). The courts are divided, however, regarding the assignability of exclusive copyright licenses. *Compare* I.A.E., Inc. v. Shaver, 74 F.3d 768, 775 (7th Cir. 1996) (holding that exclusive licensee may freely transfer the license), *with* Gardner v. Nike, Inc. 279 F.3d 774, 777-78 (9th Cir. 2002) (holding that copyright licenses (whether exclusive or not) were 'not transferable as a matter of law"'); *see generally* Peter S. Menell, *Bankruptcy Treatment of Intellectual Property Assets: An Economic Analysis*, 22 Berkeley Tech. L.J. 733, 800-03 (2007).

ject to termination in thirty-five years, namely as of 2045. Accordingly, even after this agreement becomes effective, it does not result in the practical inability for C to terminate her grant of copyright interests in B.[206] Therefore, it is not an agreement to the contrary.

Suppose further that, after entering into the new grant via rescission/re-grant or cancellation/grant, the parties have another change of heart: As of 2030, they once again renegotiate the terms of their 2010 contract. The effect of this agreement is to eliminate C's ability to terminate in 2045. Nonetheless, this new grant is itself subject to termination in thirty-five years, which can occur as of 2065. Accordingly, even after this latest agreement becomes effective, it does not result in the practical inability for C to terminate her grant of copyright interests in the work.[207] Therefore, it is not an agreement to the contrary.[208]

Whether this same mechanism also applies to works originally transferred before 1978 requires further consideration. To illustrate this scenario, we need to introduce a further variation on the A/P transfer relating to novel N. In this variation, author A3 is still alive in 2010. Therefore, K1, K2, and K3 are not the current owners of N; instead, they may succeed to a future contingency as statutory successors. A3 and P wish at present to renegotiate the terms of their 1970 contract. They mutually agree to rescind (or cancel) the agreement and to re-grant the same rights on different financial terms. Would this be an "agreement to the contrary" of termination?

Drawing upon the same statement from the legislative history quoted above — "Section 203 would not prevent the parties to a transfer or license from voluntarily agreeing at any time to terminate an existing grant and negotiating a new one, thereby causing another thirty-five-year period to start running"[209] — A3 and P could rescind (or cancel) the 1970 contract while simultaneously re-granting the same rights to P. The effect of this agreement is to eliminate A3's ability to terminate in 2026 pursuant to § 304(c). Nonetheless, this new grant is itself subject to termination pursuant to § 203, which can occur as of 2045.[210] Accordingly, even after this

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[206] As noted in the text, it merely delays the termination window from opening in 2026 to 2045.

[207] Again, now the termination window opens in 2065.

[208] This scenario can be repeated ad infinitum throughout C's lifetime. After her death, the copyright in her works will subsist for an additional seventy years. Therefore, if she keeps renegotiating contracts right up until her deathbed, even the last one will be subject to termination long before the copyright expires.

[209] H.R. Rep. No. 94-1476, at 127 (emphasis added); *see* 17 U.S.C. § 203 (2006).

[210] The five-year window means that termination of this latest grant can take place 2045–2050. Notification of that termination can therefore be served from 2035–48.

agreement becomes effective, it does not result in the practical inability for A3 to terminate his grant of copyright interests in N. Therefore, it is not an agreement to the contrary.

Following the same logic as above, as of June 1, 2030, A3 and P could renegotiate the terms of their 2010 contract. The effect of this agreement is to eliminate the ability of K1, K2, and K3 to terminate in 2045. Nonetheless, this new grant would itself be subject to termination as of June 1, 2065.[211] Accordingly, even after this agreement becomes effective, it does not result in the practical inability for K1, K2, and K3 to terminate their grant of copyright interests in the work.[212] Therefore, it is not an "agreement to the contrary."[213]

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211 Note that N was first published in 1970. Its current term lasts until 2065. 17 U.S.C. § 304(a)(2)(A) (2006). Regardless of the exact day in 1970 on which it was published, its term subsists until December 31 of that year. *Id.* § 305. Accordingly, in the case set forth above, A3's statutory successors will have the opportunity to terminate the 2030 grant, which will be effective for at least the last six months of calendar year 2065. If Congress has extended copyright terms by that time, then the termination will apply for a correspondingly longer period.

212 Does there ever come a time when A3 can renegotiate such that his latest grant will never become eligible for future termination? We have previously observed that there never comes such a time in C's lifetime. *See supra* note 208. The situation is slightly different as to A3. Given that his work expires in 2065, if he were to enter into a new rescission and re-grant starting in 2031, then it would never be subject to termination under § 203. Accordingly, that new agreement would constitute an "agreement to the contrary." Inasmuch as such a circumstance requires an author to live for sixty-one years past publication of a work that is sufficiently popular at that latter time to generate contractual renegotiation, it would be astounding if litigation were to arise in such a posture. But should advances in medical research greatly extend human longevity, this scenario could arise through 2038 (given that § 304(c) will cease to have any operative effect as of 2073). If we could be permitted an ultracrepidarian editorial, such an anomaly in statutory interpretation would be a small price to pay for immortality!

213 A few words may be indicated regarding a potential counterargument. In its prefatory "Conditions for Termination," section 203(a) states, "In the case of any work . . . the grant of a transfer or license of copyright . . . executed by the author *on or after January 1, 1978* . . . is subject to termination under the following conditions . . . ." *Id.* § 203(a) (2006) (emphasis and ellipses added). This provision theoretically could be interpreted as limiting § 203, including the rescission/re-grant mechanism stated in the legislative history, to *original* grants "executed by the author on or after January 1, 1978." If so, the analysis of the rescission/re-grant scenario for grants predating 1978 would proceed entirely within the § 304(c) framework, which itself does not contain any author exception for renegotiation. The result would be to treat the new 2010 deal as an "agreement to the contrary" of termination to the extent that it bound the author (or the author's statutory successors) beyond the 2026 termination date.

D. *Consequences of Agreements to the Contrary*

We have now posited a slough of cases that are to the contrary of termination,[214] juxtaposed against numerous cases that are not.[215] The latter may plainly stand. It remains to characterize the status of the former.

The bedrock principle applicable here is the one that Congress legislated: "Termination of the grant may be effected notwithstanding any agreement to the contrary . . . ."[216] It follows that courts must allow termination to proceed under each of the subject cases in Part IV.B. Given that *Milne* refused to allow termination to proceed in a case posing essentially the same facts as those illustrated above in the rescission/re-grant example[217] in combination with an agreement not to terminate,[218] it erred.[219] Given that *Steinbeck* refused to allow termination to proceed in a case posing the above cancellation/re-grant scenario,[220] it also erred.[221]

That conclusion is simple enough to debunk the rulings from the Ninth and Second Circuits. But if those propositions ended the inquiry, then the ingenuity of lawyers would simply turn to other strategems. Consider the penalty clause scenario[222] whereby C agrees to pay $100 million in the event of termination. Technically, one could enforce the contract and simultaneously follow the letter of the law: "Termination of the grant may be effected notwithstanding any agreement to the contrary . . . ." An analysis blinkered to real-world considerations runs as follows: C made an agreement to the contrary of termination. Therefore she still may termi-

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That counterargument is not persuasive. The prefatory conditions of § 203 are satisfied here, inasmuch as the 2010 renegotiated contract precisely qualifies as a "grant of . . . copyright . . . executed by the author on or after January 1, 1978." That preface contains no further indication that § 203's conditions are designed to extend as well to antecedent contracts of which the latest exemplar is a renegotiation. No convincing reason exists to interpret the statute beyond its plain language to incorporate such a sweeping construction, especially given the absence of any good policy reason for distinguishing between pre- and post-1978 grants with regard to the rescission/re-grant mechanism, given the presence of the thirty-five-year termination safety valve. On that basis, A3 should have the same opportunities for rescission (or cancellation) and re-grant as are available to C under the § 203 mechanism.

214 *See supra* Part IV.B.

215 *See supra* Part IV.C.

216 17 U.S.C. §§ 203(a)(5), 304(c)(5) (2006).

217 *See supra* Part IV.B.4.

218 *See supra* Part IV.B.1.

219 *See supra* note 168.

220 *See supra* Part IV.B.4.

221 *See supra* note 171.

222 *See supra* Part IV.B.2.

nate. Of course, after she terminates, the contractual result is that she has forfeited her life savings and will be forced into bankruptcy. But the termination is still valid, so her impoverishment does not derogate from the congressional command.

That resolution is far too wooden to stand. States may not enforce laws that stand at odds with aspects of federal copyright legislation.[223] That proposition has been vindicated in numerous postures,[224] including decisions refusing to apply contract principles that would otherwise be valid under state law.[225] Parallel reasoning dictates that the agreement to pay $100 million in this circumstance is void and unenforceable.

A further word is indicated about voidness. The 2010 contract that C enters may contain numerous provisions in addition to the $100 million penalty. There is no reason that the court needs to invalidate the contract as a whole. Instead, it may sever that provision, assuming that the balance of the contract is not dependent thereon.[226] The case law also distinguishes between contracts that are voidable and those that are void *ab initio*.[227] Into the latter category falls the scenario in which C agrees to

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223 *See* Capital Cities Cable, Inc. v. Crisp, 467 U.S. 691, 710-711 (1984) (invalidating Oklahoma statute that banned retransmission of out-of-state commercials for alcoholic beverages, as it interfered with rights granted cable operators under the Copyright Act); *see generally* Hines v. Davidowitz, 312 U.S. 52 (1941) (setting forth standards for conflict preemption).

224 *See* 1 Nimmer & Nimmer, *supra* note 150, § 1.01[B][3].

225 *See* Valente-Kritzer Video v. Pinckney, 881 F.2d 772, 775-76 (9th Cir. 1989) (claims for breach of oral contract and tortious breach of contract held preempted, given that Copyright Act requires certain grants to be in writing); Library Publ'ns, Inc. v. Medical Econ. Co., 548 F. Supp. 1231 (E.D. Pa. 1982), *aff'd*, 714 F.2d 123 (3d Cir. 1983) (holding void and unenforceable oral agreement that would be valid under state law, given that Copyright Act required writing); *see also* Ocasek v. Hegglund, 673 F. Supp. 1084, 1086 (D. Wyo. 1987) (issue of alleged compliance with Wyoming Protection of Copyright Users Act cannot bar enforcement of federal rights in federal court); Universal Mfg. Co. v. Douglas Press, Inc., 770 F. Supp. 434, 436 (N.D. Ill. 1991) (disallowing attempt to make plaintiff's compliance with state licensing statutes condition precedent to its assertion of rights under Copyright Act).

226 *See* Restatement (Second) of Contracts § 184 (1981) ("If less than all of an agreement is unenforceable . . . a court may nevertheless enforce the rest of the agreement in favor of a party who did not engage in serious misconduct if the performance as to which the agreement is unenforceable is not an essential part of the agreed exchange"); *see also* Panasonic Co. v. Zinn, 903 F.2d 1039, 1041 (5th Cir. 1990); 15 Arthur L. Corbin, Corbin on Contracts § 89.7 (2009).

227 *See* Griffin v. Smith, 101 F.2d 348, 349-50 (7th Cir. 1938) (useful discussion of the distinction between "void" and "voidable"); *compare* Restatement (Second) of Contracts, *supra* note 226, § 7 cmt. b (voidable), *with id.* § 178 (void).

enslave herself in the event of termination.[228] The Thirteenth Amendment to the United States Constitution invalidates that contract.[229] In the same category falls the scenario whereby C sacrifices her child's life as a surety against termination.[230] State murder laws invalidate that particular contract.[231]

Thus, agreements may be void insofar as they contravene state laws, the federal constitution, or federal copyright legislation. All of the examples in parts IV.B.1 through 5 all meet that last criterion. Insofar as they act in derogation of termination, each is void.

Actually, the cases corresponding to *Milne* and *Steinbeck* are more straightforward to resolve than the penalty clause case in which C must pay $100 million for terminating. In that latter scenario, one could in theory allow the termination to go forward, thereby following the minimal statutory command, but still enforce the contract and thereby reduce C to penury as the price for exercising her federal right. Only when one scrutinizes voidness on top of federal law do problems with this scenario manifest.

That two-step process is unnecessary, however, as to the *Milne* and *Steinbeck* scenarios. The only question they pose is how to apply the law that Congress enacted. In *Milne*, the court concluded that the author's pre-1978 agreement was *rescinded* as a matter of state law and replaced with a post-1978 agreement not subject to termination; *Steinbeck* drew a like conclusion that a pre-1978 agreement was *canceled.* But those conclusions arise only by first focusing on state contract law, as occurred explicitly in *Steinbeck*: "Our *first* inquiry, then, is whether the 1994 Agreement terminated[232] and superseded the 1938 Agreement."[233]

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228 *See supra* Part IV.B.2.

229 *See* State *ex. rel.* Hobbs v. Murrell, 93 S.W.2d 628, 630 (Tenn. 1935) ("Slavery and involuntary servitude are forbidden by law, and, therefore, a contract to enter into involuntary servitude is illegal and void.").

230 *See supra* Part IV.B.2.

231 *See* Restatement (Second) of Contracts, *supra* note 226, § 178(1); *see also* Oubre v. Entergy Operations, Inc., 522 U.S. 422, 431-32 (1998) (Breyer, J., concurring) (offering contract to commit murder as example of contract that would be void *ab initio*).

232 Note that the word "terminated" in that excerpt is *not* used in the sense of federal statutory termination rights, and refers instead to devices of state law. By the same token, the opinion later continues, "A contract that remains in force may still be terminated and renegotiated . . . ." Penguin Group (USA), Inc. v. Steinbeck, 537 F.3d 193, 201 (2d Cir. 2008). In the following paragraph, by contrast, the court refers to "earlier created termination rights . . . which are granted by statute, not contract . . . ." *Id.* That latter reference is obviously to federal rights, as distinct from the state rights previously discussed. The next paragraph reverts to using the word in its state-law sense. *Id.* ("We also reject the suggestion that, notwithstanding

Properly construed, there is no occasion to even start down the road of drawing the appropriate conclusions under *state* law, given the existence of a *federal* statute unambiguously commanding that termination must still be effectuated, regardless of how the subject agreement may have been disposed of as a matter of state law.[234] The *Milne* and *Steinbeck* courts should have simplified their analysis by beginning with federal law, which would have quickly brought the matter to a close: "Termination of the grant may be effected notwithstanding any agreement to the contrary . . . ." Given that agreements at issue in *Milne* and *Steinbeck* acted to the contrary of termination, the opinions did not need to delve into whether they were void (or voidable) or not; they simply should have ruled that termination still may be effected, as the statute expressly provides.[235]

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the plain language of the 1994 Agreement, there was no effective termination of the 1994 Agreement"). As previously noted, courts use the word "termination" ambiguously. *See supra* note 26. The textbook illustration occurs in a single sentence in *Steinbeck*: "So, provided that a post-1978 agreement effectively terminates [state law] a pre-1978 grant, Congress did not manifest any intent for the earlier agreement to survive simply for purposes of exercising a termination right [federal] in the future." *Steinbeck*, 537 F.3d at 203.

[233] *Steinbeck*, 537 F.3d at 200 (emphasis added). That resolution proved decisive, as the court's resolution of state law obviated the need to look to federal law: "So, even if we accept that the 1994 Agreement 'explicitly carries forward possible future termination,' it does not matter inasmuch as the pre-1978 grant of rights no longer existed." *Id.* (citation omitted). Note that the word "termination" in the previous sentence now occurs in its federal sense. *See supra* note 232.

[234] *See supra* Part III.C.

[235] To spell out the subject matter of this whole subsection a bit more fully, liquidated damages cases poses several steps:

1) Does the agreement act to the contrary of termination?;
2) Given an affirmative answer, the conclusion follows that termination must nonetheless be allowed;
3) The further question arises whether the court should enforce the agreement of the parties, and force C to disgorge $100 million after she has effectuated termination.

By contrast, the analysis is properly truncated as to the *Milne* and *Steinbeck* scenarios, which can be boiled down to:

1) Does the agreement act to the contrary of termination?
2) Given an affirmative answer, the conclusion follows that termination must nonetheless be allowed;
3) At that stage, it does not matter whether the court needs to enforce the agreement of the parties.

As such, the questions posed by *Milne* and *Steinbeck* should have been quickly resolved in favor of termination — contrary to the rulings of the Ninth and Second Circuits.

As the foregoing demonstrates, the language of the termination provisions provides a coherent framework for addressing the broad range of imaginable scenarios. With this framework in mind, we may now circle back to more fully explicate statutory construction of the key provisions and the interpretive errors of the *Milne* and *Steinbeck* appellate decisions. We also address the policy arguments that Penguin presented in its opposition to the Steinbecks' petition for *certiorari*.

V. RESPONSES TO CONTRARY ARGUMENTS ABOUT "AGREEMENTS TO THE CONTRARY"

A. Statutory Construction of the Termination Provisions

Milne and *Steinbeck* turn on statutory construction. Both courts found Section 304(c)(5) ambiguous, which led them to selective use of the 1976 Act's legislative history. Under first principles of statutory construction, it is respectfully submitted that both courts erred.

1. Statutory Text

The provision at issue — "Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant" — is readily understandable. As such, it is not ambiguous. To appreciate this perspective, one need merely break the provision into its constituent parts: (i) "Termination of the grant"; (ii) "may be effected"; (iii) "notwithstanding any agreement to the contrary"; (iv) "including an agreement to make a will or to make any future grant." The Ninth Circuit was stymied by the third element, which we therefore take up last.

(i) "Termination of the grant": This clause contains the subject of the sentence. Section 304(c) is denominated "Termination of Transfers and Licenses Covering Extended Renewal Terms." It begins by stating "[i]n the case of any copyright subsisting in either its first or renewal term on January 1, 1978, other than a copyright in a work made for hire . . ., the . . . grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by any other persons designated by subsection (a)(1)(C) of this subsection, otherwise than by will, is subject to termination under the follow conditions . . .." Thus, the phrase "termination of the grant" in § 304(c)(5) clearly refers to a termination of a transfer of a pre-1978 copyright interest. The term "transfer of copyright ownership" is defined in § 101 of the Act. There is no ambiguity as to what is covered.

(ii) "may be effected": This clause contains the verb of the sentence. It means that termination may proceed in the manner to be designated by the predicate of the sentence. Again, no ambiguity clouds the analysis.

(iv) "including an agreement to make a will or to make any future grant": This clause modifies the predicate (clause (iii)) and refers to an agreement to make a will or a future grant (i.e., transfer or license) of the pre-1978 copyrighted work. Once again, there is no ambiguity.

(iii) "notwithstanding any agreement to the contrary": This clause is the predicate of the sentence. It establishes that the action set forth in the second clause (effectuation of termination of the grant) may proceed regardless of any agreement that would otherwise stand in the way of termination. By the use of the word "any," Congress commanded this clause to cover as broad a range of agreements as possible. As indicated by the word "including" following the comma, the examples in clause (iv) are illustrative and not limitative.[236] They reinforce the breadth of the "agreement to the contrary" clause.

Without going out on a limb, the plain meaning of the provision is that one who holds a termination right may exercise that right notwithstanding any agreement that would stand in the way. As indicated earlier, Judge Owen had little difficulty parsing this provision within the context of § 304(c)[237] and reaching the same conclusion. As he concluded, the language is clear.

As best one can tell, the Ninth Circuit conducted a truncated analysis. Rather than affirmatively analyzing the provision in context, it used a peculiar process of elimination. It began by noting that Congress did not specifically define "agreement to the contrary." But the same could be said of much of the Copyright Act, which spans hundreds of pages of the U.S. Code with innumerable terms, and yet expressly defines only a relative handful.[238] In fact, clauses (i), (ii), and (iv) are not expressly defined, yet the court did not have trouble reading them in context. The panel seized on the two examples that Congress did provide in clause (iv) preceded by the word "including" and observed that the 1983 Agreement is not an agreement to make a will or to any future grant.[239] The textual analysis ends there by considering those two examples limitative — in con-

236 *See* 17 U.S.C. § 101 (2006) (defining "including" to be illustrative).

237 *See* Steinbeck v. McIntosh & Otis, Inc., 433 F. Supp. 2d 395, 399, 402 (S.D.N.Y. 2006); *see also supra* Part IV.A.

238 *See* 17 U.S.C. § 101 (1976) (containing thirty-three definitions at enactment). At present, that section has been expanded to set forth fifty-four definitions. *See* 17 U.S.C. § 101 (2006).

239 Milne v. Stephen Slesinger, 430 F.3d 1036, 1043 (9th Cir. 2005), *cert. denied*, 548 U.S. 904 (2006).

travention of Congress's actual definition of the term "including" to be "illustrative and not limitative."[240]

The Ninth Circuit should have engaged in straightforward parsing of the language. The Second Circuit devotes even less discussion to textual analysis, deferring to the Ninth Circuit. One is left wondering how two separate panels could have given such short shrift to the language of the statute.

2. *Legislative History*

Even if the words Congress chose were not crystal clear, their meaning, in context, is unmistakable. The process of revising the Copyright Act resulting in the omnibus 1976 Act spanned nearly two decades and produced voluminous studies, drafts, hearings, and legislative reports. The legislative history of the termination of transfer provision — Sections 203 and 304(c) — relates to the confluence of two major policy changes driving the legislative project: (1) the shift from a dual term structure for copyrights and (2) the goal of safeguarding authors and their spouses, children, and grandchildren against unremunerative transfers and improving their bargaining position.

Under the 1909 Act, copyright protection was divided into two terms: an original term of twenty-eight years and a renewal term of twenty-eight years if the author or her statutory successor filed a renewal registration during the twenty-eighth year of copyright protection. Publishers favored extending copyright protection to a single term spanning life of the author plus fifty years, which had become the international standard under the Berne Convention. Authors generally favored extending the duration of copyright protection but wished to retain rights to reclaim copyrights so as to avoid unremunerative transfers. They sought to overturn the result in *Fisher v. Witmark*.[241]

The studies and hearings reveal that Congress considered various models for resolving this controversy. The principal stakeholders, who were intimately involved in the drafting process, compromised on a unified term subject to termination of transfers by authors or their statutory successors. Negotiations revolved around the scope of the work made for hire provision (such works would be exempt from termination) and whether the termination right would be inalienable. Author representatives took the view that if publishers (or production companies) could freely designate by contract who was an employee for hire, then the recapture provision would be negotiated away in most cases. They stood their

240 17 U.S.C. § 101 (2006). The court construed the statute as if Congress had, to the contrary, defined "including" to mean "limited to only these cases."
241 318 U.S. 643 (1943).

ground, limiting the work made for hire provision to eight designated categories involving collaborative works. Publishers and motion picture studios persuasively argued that works involving many collaborators could become unmarketable as a result of termination rights. But even here, the compromise involved designations of potentially exempt categories (as opposed to a functional test based on fairness or the difficulty of assembling rights following termination).

For works outside of the work-made-for-hire definition, authors obtained an inalienable right to recapture copyrights thirty-five years after a transfer or license under Section 203. Section 304 addresses the additional nineteen years of protection added by the 1976 Act. Rather than bestow this windfall of added protection upon assignees and licensees, Congress granted authors and their statutorily designated successors an inalienable right to recapture those added years. Section 304(c)(5) was drafted for the very purpose of blocking the efforts of publishers and persons outside the class of statutory successors from frustrating exercise of this right.

Later, in 1998, Congress added an additional twenty years to copyright duration. At that point, it followed the same blueprint. So long as the termination right had not yet been exercised, the newly added years would be available to the author and her statutorily-designated successors through an inalienable termination right.

This survey of the evolution of the termination provisions reinforces the textual analysis. Congress used broad language and categorical rules in Section 304(c)(5) (and the work made for hire definition) so as to avoid the strategic behavior reflected in *Fisher*.[242] Other approaches risked circumvention through contract and balancing tests, which would put authors at the mercy of publishers. In the end, Congress chose to make the termination right inalienable so as to safeguard authors and their statutory successors. Section 304(c)(5) was included to avoid any doubt that Congress intended this right to be inalienable and not subject to post hoc case-by-case balancing determinations.

The *Milne* and *Steinbeck* decisions fail to grasp this essential context in their review of the legislative history. Their discussion could charitably be described as cursory — it essentially boils down to misapplying two out-of-context snippets from the legislative history.

3. *Misinterpreting Snippets from the Legislative History*

Milne and *Steinbeck* rooted their rulings on: (i) a statement in the legislative history relating to the freedom to terminate and renegotiate existing grants under § 203;[243] and (ii) a general statement that "nothing in

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242 *Id.*

243 *Milne*, 430 F.3d at 1045 (quoting H.R. Rep. No. 94-1476, at 127).

this section or legislation is intended to change the existing state of the law of contracts concerning the circumstances in which an author may terminate[244] a license, transfer or assignment."[245] These statements were taken out of context and do not cohere with the plain language of the statute or its larger meaning. When read in context, these phrases fully support the framework that we espouse.

a) Freedom to Terminate and Renegotiate Existing Grants under § 203

The Ninth Circuit in *Milne* asserted that "Congress specifically stated that it did not intend for the statute to 'prevent the parties to a transfer or license from voluntarily agreeing at any time to terminate an existing grant and negotiating a new one,' "[246] selectively quoting part of a sentence from the House Report relating to Section 203. *Steinbeck* offered a similarly truncated version of this text.[247] The full sentence from which these passages are excerpted reads as follows: "Section 203 would not prevent the parties to a transfer or license from voluntarily agreeing at any time to terminate an existing grant and negotiating a new one, thereby causing another thirty-five-year period to start running."[248] When one reads the full statement, the courts' selective quotation collapses as a basis for their decisions.

Most crucially, while this snippet from the House Report accurately characterizes Congress's intention with regard to simultaneous rescission and re-grant by the author under Section 203,[249] a full textual analysis demonstrates that it is limited to that provision. The crucial language that both the Ninth Circuit in *Milne* and the Second Circuit in *Steinbeck* omitted from their quotations is "thereby causing another thirty-five year period to start running." The meaning is that, thirty-five years after the new grant, the author again has the opportunity to terminate. This language, fully accurate as to § 203, is structurally inapplicable to § 304(c), which allows *one and only one termination window*, maturing after the passage of fifty-six years.[250] It is for precisely this reason that simultaneous rescission

244 This instance of the word "terminate" refers to action under state law, not federal termination. *See supra* note 26.

245 430 F.3d at 1046, (quoting H.R. Rep. No. 94-1476, at 142); Penguin Group (USA), Inc. v. Steinbeck, 537 F.3d 193, 203 (2d Cir. 2008) (quoting identical language in H.R. Rep. No. 94-1476, at 128).

246 *Milne*, 430 F.3d at 1045 (quoting H.R. Rep. No. 94-1476, at 127).

247 *See Steinbeck*, 537 F.3d at 203 (quoting H.R. Rep. No. 94-1476, at 127).

248 H.R. Rep. No. 94-1476, at 127.

249 *See supra* Part IV.C.5.

250 *Compare* 17 U.S.C. § 203(a)(3) (granting unlimited number of potential statutory terminations to "be effected . . . at the end of thirty-five years from the date of execution of the grant") *with* §304(c)(3) (granting only one right to

and re-grant of a pre-1978 grant by someone other than the author constitutes an agreement to the contrary under Section 304(c).[251]

A systematic examination of the legislative history of the 1976 Act reinforces that the courts should have taken much more care in using a partial quotation from the legislative history relating to § 203 to interpret § 304. The portion of the House Report relating to § 203 discusses: (1) the "problem" with the 1909 Act renewal provisions; (2) the scope of the new termination right; (3) who can exercise termination; (4) when termination can be effected; and (5) the effect of termination.[252] The Report states that "the right to take this action [i.e., terminate a transfer] cannot be waived in advance or contracted away."[253] Interestingly, the Ninth Circuit overlooked this sentence — even though it explicates the logic of both § 203 and § 304. But in any case, turning to the discussion of § 304, the House Report emphasizes that "[t]he arguments for granting rights of termination are even more persuasive under section 304 than they are under section 203; the extended term [i.e., the addition of nineteen years of protection] represents a completely new property right, and there are strong reasons for giving the author, who is the fundamental beneficiary of copyright under the Constitution, an opportunity to share in it."[254] It then notes that "[s]ubsection (c) of section 304 is a close but not exact counterpart of section 203."[255]

Milne ignored the matters discussed in the preceding paragraph, but nevertheless found the sentence fragment relating solely to § 203 "instructive given Congress's use of identical language in both provisions"[256] without any further explication or effort to address the clear admonition in the legislative history that section 304(c) is "not [an] exact counterpart of section 203." As a result, the court missed the meaning: Post-1978 grants can be renegotiated prior to the running of the termination period precisely because *the renegotiated agreement will be subject to a new termination*

terminate, which matures "beginning at the end of fifty-six years from the date copyright was originally secured").

251 *See supra* Part IV.C.5.

252 *See* H.R. Rep. No. 94-1476, at 124-28.

253 *See id.* at 125.

254 *See id.* at 140.

255 *See id.* at 140.

256 Milne v. Stephen Slesinger, 430 F.3d 1036, 1045 n.9 (9th Cir. 2005), *cert. denied*, 548 U.S. 904 (2006) (referencing the interpretive doctrine that the "identical terms within an Act bear the same meaning"). *See id.* (citing Batjac Prods., Inc. v. GoodTimes Home Video Corp., 160 F.3d 1223, 1228 (9th Cir.1998) *and* Estate of Cowart v. Nicklos Drilling Co., 505 U.S. 469, 479 (1992)). *Steinbeck* compounded the error by using the Ninth Circuit's logic as its own justification for applying the legislative history of § 203 on this issue to construe § 304. Penguin Group (USA), Inc. v. Steinbeck, 537 F.3d 193, 203 n.9 (2d Cir. 2008) (citing *Milne*, 430 F.3d at 1046 n.9).

right. Section 304 offers no analogous scenario for the obvious reason noted above: it allows *one and only one termination window*, maturing after the passage of fifty-six years.[257] In short, the court erred by engrafting the interpretation of one provision onto another to which it was totally inapplicable, given their operational differences.[258]

b) Relationship of the Copyright Act to Contract Law

Milne and *Steinbeck* both quoted a snippet from the legislative history that "nothing in this section or legislation is intended to change the existing state of the law of contracts concerning the circumstances in which an author may terminate a license, transfer or assignment."[259] Taken expansively (as the courts did), that statement would validate every sort of agreement postulated above as to the contrary of termination.[260] Indeed, one would be hard pressed to come up with any content whatsoever to fit into that category; after all, each of them relies on "the existing law of contracts." If nothing has altered their ability to contract, then the language of the statute means nothing.

In other words, taking that snippet at face value empties of all content the language, "Termination of the grant may be effected notwithstanding any agreement to the contrary . . . ."[261] That viewpoint effectively interprets the statute as if it read, *Termination of the grant may not be effected given any agreement to the contrary.* It is a baseline rule of statutory interpretation that the legislative history cannot be used to impose the opposite

257 It also bears noting that, on two prior occasions, the Second Circuit had rejected an argument relying on language found in the legislative history of § 203 but not in § 304(c) to interpret the latter, notwithstanding that the statutory language at issue was identical in both: "Section 304(c) is designed to protect a new family property right that does not exist under Section 203, and references to the history of Section 203 therefore are inappropriate here." *Spier*, 953 F.2d at 779; *see* Stone v. Williams, 970 F.2d 1043, 1064 (2d Cir. 1992). Although the "normal rule of statutory construction" is that identical statutory language should be construed identically, that normal rule has no purchase here, given their differences in operation; the normal rule therefore actually led the appellate courts astray.

258 The courts should have scrutinized the importance of context, as did the Second Circuit in another recent case construing a federal intellectual property statute. *See* Rescuecom Corp. v. Google, Inc., 562 F.3d 123, 131-40 (2d Cir. 2009) (finding that the term "use in commerce" has different meaning in Section 32 of the Lanham Act from its meaning in Section 43 of the same Act).

259 *Milne*, 430 F.3d. at 1046 (quoting H.R. Rep. No. 94-1476, at 142); Penguin Group (USA), Inc. v. Steinbeck, 537 F.3d 193, 203 (2d Cir. 2008) (quoting identical language in H.R. Rep. No. 94-1476, at 128).

260 *See supra* Part IV.B.

261 17 U.S.C. § 304(c)(5) (2006).

meaning on the text.[262] For that reason, this snippet must be completely discounted.

The quoted language simply cannot override the clear thrust of the statute. But, there is an even more fundamental reason why arguments rooted in that aspect of the legislative history are flawed in this context. To appreciate why, we must first explicate the policy arguments founded on that history.

B. *Institutional and Policy Considerations*

1. *Penguin's Argument*

Penguin Group's opposition to the petition for *certiorari* in *Steinbeck* relied on the same snippet just quoted to argue that freedom of contract should govern the interpretation of Section 304(c):

> Eliminating authors' and heirs' freedom to "cancel or terminate a license, transfer, or assignment" contractually, against Congress's express direction, House Report 128, 142; Senate Report 111, 125, would disturb the congressional balance among the copyright interests of authors and grantees, substantially to the advantage of grantees, creating disincentives to enhanced compensation.[263]

This argument concluded on that basis that the rule urged herein,[264]

> that grants "executed before January 1, 1978" may not be terminated contractually, but must remain in effect or suspense until Section 304 termination rights are exercised or expire — would disadvantage many more authors and heirs than it would help, for no publisher will offer the substantially enhanced compensation seen in this case [*Steinbeck*] and in *Milne* for grants of rights that would always be vulnerable to termination.[265]

262 Arlington Cent. Sch. Dist. Bd. of Educ. v. Murphy, 548 U.S. 291, 304 (2006) (legislative history of Individuals with Disabilities Education Act suggesting Congress's intent that prevailing parties recover costs of experts was not sufficient to overrule the statute's unambiguous exclusion of such costs); City of Chicago v. Envtl. Def. Fund, 511 U.S. 328, 337 (1994) ("waste generation" was not exempt from regulation under the Resource Conservation and Recovery Act even though the Senate Committee Report stated that is was); Am. Hosp. Ass'n v. Nat'l Labor Relations Bd., 499 U.S. 606, 613 (1991) (isolated phrase from legislative history was insufficient to limit NLRB's rulemaking authority where Congress did not impose such a limit in the statute).

263 Brief in Opposition to *Certiorari*, Penguin Group (USA), Inc. v. Steinbeck, No. 08-1039 (Apr. 17, 2009), at 40.

264 *See supra* Part IV.

265 Brief in Opposition, *Steinbeck*, No. 08-1039, at 41.

2. *"Unfairness" Elaborated*

To clothe that argument in a concrete setting, let us revert[266] to the novel first published in 1970, whose fifty-six-year term therefore expires in 2026. The termination window for that work runs from 2026 to 2031.[267] The first opportunity to serve a termination notice therefore ripens in 2016.[268] At present, a termination notice would be a nullity.

Penguin posits such scenarios as the existence of a novel that could be profitably licensed now to be made into a major motion picture, provided that the author (or her statutory successors) could assure the studio that it will not lose its franchise to produce sequels starting in 2026. Given such assurances, the author stands to reap a cool $1 million at present for what might become a studio tent pole. But if the view espoused herein is rigidly enforced, nothing that the studio undertakes today in concert with the author (or her statutory successors) would prevent the latter from turning around and successfully serving a termination notice in the future. As a consequence, the deal falls apart now. By the time 2016 rolls around — at which time the author (or her statutory successors) could validly convey their rights in a termination-proof package[269] — interest in this project may have waned, as the public taste moved past the subject matter of the novel. The big loser in this scenario is the novelist, and the culprit is inflexible interpretation of the termination provisions of the sort championed herein.

3. *The Other Side of the Coin*

Penguin is free to postulate scenarios; others are welcome to play that game, too. So, now, let us imagine a beloved children's story that has generated tens of millions of dollars in profits for its licensee over the course of decades. The story's author bequeathed his copyright to an organization rather than to his children. A termination notice becomes timely in ten years. To the extent that the author's kids band together to serve a termination notice, that organization will see an end to its revenue stream.

Not wanting to lose its gravy train, the organization engages in negotiations today with the publisher that has purveyed the work over the decades. The organization offers to adjust royalties now in exchange for

266 *See supra* Part IV.B.
267 17 U.S.C. § 304(c)(3) (2006).
268 *Id.* § 304(c)(4)(A).
269 *See id.* § 304(c)(6)(D). Note that this provision allows a grant as of 2016 for the rights that would vest as of 2026 — but only to the initial grantee or its successor, not to a third party. Nonetheless, given the appropriate alignment of the parties, that circumstance might be all that is needed to assure the studio in 2016 that it would suffer no adverse consequences at any future time, whether 2026 or otherwise.

entering into a new agreement that will be termination-proof. In particular, the publisher and organization mutually agree to rescind the author's original pre-1978 contract and to re-grant the identical rights today. This new agreement will never be subject to termination under § 304(c), inasmuch as that provision only governs pre-1978 agreements; it also will never be subject to termination under § 203, inasmuch as that provision only governs agreements by the author personally.

By their stratagem, the publisher and organization have effectively eliminated today the termination rights of the children that were to mature in ten years. Given that Congress intended those children, as the author's statutory successors, to have the right to terminate "notwithstanding any agreement to the contrary," an enactment that the Supreme Court has characterized as "inalienable," one might think that courts would set aside the stratagem.

But *Milne* is directly to the contrary. Indeed, the Ninth Circuit in that case validated the very agreement postulated above, between a publisher (Slesinger, the licensee of A.A. Milne's rights in his *Winnie-the-Pooh* books) and an organization that was the author's testamentary legatee instead of his widow and children (the Pooh Properties Trust), even though that agreement recited on its face that it was entered for the express purpose of eliminating statutory termination rights.

4. *Evaluating the Policy Argument*

a) Faux Empiricism

Let us recall that Penguin's policy argument opposes our proposed statutory construction[270] based on the proposition that it "would disadvantage *many more authors and heirs than it would help*."[271] Certainly, it is possible to conjure up a scenario, as above,[272] in which inalienable termination harms those it was intended to benefit. We can call that "the loss from passing public fancy." Of course, it is also trivially easy to conjure up another scenario, as above,[273] in which inalienable termination secures the benefits intended for that class and prevents them from being evaded. That one we can label the "scheme to get around the children."

Penguin's argument depends on its assertion that rescission and regrant and other like moves to avoid termination more often match the *loss from passing public fancy* than the *scheme to get around the children.* In fact, Penguin's position is rooted in the claim that there will be "many more" exemplars of the first sort. It is therefore little short of astonishing

270 *See supra* Part IV.B.
271 Brief in Opposition, *supra* note 263, at 41 (emphasis added).
272 *See supra* Part V.B.2.
273 *See supra* Part V.B.3.

to realize that no reported case has ever arisen instantiating the scenario of *loss from passing public fancy*, whereas several have arisen that embody a *scheme to get around the children* — most notably, *Milne* and *Steinbeck* themselves!

Of course, no fact pattern is ever pristine, meaning that *Milne* and *Steinbeck* actually arise out of variants of the *scheme to get around the children*. In the latter, the author in his will favored his widow, who is indeed a member of the congressionally sanctioned class of statutory successors; but she was not the mother of his children, and entered into an agreement with the publisher that had the effect of evading the children's ability to terminate. In the former, the author's child could have filed a timely termination notice, but deliberately chose not to do so at the time that the organization named in the author's will reached an agreement to rescind and re-grant with the licensee of the author's copyright interest. But that circumstance proved to be mere window-dressing for the opinion, which ruled that the author's granddaughter could not later terminate the author's grant insofar as that grant had been previously eliminated through the rescission and re-grant effectuated by the author's testamentary legatee and his licensee (activities not effectuated by the only statutory successor anointed by Congress with the power to terminate, namely the author's son).[274]

In short, Penguin's argument fails to the extent that it is based on the empirical claim that the rule we urge herein "would disadvantage many more authors and heirs[275] than it would help." Just blinkering our vision to the universe of two cases, our proposal would benefit the statutory successors in *Milne* and *Steinbeck* far more than the actual holdings of those cases.

But, of course, we need not blinker our vision. Even if ten new cases were to arise that instantiate *loss from passing public fancy*, that circumstance would not somehow outweigh the two existing cases that instantiate the *scheme to get around the children*. For the deeper lesson here is that the validity of copyright enactments does not depend on a regression study of what cases actually have arisen and how the empirical evidence bears on who is the ultimate beneficiary of the termination rights that Congress

[274] *Milne*, 430 F.3d at 1046-47.

[275] If Penguin means the word "heirs" literally, then its point is true and trivial. *See supra* note 26. In other words, Congress meant termination rights to benefit the list that Congress itself enumerated of statutory successors rather than the heirs that authors name in their wills. Our proposal is meant to give content to Congress' choice. Of necessity, that construction works to the disadvantage of the "heirs" named in authors' will who are not statutory successors. Of course, therefore, Penguin's contrary construction is more beneficial to the "heirs" whom Congress deliberately tried to dispossess of continued copyright interests.

has carved into the Copyright Act.[276] Congress has set the copyright policy of the United States — its judgment is that an inalienable right to effectuate termination of prior transfers will benefit the class of authors and their statutory successors. Courts are not institutionally equipped to look behind that determination, the matter to which we turn next.

b) The Competence of Courts

A deeper lesson from Penguin's policy arguments unfolds at the institutional level. Can courts within our constitutional structure even consider such a policy-based challenge? It may be absolutely correct that an individual novelist could exist of the hypothesized *loss-from-passing-public-fancy* variety, whose interests are effectively squelched, just as Penguin claims. But is that a valid basis for any judicial relief?

The hidden premise in Penguin's argument is the following: When Congress incorporates timing provisions into the Copyright Act and states its basis therefor in the legislative history, courts should vindicate those provision only in instances meeting the stated intent; otherwise, courts should feel free to set aside the specified timing, in order to meet the higher purpose for which that timing was imposed. Consistent with that premise, Penguin urges courts to allow parties to sidestep the legislatively mandated scheme of allowing termination only after fifty-six years via service a maximum of ten years in advance,[277] to avoid disadvantaging authors.

To test that premise, let us turn our attention to the archetypal manner in which Congress has incorporated timing provisions into the Copyright Act — duration of term. Most recently, Congress explained its reasoning for extending protection for seventy year *post mortem auctoris* (*pma*):[278] "the primary purpose of a proprietary interest in copyrighted works that is descendible from authors to their children and even grandchildren is to form a strong creative incentive for the advancement of knowledge and culture in the United States."[279]

Every bright line rule will fail its stated purpose in certain instances at the margins. It is not hard to find given cases in which the stated goal of benefiting an author's children and grandchildren will be ill-served by a copyright term lasting seventy years *pma*:

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276 *See* James Boyle, The Public Domain ch. 9 (2008).

277 The fifty-six-year provision occurs as part of § 304 for pre-1978 works. For grants after 1978, by contrast, termination may occur after thirty-five years pursuant to § 203.

278 17 U.S.C. § 302(a) (2006).

279 S. Rep. No. 104-315, at 11 (1996).

- As to work X, its author died childless. When the proprietor (plaintiff1) demands that an entity (defendant1) cease exploiting work X only forty years after the author's death, then defendant1 could justly reply that the copyright has already endured far longer than necessary to vindicate the congressional purpose.
- As to work Y, its author at age sixty-five adopted children, who followed a similar course later in their own lives. When the proprietor (plaintiff2) demands that an entity (defendant2) cease exploiting work Y a full eighty years after the author's death, then plaintiff2 could justly maintain that it still deserves continued copyright protection for the subject work to vindicate the congressional purpose of benefiting the still-living grandchildren.

Those variants show that an invariable timing will produce results in certain instances contrary to the stated basis for the rule. But it scarcely follows that courts are free to vindicate the "higher purpose" of copyright duration by treating seventy years *pma* as a presumptive copyright term, subject to judicial variance upward given the appropriate facts as to work Y, and to judicious variance downward upon the requisite evidentiary showing as to work X.

In short, when Congress stated that the timing of copyright is long, in order "to form a strong creative incentive for the advancement of knowledge and culture in the United States," courts are directed to take that purpose at face value rather than to inquire whether it is accurate in gross or as to individual cases.[280] Congress has determined that copyright protection lasts for seventy years *pma*; there is no room in the statute for varying that term based on individual facts or a sense that the purpose of that term would be better served by alternative procedures.

Penguin is urging its policy argument to the wrong branch. Perhaps it can develop evidence that termination provides only chimerical benefits to authors, and that its inalienable status is more often counterproductive to their interests than helpful. It is welcome to present that evidence to Congress, which is free to repeal termination, or at least to repeal the portion making the right inalienable. Alternatively, Congress could replace the bright-line timelines incorporated into the termination provision with a balancing test, whereby courts would consider whether alternative vehicles might prove beneficial to author interests in individual cases.[281] Until

280 Eldred v. Ashcroft, 537 U.S. 186, 212 (2003) ("[I]t is generally for Congress, not the courts, to decide how best to pursue the Copyright Clause's objectives.").

281 A retroactive change in the law would, however, raise constitutional concerns. Copyrights are sometimes considered to be property subject to the Takings Clause of the Fifth Amendment to the U.S. Constitution: "nor shall private

such time, though, as Congress accepts any of those invitations, courts have no business erecting judicial exceptions to a clear statutory rule. The policy argument, in short, sheds no light on the question of proper statutory construction of the law as written.

VI. AN END TO POOH-POOHING?

The *Milne* and *Steinbeck* decisions undermine the provisions of the Copyright Act that guarantee the right of reversion to authors and statutorily designated successors. In so doing, they disrupt the overall statutory scheme, block authors' statutory successors from realizing their congressionally mandated interests, and cast clouds of uncertainty and confusion over the ownership of many valuable copyrights. Congress could not have more clearly manifested its intent that authors and their families should enjoy inalienable rights to terminate transfer and reclaim augmented terms of copyright protection; the Ninth and Second Circuit's interpretations could not have more patently undermined those guarantees.[282]

Congress emphasized its intention to prevent the class of problems created by *Fred Fisher Music Co. v. M. Witmark & Sons*.[283] It clearly had the option of authorizing courts to conduct case-by-case balancing of the degree of "unrenumerativeness" of later agreements rescinding prior transfers. And there is certainly an argument that adjudications might well prove just in particular cases. But Congress enacted a categorical rule, instead: "Termination of the grant may be effected notwithstanding *any* agreement to the contrary . . . ." The advantages of the categorical approach include avoidance of the uncertainty inherent in a balancing

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property be taken for public use, without just compensation." *See* Roth v. Pritikin, 710 F.2d 934, 939 (2d Cir. 1983), *cert. denied*, 464 U.S. 961 (1983) (holding that "[a]n interest in a copyright is a property right protected by the due process and just compensation clauses of the Constitution" and that "a subsequently enacted statute which purported to divest [the owners under the 1909 Act] of their interest in the copyright . . . could be viewed as an unconstitutional taking"); *see generally* 1 NIMMER & NIMMER, *supra* note 150, § 1.11. Even a prospective change would likely encounter significant political opposition from authors and artists.

282 Before the *Milne* and *Steinbeck* cases were decided, one of the current authors referred to "the replacement of an unworkable system of reversion of renewal rights with something hopefully more serviceable, namely termination of transfers." David Nimmer, *Codifying Copyright Comprehensibly*, 51 UCLA L. REV. 1233, 1248 (2004). The accompanying footnote, in promising the ultimate appearance of this very article, noted that whether "that goal has been fully reached remains pending evaluation even now many years later." *Id.* n.107. The current evaluation tracks the baleful history that has transpired since those words were penned.

283 318 U.S. 643 (1943).

test,[284] elimination of the potentially tremendous litigation costs required to obtain a judicial determination of whether the benefits of the renegotiation are sufficient, and (as Congress expected) protection of those statutory successors whose rights have not yet vested. The policy choice is not obvious. What is obvious, however, is that the policy decision relating to copyright — a federal statutory right — is for Congress, not for courts, to draw. Applying the framework set forth above would restore the integrity and clarity of Congress's language.

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284 Such an analysis embroils courts in evaluating the adequacy of consideration, an area in which courts tread lightly. *See* 3 RICHARD A. LORD, WILLISTON ON CONTRACTS § 7:21 (4th ed. 2002) ("It is an elementary and oft quoted principle that the law will not inquire into the adequacy of consideration as long as the consideration is otherwise valid or sufficient to support a promise.") (citing RESTATEMENT (SECOND) OF CONTRACTS § 71, cmt. a, Reporter's Note (1981); *id.* § 79, comment c; RESTATEMENT (FIRST) OF CONTRACTS § 81 (1932)); *see also* Allegheny Coll. v. Nat'l Chauttauqua Cnty. Bank, 159 N.E. 173, 176 (N.Y. 1927) (Cardozo, Ch. J.) ("'If a person chooses to make an extravagant promise for an inadequate consideration it is his own affair' (8 [WILLIAM S.] HOLDSWORTH, HISTORY OF ENGLISH LAW 17) [(1925)]'").