April 2007

Oh Bother: Milne, Steinbeck, and an Emerging Circuit Split Over the Alienability of Copyright Termination Rights

Allison M. Scott
University of Georgia School of Law

Follow this and additional works at: https://digitalcommons.law.uga.edu/jipl

Part of the Intellectual Property Law Commons, and the Modern Literature Commons

Recommended Citation
Available at: https://digitalcommons.law.uga.edu/jipl/vol14/iss2/6

This Notes is brought to you for free and open access by Digital Commons @ Georgia Law. It has been accepted for inclusion in Journal of Intellectual Property Law by an authorized editor of Digital Commons @ Georgia Law. Please share how you have benefited from this access. For more information, please contact tstriepe@uga.edu.
OH BOTHER: **MILNE, STEINBECK, AND AN EMERGING CIRCUIT SPLIT OVER THE ALIENABILITY OF COPYRIGHT TERMINATION RIGHTS**

**Table of Contents**

I. **Introduction** ........................................... 358

II. **Background** ............................................. 361
   A. Statutory and Policy Background for the Recapture of Previously Transferred Copyrights .............. 362
   B. The Copyright Act Termination Provisions ............. 364
      1. Which Transfers May be Terminated ................. 365
      2. When Transfers May be Terminated ................. 366
      3. Who May Terminate Transfers ..................... 367
   C. An Emerging Split Between the Second and Ninth Circuits: The Alienability of Copyright Termination Rights ............................................. 368
      1. Second Circuit ........................................ 369
         b. Steinbeck (S.D.N.Y. 2006) ..................... 372

III. **Analysis** ................................................. 380
   A. **Steinbeck** and the Emerging Split the Second and Ninth Circuits ....................................... 381
   B. The Second Circuit's Broad Interpretation of § 304(c)(5) is More Faithful to the Statute's Language and Legislative History Than the Ninth Circuit's Narrow Reading ................. 382
   C. The Second Circuit's Liberal Application of § 304(c)(5) Leads to More Fair and Consistent Results and Establishes a More Workable Legal Standard Than the Ninth Circuit's Restrictive Approach ........................................ 386

IV. **Conclusion** ............................................. 387

357
I. INTRODUCTION

In a world where a best-selling novel becomes a movie and a blockbuster film becomes a book and where both spawn sequels, television series, video games, and other merchandise, the transfer and licensing of copyrights for publishing and for production of derivative works provide the intangible foundation for multi-million-dollar entertainment and retail industries. But what about the unknown author who penned that manuscript and desperately sold the publishing rights on the cheap, the musician suckered out of his song rights for much-needed pennies, the starving screenwriter who got the raw end of the deal, and all of their respective families? For those authors who could not have known when they signed on the dotted line how successful their copyrighted work would be or that legislation would later extend the duration of the copyrights they were transferring, Congress created a safeguard: termination rights. Termination rights, or termination of transfer rights, provide statutory procedures through which an author of a copyrighted work (or upon the author's death, his statutory heirs) may, in certain circumstances, nullify previous transfers of copyrights and renegotiate bargains that more accurately reflect the true value of the work. While termination rights serve as an escape route for an author, or his heirs, bound by the terms of a bargain that was entered before the market value of the copyright to the author's work could be determined, termination rights are a constant threat to the publishing house, the record company, and the film producer whose rights to future profit from the author's work could be erased by a valid notice of termination.

Termination rights, though first inscribed in U.S. copyright law in the Copyright Act of 1976, are a topic of increasing importance in the twenty-first century. Of the three termination provisions of the 1976 Act, § 304(c) and § 304(d) will continue to be employed for the next few decades to terminate transfers made before 1978. Copyright transfers made in, or after, 1978 will begin to enter the window for exercise of termination rights under § 203(a) beginning January 1, 2013, with notices of termination perhaps already issued.

1. Since the fifty-six-year total copyright term was enacted in the Copyright Act of 1909, Congress has extended that term several times, including most recently with the enactment of the Sonny Bono Copyright Term Extension Act (CTEA). See Sonny Bono Copyright Term Extension Act, Pub. L. No. 105-298, 112 Stat. 2827 (1998) (codified in scattered sections of 17 U.S.C.).


5. See Michael I. Rudell & Neil J. Rosini, 'Grapes of Wrath' Case Shows Difficulties of Copyright Termination, N.Y. L.J. Aug. 25, 2006, at 3 (noting that notices of termination can be issued up to ten years before the effective date of the termination).
Termination rights are generally accepted to be inalienable, such that they cannot be transferred or surrendered. Thus, it seems clear that one could not expressly transfer or surrender termination rights as part of the consideration of a contract. However, a less clear case exists where copyright transferees argue that certain post-transfer agreements entered into with an heir of the author preclude the exercise of termination rights. Capitalizing on the differences between the requirements for termination of pre-1978 transfers and termination of transfers made during or after 1978, these transferees argue that the author's heir has effectively surrendered the author's family's termination rights by executing a non-terminable post-1978 agreement that replaced a previously terminable pre-1978 agreement executed by the author. While at least one trial court in the Second Circuit has rejected such an argument based on the Second Circuit's interpretation of the termination provisions and the legislative policy behind them, the Ninth Circuit has allowed such an argument to prevail, finding it appropriate under contract law and consistent with the purposes of the 1976 Act's termination provisions. This emerging split between the Second and...
Ninth Circuits concerning the application of copyright termination law is particularly significant given the importance of those two circuits in interpreting copyright law generally.\textsuperscript{14}

The Supreme Court recently declined an opportunity to address the alienability of copyright termination rights,\textsuperscript{15} which perhaps suggests that a circuit split does not exist or will not likely be problematic in the future. However, the purpose of this Note is to show the true tension between decisions within the Second and Ninth Circuits and to address those circuits' divergent approaches towards the interpretation of termination rights. The Second Circuit has favored a more literal interpretation of the language of the copyright termination provisions, in light of the purpose and legislative intent behind the enactment of those provisions.\textsuperscript{16} By contrast, the Ninth Circuit has read the same statutory language very narrowly, limiting its effect on state contract law.\textsuperscript{17} Second Circuit courts have maintained that termination rights cannot be alienated or relinquished either expressly or through the effect of contracts, even if the surrender is voluntary.\textsuperscript{18} The Ninth Circuit, however, has determined that the voluntary execution of a new agreement

\textsuperscript{14} See COHEN ET AL., supra note 6, at 336 ("[The Second and Ninth Circuits] and their lower courts tend to be leaders in the copyright field given the presence of substantial publishing, entertainment, and software companies in their jurisdictions.").


\textsuperscript{16} See Larry Spier, Inc. v. Bourne Co., 953 F.2d 774, 779–80 (2d Cir. 1992) ("[Section 304(c)] was drafted so as to leave no doubt about the family’s power to recapture the copyright. Indeed, Section 304(c)(5) expressly provides that termination ‘may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.’"); Marvel Characters v. Simon, 310 F.3d 280, 290–91 (2d Cir. 2002) ("When examining the legislative intent and purpose of § 304(c), it becomes clear that an agreement made after a work’s creation stipulating that the work was created as a work for hire constitutes an ‘agreement to the contrary’ which can be disavowed pursuant to the statute. Any other construction of § 304(c) would thwart the clear legislative purpose and intent of the statute.").

\textsuperscript{17} See Milne, 430 F.3d at 1043 ("Section 304(c)(5) states that a ‘[t]ermination . . . may be effected notwithstanding any agreement to the contrary, including any agreement to make a will or to make any future grant.’ The statute does not define the phrase ‘agreement to the contrary,’ although it does provide two examples . . . . The undisputed fact that the 1983 agreement does not fall into either category supports the district court’s finding that the 1983 agreement is not ‘an agreement to the contrary.’").

\textsuperscript{18} Steinbeck v. McIntosh & Otis, Inc., 433 F. Supp. 2d 395, 399 (S.D.N.Y. 2006) ("To protect this [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.").
that benefits the author's family is an acceptable alternative means of achieving
the underlying goals of the 1976 Act without formal exercise of termination
rights, even though the execution of such an agreement by one heir deprives all
other heirs of the opportunity to exercise their termination rights. 19

To address the divergent approaches taken by the courts of the Second and
Ninth Circuits in interpreting the copyright termination provisions, this Note will
begin with the legal history and policy background of termination rights, their
legislative purpose, and a basic explanation of the statutory provisions governing
them. Next, this Note will highlight district and appellate judicial decisions from
within the Second and Ninth Circuits that define both sides of the emerging
circuit split concerning the alienability of termination of transfer rights.

This Note will then analyze the reasoning of decisions from both circuits,
noting the weaknesses in the Ninth Circuit's approach. Furthermore, this Note
will argue that the Second Circuit's interpretation and application of the
termination provisions is more faithful to the statutory language and the legislative
history of the Copyright Act, leads to more fair and consistent results, and
establishes a more administrable legal standard. Finally, this Note will conclude
that, in light of both the importance of the Second and Ninth Circuits in
interpreting copyright law and the likelihood of future litigation on the alienability
of termination rights, the Supreme Court should step in and settle the circuit split.
In resolving that conflict, the Court should overrule the Ninth Circuit's narrow
interpretation and conservative application of § 304(c)(5) in favor of the Second
Circuit's broad interpretation and liberal application of § 304(c)(5) to invalidate
agreements that prohibit the exercise of copyright termination rights.

II. BACKGROUND

To address the growing difference between the Second and Ninth Circuits' interpretations of whether statutory termination rights may be surrendered, waived, or otherwise alienated by contractual arrangement before their formal exercise, this Part will first provide some background into the law concerning termination rights. First, this Part will set forth the legal history, policy background, and legislative purpose of termination rights. Then, this Part will explicate the statutory provisions governing termination rights. These provisions

19 See Milne, 430 F.3d at 1045–46 ("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[.]' Congress therefore anticipated that parties may contract, as an alternative to statutory termination, to revoke a prior grant by replacing it with a new one." (quoting H.R. REP. NO. 94-1476, at 127 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5743).
determine which transfers may be terminated, when termination rights may be exercised, and who may exercise them. Finally, this Part will describe district and appellate decisions from the Second and Ninth Circuits that have interpreted the termination provisions and their legislative history.

A. STATUTORY AND POLICY BACKGROUND FOR THE RECAPTURE OF PREVIOUSLY TRANSFERRED COPYRIGHTS

Congress created termination rights in the Copyright Act of 1976. Congress "expressly intended [termination rights] 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." According to Congress, the termination provisions were necessary "because of the unequal bargaining position of authors, resulting in part from the impossibility of determining a work's value until it has been exploited." Further, with respect to the termination provisions governing transfers of copyrights that were registered under the 1909 Act and that had their terms later extended by the 1976 Act, Congress saw an additional reason for the enactment of termination rights: to allow the author and his heirs to benefit from the new property right created by the after-the-fact term extension.

A similar legislative purpose had been previously expressed by Congress in enacting the Copyright Act of 1909. Under the 1909 Act, a registered copyright lasted fifty-six years. The Act's scheme divided the copyright's life into an initial term of twenty-eight years and a renewal term of twenty-eight years. Because of the bifurcated term, rights assigned in the copyright during the copyright's initial term automatically reverted to the renewal claimant upon renewal, thereby giving the renewal claimant leverage to renegotiate a new, fairer bargain after the work proved to be valuable. In the House Report for the 1909 Act, Congress reasoned that

23 Copyright Act of 1976 § 304.
24 See H.R. REP. NO. 94-1476, at 140 ("The arguments for granting rights 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.").
25 Copyright Act of 1908, ch. 320, sec. 23, 35 Stat. 1075, 1080–81; see also 3 NIMMER & NIMMER, supra note 6, § 9.08 (discussing the duration of copyrights).
26 Copyright Act of 1909, sec. 23.
27 3 NIMMER & NIMMER, supra note 6, § 9.05[A][I].
[I]t 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, [the] 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 the existing law, so that he could not be deprived of that right.  

The Supreme Court in *Stewart v. Abend*, further affirmed that the renewal provisions "were intended both to give the author a second chance to obtain fair remuneration for his creative efforts and to provide the author's family a 'new estate' if the author died before the renewal period arrived."  

The renewal rights under the 1909 Act were plagued with problems, however, and were eventually ineffective in achieving Congress's intended purpose. First, the renewal structure was procedurally difficult. Second, because the continuation of the copyright after the first twenty-eight years required the affirmative act of renewal, an accidental failure to renew would cause the author to lose half of the copyright term and the work to fall into the public domain. Thus, in addition to losing the second chance to obtain a fairer bargain that Congress had intended, authors could also lose their ability to profit at all from their creative works. Third, the Supreme Court's decision in *Fred Fisher Music Co. v. M. Witmark & Sons*, which upheld an author's assignment of renewal rights before the vesting of those rights, eroded the effectiveness of the renewal rights provisions in providing authors a second chance to obtain fair remuneration for their creative efforts. Under the rule in *Fisher*, an author could easily be pressured into assigning his renewal rights along with his copyrights, and thus be deprived of the protection that the renewal rights were intended to provide him.

---

30 3 NIMMER & NIMMER, supra note 6, § 9.03, 11.01[A].
31 Id. § 11.01[A].
33 See 3 NIMMER & NIMMER, supra note 6, § 11.07 ("Sadly, the Supreme Court largely undermined effectiveness of the renewal structure .... The culprit was Fred Fisher Music Co. v. M. Witmark & Sons, which held that renewal rights may be assigned prior to their vesting. To avoid a similar emasculation of the termination provisions, the current Act provides that '[t]ermination 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.'") (quoting 17 U.S.C. § 203(a)(5), 304(c)(5) (2000)).
34 3 NIMMER & NIMMER, supra note 6, § 9.06[B][1].
B. THE COPYRIGHT ACT TERMINATION PROVISIONS

To solve the problems that prevented renewal rights from achieving Congress's goals, in the Copyright Act of 1976, Congress changed the copyright term structure and replaced renewal rights with termination rights. The 1976 Act did away with the bifurcated copyright term and, for works created on or after January 1, 1978, provided for a copyright term equal to the life of the author plus fifty years. The institution of a single copyright term prevented authors from losing half of their copyright term because of their inadvertent failure to renew. However, while no action is required for a copyright to endure for its entire term, under the 1976 Act previously transferred copyrights revert to the author only upon affirmative exercise of termination rights. Additionally, to ensure that termination rights would succeed where Fisher had caused the copyright renewal scheme to fail, Congress made termination rights inalienable.

35 See H.R. REP. NO. 94-1476, at 124 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5740 ("The provisions of section 203 are based on the premise that the reversionary provisions of the present section on copyright renewal (17 U.S.C. sec. 24) should be eliminated, and that the proposed law should substitute for them a provision safeguarding authors against unremunerative transfers . . . . Section 203 reflects a practical compromise that will further the objectives of the copyright law while recognizing the problems and legitimate needs of all interests involved."); see also id. at 127 ("However, the [1976 Act] seeks to avoid the situation that has arisen under the present renewal provision, in which third parties have brought up contingent future interests as a form of speculation. Section 203(b)(4) would make a further grant of rights that revert under a terminated grant valid 'only if it is made after the effective date of the termination.' ").

36 Copyright Act of 1976, Pub. L. No. 94-553, § 302, 90 Stat. 2541, 2572-73 (codified as amended in 17 U.S.C.). In 1998, the CTEA added twenty years to the term lengths set by the 1976 Act, establishing a copyright term equal to the life of the author plus seventy years. Sonny Bono Copyright Term Extension Act, Pub. L. No. 105-298, § 102(b), 112 Stat. 2827, 2827 (1998) (codified in scattered sections of 17 U.S.C.). This copyright term also applies to works created before January 1, 1978, but which were neither copyrighted nor a part of the public domain. Id. § 102(c). For works registered under the 1909 Copyright Act and in their initial term on January 1, 1978, the 1976 Act retained the original, initial-term length of twenty-eight years, but extended the renewal term to forty-seven years, Copyright Act of 1976 § 304, which was extended to sixty-seven years by the CTEA, Sonny Bono Copyright Term Extension Act, § 102(d)(1)(A). Copyrights registered before 1978 still in their renewal term when the CTEA took effect in 1998 "have a copyright term of 95 years from the date copyright was originally secured." Id. § 102(d)(1)(B).

37 See supra note 31 and accompanying text.
38 See H.R. REP. NO. 94-1476, at 124 ("Instead of being automatic, as is theoretically the case under [the 1909 Copyright Act], the termination of a transfer or license under section 203 [or section 304 of the 1976 Copyright Act] would require the serving of an advance notice within specified time limits and under specified conditions.").
39 See supra notes 32–34 and accompanying text.
TERMINATION RIGHTS

by inserting language into the statute explicitly stating that termination "may be effected notwithstanding any agreement to the contrary." 40

There are three provisions of the 1976 Act that concern termination rights: § 203(a), § 304(c), and § 304(d). Section 203(a) addresses the termination of transfers executed on or after January 1, 1978, 41 while § 304(c) and § 304(d) address the termination of transfers executed before 1978 of works still under copyright on January 1, 1978. 42 The termination provision in § 304(c) was created in conjunction with the 1976 Act's nineteen-year term extension to allow an author to recapture his rights for the extended term at the point where the old fifty-six-year term would have otherwise ended. 43 The termination provision in § 304(d) was created in conjunction with the twenty-year extension created by the CTEA, 44 and applies only to copyrighted works in their renewal term on October 27, 1998 45 and to transfers for which the unexercised termination right under § 304(c) expired prior to October 27, 1998. 46 These three termination provisions—§ 203(a), § 304(c), and § 304(d)—outline the transfers that are subject to termination, when termination rights may be exercised, and who may exercise them.

1. Which Transfers May be Terminated. Generally speaking, the 1976 Act's three termination provisions allow termination of exclusive or nonexclusive transfers of copyrights, or of any right under a copyright, as long as the transfer meets all the requirements of one of the three provisions. 47 The two major categories of

---

40 17 U.S.C. §§ 203(a)(5), 304(c)(5) (2000); see also H.R. REP. NO. 94-1476, at 127 ("However, the [1976 Act] seeks to avoid the situation that has arisen under the present renewal provision, in which third parties have bought up contingent future interests as a form of speculation.").
42 17 U.S.C. § 304(c), (d).
43 Rudell & Rosini, supra note 5, para. 7 ("The first opportunity, under § 304(c), was created in 1978 when the term of copyright was extended by 19 years and the author or his or her successors were given a chance to recapture rights in the extended term.").
45 17 U.S.C. 304(b).
47 See 17 U.S.C. § 203(a) ("[O]ther than a work made for hire, the exclusive or nonexclusive grant of a transfer or license of copyright or of any right under a copyright, executed by the author on or after January 1, 1978, otherwise than by will, is subject to termination."); 17 U.S.C. § 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, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by any of the persons designated by subsection (a)(1)(C) of this section, otherwise than by will, is subject to termination."); 17 U.S.C. § 304(d) ("In the case of any copyright other than a work made for hire, subsisting in its renewal term on the effective date of the Sonny Bono Copyright Term Extension Act [effective October 27, 1998] for which the termination right provided in subsection (c) has expired by such
transfers that are always excluded from statutory termination under both § 203 and § 304 are transfers made by will and transfers of copyrights of works for hire.\(^4^8\) However, there is also an important difference in the kinds of transfers that may be terminated under the two sections. Under § 304, termination rights can be applied to transfers made by any of the statutorily designated persons\(^4^9\), while § 203 requires that the author have executed the transfer to be terminated.\(^5^0\)

This difference in the statutory requirements for termination between transfers made before 1978 and transfers made in or after 1978 is the basis for the issue that is central to both the Ninth Circuit’s decision in *Milne*\(^5^1\) and the Southern District of New York’s decision in *Steinbeck*.\(^5^2\) By entering into a post-1978 agreement with an heir of the deceased author, transferees have sought to trap the author’s heirs in a situation where no transfer remains that can be terminated under either § 203 or § 304.\(^5^3\)

2. When Transfers May be Terminated. There is a five-year window during which an eligible transfer may be terminated.\(^5^4\) Section 203 ties the window during which termination rights may be exercised for a particular transfer to the date of the transfer sought to be terminated.\(^5^5\) Section 304, however, determines the period during which termination rights may be exercised from the date of the issuance of the copyright.\(^5^6\) For transfers executed on or after January 1, 1978,
TERMINATION RIGHTS

termination generally may be effected under § 203 "at any time during a period of five years beginning at the end of thirty-five years from the date of execution of the grant." For transfers of renewal rights executed before 1978, termination may be effected under § 304(c) "at any time during a period of five years beginning at the end of fifty-six years from the date copyright was originally secured," and under § 304(d) "at any time during a period of five years beginning at the end of seventy-five years from the date the copyright was originally secured." Termination under both § 203 and § 304 requires that formal notice of termination be served between ten years and two years in advance of the date upon which termination is to be effected.

3. Who May Terminate Transfers. Under both § 203 and § 304, termination rights belong to the author. If the author does not survive to the vesting of the termination rights, his right to terminate passes to statutorily designated heirs. Termination rights of an author who predeceases their vesting are owned entirely by the author's surviving spouse, unless there are also surviving issue, in which case one-half of the author's termination interest is owned by the author's surviving spouse and the other half is divided, per stirpes, among the author's issue. If the author is survived by issue but not a spouse, the author's issue own prior to the end of the 61st year of copyright in the relevant copyrighted work, without reference to the date of the grant.

58 17 U.S.C. § 304(c)(3). The "fifty-six years" in § 304(c) relates to the fifty-six-year copyright term under the 1909 Act and is designed to allow authors and authors' heirs to benefit from the 1976 Act's nineteen-year extension. See supra note 43 and accompanying text.
59 17 U.S.C. § 304(d)(2). The "seventy-five years" in § 304(d) applies to copyrights which had a term of fifty-six years under the 1909 Act, extended to seventy-five years by the 1976 Act, and then extended another twenty years by the CTEA in 1998. See supra notes 44-46 and accompanying text. Thus, the opportunity afforded by § 304(d) to terminate a pre-1978 transfer allows the author and his heirs to enjoy, despite previously unused and expired § 304(c) termination rights, the CTEA's additional twenty-year term extension. See supra notes 44-46 and accompanying text.
60 3 NIMMER & NIMMER, supra note 6, § 11.06[A].
61 17 U.S.C. §§ 203(a)(1), 304(c)(1). The rules under § 203 and § 304 are different for works with joint authors. Compare 17 U.S.C. § 203(a)(1) ("In the case of a grant executed by two or more authors of a joint work, termination of the grant may be effected by a majority of the authors who executed it."). with 17 U.S.C. § 304(c)(1) ("In the case of a grant executed by one or more of the authors of the work, termination of the grant may be effected, to the extent of a particular author's share in the ownership of the renewal copyright, by the author who executed it . . . "). See NIMMER & NIMMER, supra note 6, § 11.03[A][1] ("Grants executed by two or more joint authors prior to January 1, 1978, are terminable by each executing joint author even if a majority of the executing joint authors do not join in such termination. The termination is effective, however, only with respect to the interest of the terminating joint author. . . ").
the entirety of his termination interest, divided on a per stirpes basis. After October 27, 1998, if neither a spouse nor issue survive an author who predeceases the vesting of the termination interest, the termination rights pass to the author's "executor, administrator, personal representative, or trustee." When an author's termination interest has been divided among the author's statutory heirs, a majority of the interest must be joined for the heirs to exercise their termination rights.

Transfers of an author's copyright executed other than by the author are subject to termination only if executed prior to 1978. In the case of a transfer executed before 1978 by someone other than the author, "termination of that grant may be effected by the surviving person or persons who executed it." Persons who could have executed a transfer of the author's copyright, and who therefore are able to terminate such a transfer made before 1978, include the author's surviving spouse, children, executors, or next of kin.

C. AN EMERGING SPLIT BETWEEN THE SECOND AND NINTH CIRCUITS: THE ALIENABILITY OF COPYRIGHT TERMINATION RIGHTS

The Ninth Circuit's interpretation of the termination provisions of the Copyright Act and their interaction with state contract law has created tension between Ninth Circuit courts and Second Circuit courts with respect to the question of the alienability or inalienability of termination rights. In two Second Circuit cases in the last decade-and-a-half, the court upheld, under different factual situations, the right to exercise termination rights notwithstanding certain agreements to the contrary, basing its holdings in part on a characterization of

64 Id.
65 17 U.S.C. § 304(c)(2)(D); see also 3 NIMMER & NIMMER, supra note 6, § 11.03[A][2][a] (describing the harsh results of the 1975 Act, prior to the provisions of the 1998 amendment, in which no one could exercise the termination rights after the author's death if the author left no surviving spouse, children, or grandchildren).
66 17 U.S.C. §§ 203(a)(2)(C), 304(c)(2)(C); see also 3 NIMMER & NIMMER, supra note 6, § 11.03[A][2][b] ("If a grant is executed by an author who does not survive until the vesting of the termination interest, a statutorily defined 'per stirpes majority' of those who succeed to the deceased author's termination interest is entitled to terminate the grant."). Because a fractionated termination interest must be exercised "on a per stirpes basis," a majority of heirs will not necessarily represent a majority of the interest. For example, if an author is survived by his spouse and two children, his termination interest is divided among three people, one-half to the spouse and one-quarter to each child. While the two children would constitute a majority of the author's heirs, they do not hold and cannot exercise a majority of the inherited termination rights.
67 17 U.S.C. §§ 203(a), 304(c)-(c)(1), 304(d); see supra notes 47–50 and accompanying text.
68 17 U.S.C. 304(c)(1).
69 17 U.S.C. §§ 203(b)(2), 304(c)(6)(B); 3 NIMMER & NIMMER, supra note 6, § 11.03[B].
termination rights as inalienable. Steinbeck v. McIntosh & Otis, Inc., a recent case from the Southern District of New York, a district court within the Second Circuit, built on this Second Circuit precedent by upholding the rights of an authors' heirs to exercise their termination rights notwithstanding a post-transfer agreement to the contrary.

By contrast, the Ninth Circuit, in Milne ex rel. Coyne v. Stephen Slesinger, Inc., on a different set of facts, narrowly construed the "inalienability" of termination rights in holding that a particular post-transfer agreement precluded a family member of a deceased author from exercising statutory termination rights. Classic Media, Inc. v. Mewborn, a recent case from the Central District of California, a district court within the Ninth Circuit, has already relied on the precedent set by the Ninth Circuit in Milne.

1. Second Circuit.
   a. Marvel Characters (2002). The issue addressed by the Second Circuit in Marvel Characters v. Simon was "whether a settlement agreement, entered into long after a work's creation, stipulating that a work was created for hire constitutes 'any agreement to the contrary' under the 1976 Act." Because this case posed a question of first impression for the Second Circuit, the court closely examined the language of the Copyright Act's termination provisions. In doing so, the court began to shape its stance on how easily termination rights could be lost, transferred, or voluntarily forfeited through post-transfer agreements prior to the vesting of the termination rights.

The controversy in Marvel Characters centered around a comic book series entitled Captain America Comics, authored by Joseph Simon and Jack Kirby. According to Simon, he created Captain America independently as a freelance project and orally assigned its story, character, and the second through tenth issues (the Works) to Martin and Jean Goodman, doing business as Timely Publications and Timely Comics, Inc. (Timely), predecessors in interest to Marvel Characters, Inc. After publishing the second through tenth issues of Captain

---

74 Marvel Characters v. Simon, 310 F.3d 280, 282 (2d Cir. 2002).
75 Id. at 282, 289.
76 Id. at 282.
77 Id.
America Comics in 1941, Timely applied for and received registered copyrights for each issue.\textsuperscript{78}

In 1967, Simon filed suit in the Southern District of New York, seeking a declaratory judgment that he had the sole and exclusive right to the renewal term of the copyright for the Works.\textsuperscript{79} The Goodmans and their affiliates denied Simon was the sole author of the Works, arguing that Simon’s contributions to the Captain America Comics were made as an “employee for hire,” and that because Timely owned the copyrights, Simon should be enjoined from applying to renew them.\textsuperscript{80} In 1969, the parties entered a settlement agreement in which Simon acknowledged that his contribution to the Works “was done as an employee for hire of the Goodmans” and assigned all his rights in the Works to the Goodmans and their affiliates.\textsuperscript{81}

In 1999, contrary to the settlement agreement, Simon filed notices of termination with the Copyright Office claiming that he independently created the Works as “neither an employee for hire nor a creator of a work for hire.”\textsuperscript{82} In response, Marvel brought suit in the Southern District of New York, seeking a declaratory judgment invalidating Simon’s notices of termination.\textsuperscript{83} The district court granted Marvel summary judgment, finding that Simon’s unambiguous acknowledgement in the settlement agreement that he created the Works “for hire” prevented him from exercising his statutory termination rights under 17 U.S.C. § 304(c).\textsuperscript{84}

On appeal, the Second Circuit agreed that Simon’s acknowledgement in the settlement agreement was unambiguous, but found that fact irrelevant.\textsuperscript{85} Instead, the court focused on the language and legislative purpose of 17 U.S.C. § 304(c), which the Second Circuit interpreted as granting an inalienable right to terminate according to statutory procedures, “notwithstanding any agreement to the contrary.”\textsuperscript{86} However, finding it unclear from the text of § 304(c)(5) whether “any

\textsuperscript{78} Id.
\textsuperscript{79} Id.
\textsuperscript{80} Id.
\textsuperscript{81} Id. at 284.
\textsuperscript{82} Id. at 284–85.
\textsuperscript{83} Id.
\textsuperscript{84} Id. at 285.
\textsuperscript{85} Id. at 289.
\textsuperscript{86} 17 U.S.C. § 304(c)(5) (2000); see also Marvel Characters, 310 F.3d at 282 ("Section 304(c) grants authors (or if deceased, their statutory heirs) an inalienable right to terminate a grant in a copyright fifty-six years after the original grant ‘notwithstanding any agreement to the contrary.’") (emphasis added). The Second Circuit first addressed the issue of the alienability of termination rights in Larry Spier, Inc. v. Bourne Co., 953 F.2d 774 (2d Cir. 1992). In that case, Dave Dreyer’s heirs transferred Dreyer’s copyrights to plaintiff Spier after terminating a transfer of the same copyrights from Dreyer to defendant Bourne during Dreyer’s life. Id. at 776–77. Bourne argued that Dreyer’s will’s
agreement to the contrary” included a settlement agreement stipulating a work was created for hire, the court turned to the statute's legislative intent and purpose. 87

The court first looked to the Supreme Court’s statements that the principal purposes of the termination provisions were to provide added benefits to authors and to relieve authors of the consequences of unremunerative grants, 88 as well as that termination rights are inalienable. 89 The court then considered Congress’s intent to protect authors from unequal bargaining positions found in the legislative history of the termination provisions. 90 The court concluded that the “clear Congressional purpose behind § 304(c) was to prevent authors from waiving their termination rights by contract.” 91 Applying this construction to the case at hand, the court held that “examining the legislative intent and purpose of § 304(c), it becomes clear that an agreement made after a work’s creation stipulating that the work was created as a work for hire constitutes an ‘agreement to the contrary’ which can be disavowed pursuant to the statute.” 92

purported devise of Dreyer’s copyright interest to Dreyer’s heirs prevented termination of Bourne’s grant. 93Id. at 777. However, the court found that no copyright interest actually passed by Dreyer’s will because Dreyer had already transferred all of his copyrights to Bourne during his life. 94Id. at 778. Therefore, the court held that “the Dreyer family had the right, under the statute, to terminate the 1951 assignment [to Bourne] and recapture the renewal rights for the family.” 95Id. The Second Circuit supported its holding with an interpretation of the statutory language and legislative intent of 17 U.S.C. § 304(c) that emphasized the inalienability of an author’s family’s termination rights, emphasizing that

in revising the copyright laws, an explicit provision to terminate the assignment (that is, Section 304(c)) was drafted so as to leave no doubt about the family’s power to recapture the copyright . . . . Section 304(c)(5) expressly provides that termination ‘may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.’ 96

Id. at 779–80.

87 See Marvel Characters, 310 F.3d at 290 (noting that “[w]hen the language of a statute is unambiguous, ‘judicial inquiry is complete,’ ” but that “[w]hen the terms of a statute are ambiguous . . . we may seek guidance in the legislative history and purpose of the statute”).

88 See id. (“The Supreme Court has elucidated the intent and purpose behind the termination provision of the 1976 Act: ‘The principal purpose of the amendments in § 304 was to provide added benefit to authors. The . . . concept of a termination right itself, w[as] obviously intended to make the rewards for the creativity of authors more substantial. More particularly, the termination right was expressly intended 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.’ ” (quoting Mills Music, Inc. v. Snyder, 469 U.S. 153, 172–73 (1985))).

89 See id. (“‘The 1976 Copyright Act provides . . . an inalienable termination right.’ ” (quoting Stewart v. Abend, 495 U.S. 207, 230 (1990))).


91 Id.

92 Id.
b. Steinbeck (S.D.N.Y. 2006). Recently, the Southern District of New York applied the Second Circuit’s interpretation of termination rights as inalienable in Steinbeck v. McIntosh & Otis, Inc. Steinbeck involved the termination rights to Nobel and Pulitzer Prize winner John Steinbeck’s copyrighted works. These works were divided into two categories: the “early works,” which consisted of those works for which Steinbeck filed renewal copyright registrations during his lifetime, and the “late works,” which did not enter their renewal period until after John Steinbeck’s death in 1968. During his life, Steinbeck made several transfers of his copyrights, including a transfer in 1938 (the 1938 Agreement) to The Viking Press, Inc., the predecessor of Penguin Group (USA) Inc., which included the exclusive publishing rights to one of his early works, *The Long Valley*. The 1938 Agreement covered several other important works, including *Tortilla Flat, Of Mice and Men, The Red Pony,* and *The Grapes of Wrath.*

Upon Steinbeck’s death in 1968, his will devised the copyrights to his early works to his third wife and widow, Elaine. In 1994, Elaine, as owner of the copyrights, entered into an agreement (the 1994 Agreement) with Penguin by which Penguin retained the same rights of publication as it held under the 1938 Agreement, but at an increased price. Because termination rights are not tied to the devise of the underlying copyrights, but are instead inherited according to a statutory scheme, Steinbeck’s two sons from his second marriage, Thomas and John IV, each inherited a quarter of the termination rights, despite taking no interest in the copyrights under Steinbeck’s will. Thus, Elaine held 50% of the termination rights and Thomas and John IV collectively held the other 50%. Because no agreement could be reached to achieve the requisite 51% majority of interest, the termination rights to John Steinbeck’s works remained in a deadlock for over two decades.

---

94 Id. at 399. The list of works involved in the Steinbeck case contains twenty-seven titles. Id. at nn.12–13.
95 Id. at nn.12–13.
96 Id. at 400.
97 See id. at 400–01 (“By its terms the 1938 Agreement ‘supersede[d] all previous agreements made between The Viking Press, Inc. and John Steinbeck,’ and also applied to ‘all the previously published books of John Steinbeck,’ . . . . Four additional works by Steinbeck were added to the 1938 Agreement by way of its option clause, including *The Grapes of Wrath.* . . . ”).
98 Id. at 401.
99 Id. at n.16.
100 Id. at 399–400.
101 Id.
102 See supra note 66 and accompanying text.
103 Steinbeck, 433 F. Supp. 2d at 400.
During this time, John IV died, survived by only one child, Blake Smyle. When Elaine died in 2003, Thomas and Blake possessed not only the majority of Steinbeck’s termination interest, but in fact all of it. In May and June of 2004, Thomas and Blake served notices of termination for five different grants made by Steinbeck during his life. The subsequent objections from various grantees led to a consolidated action before the Southern District of New York on the parties’ cross motions for summary judgment as to the validity of the termination notices.

The Penguin Termination Notice (Notice) was served to terminate the 1938 Agreement. The defendants argued that the Notice was invalid because the 1994 Agreement superseded the 1938 Agreement, “effectively transform[ing] Steinbeck’s pre-1978 grant into a ‘new’ grant of copyright, executed on or after January 1, 1978, and as such, . . . not subject to termination under Section 304.”

In rejecting the defendants’ argument, the trial court first made clear its position that termination rights were inalienable and remained so until exercised by the service of a notice of termination. The court described § 304(c) as granting “creators of pre-1978 works or their statutory heirs an inchoate but inalienable property right to ‘terminate’ earlier grants of copyrights.” As support for this proposition, the court cited the Supreme Court in Stewart v. Abend, the Second Circuit in Bourne, and the statutory language of the Copyright Act. The district court emphasized the importance of § 304(c)(5) in

104 Id.
105 Id.
106 Id. The notices purported to terminate five grants: a grant of book publishing rights made in 1938 to the predecessor of Penguin Group (USA) Inc.; grants of the motion picture rights to The Red Pony made in 1946, 1947, and 1949 to Paramount Pictures, Inc.; grants of the motion picture rights to The Long Valley made in 1946, 1947, and 1949 to Paramount Pictures; a grant of the theatrical rights to Cannery Row made in 1956 to Rogers & Hammerstein and MGM; and a grant of the motion picture rights to The Wayward Bus made in 1949 to Twentieth Century Fox Film Corporation. Id.
107 Id. at 399.
108 Id. at 401.
109 Id. at 401.
110 Id. at 397–99.
111 Id. at 397. The court’s description of the termination right as “inchoate” likely refers to the fact that “[t]ermination rights vest on the date a notice of termination is served.” Id. at 398.
112 Id. at n.4 (“The 1976 Copyright Act . . . provides an inalienable termination right.” (quoting Stewart v. Abend, 495 U.S. 207, 230 (1990))).
113 See id. (“Section 304(c) ‘was drafted so as to leave no doubt about the family’s power to recapture the copyright.’ ” (quoting Larry Spier, Inc. v. Bourne Co., 953 F.2d 774, 779–80 (2d Cir. 1992))).
114 See id. (supporting its statement that “[t]ermination rights remain inalienable until they are exercised by service of a notice of termination” by citing 17 U.S.C. § 304(c)(6)(B) and 17 U.S.C. §
enforcing the inalienability of termination rights and explained that the provision “is intended to be broadly applied to . . . liberal protect termination rights” and to prevent authors or their heirs from contracting away “this absolute right to ‘recapture’ for the years of extended protection any pre-1978 copyright grant.”

The court rejected the defendants’ argument that the 1994 Agreement cancelled and superseded the 1938 Agreement, holding that “[t]he 1938 Agreement was author Steinbeck’s exclusive grant of publication rights to Penguin’s predecessor . . . so they unquestionably were within the terms of the subsequently-enacted termination statute.” The court explained that

[T]his [1938] grant of publication rights is terminable because it is a “copyright subsisting in either its first or renewal term on January 1, 1978, . . . [and is] the exclusive . . . grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by [the living author of such work], otherwise than by will [here, by contract] . . . .

Beyond providing this statutory basis for its holding, the court acknowledged the absurdity of the defendant’s argument, which asserted that “the 1994 Agreement extinguished the very termination right that it expressly acknowledges both exists and flows from the 1930s copyrights.”

Finally, the court pointed out that if the 1994 Agreement had, either by its effect or by its express provisions, worked to disinherit Elaine, Thomas, Blake, or any other statutory heir, it would be void as an “agreement to the contrary.” While the 1994 Agreement did not claim, by its express terms, to transfer or relinquish Elaine’s or anyone else’s termination rights, the court noted that if it had, “any such contractual language that purports to affect inalienable termination interest would run afoot of black-letter copyright law.” Further, the court avowed that any effect of the 1994 Agreement that would render Thomas and

304(c)(6)(D)).

115 See id. at 399 (“To protect this [termination] right and prevent creators or statutory heirs from contracting away, for whatever reason, this absolute right . . . the statute declares void any contract the effect of which is in contravention of or which negates either of these termination rights.”).
116 Id. at n.10.
117 Id. at 399.
118 Id. at 401.
119 Id. at n.20 (quoting 17 U.S.C. § 304(c) (2000)).
120 Id. at 401.
121 Id. at 402.
122 Id. at n.23.
Blake unable to exercise their termination rights would be contrary to both the statutory language and the legislative history of the termination provisions.\(^{123}\) Allowing the effect of the 1994 Agreement to preclude the exercise of termination rights would violate the language of the termination provisions because “to the extent that the 1994 Agreement would strip Thom and Blake . . . of their inalienable termination rights in the pre-1978 grants, it is void as an 'agreement to the contrary' pursuant to 17 U.S.C. § 304(c)(5).”\(^ {124}\) The court also noted that giving the 1994 Agreement such an effect would contravene the legislative intent of the termination provisions, stating that “[a]ny interpretation of the 1994 Agreement having the effect of disinheriting the statutory heirs to the termination interest . . . in favor of Elaine’s heirs must be set aside as contrary to the very purpose of the termination statute, which protects children and grandchildren [of authors], and not just widows.”\(^ {125}\)

2. Ninth Circuit: Milne (2005). In \textit{Milne}, the Ninth Circuit described its interpretation of the scope of the inalienability of the Copyright Act’s termination rights.\(^ {126}\) \textit{Milne} dealt with the issue of whether a renegotiated agreement entered into in 1983 (the 1983 Agreement) replaced the original 1930 and 1961 transfers such that the copyright transfers would be classified as occurring after 1978 and thus out of reach of the CTEA’s termination provisions,\(^ {127}\) or whether the 1983 agreement constituted an “agreement to the contrary”\(^ {128}\) such that, pursuant to the statute, the 1983 Agreement could not prevent otherwise valid termination.\(^ {129}\) The Ninth Circuit affirmed the district court’s decision, holding:

The CTEA’s termination provision does not apply to post-1978 agreements such as the parties’ 1983 agreement, which continues to control the parties’ rights and royalty shares in the Pooh works. In addition, Clare is unable to show that the 1983 agreement constitutes an “agreement to the contrary” under section 304(c)(5), and thus the courts cannot disregard the 1983 agreement. . . .\(^ {130}\)

\(^{122}\) \textit{Id.} at 402.


\(^{125}\) \textit{Id.} at n.23.

\(^{126}\) \textit{Milne ex rel Coyne v. Stephen Slesinger, Inc.}, 430 F.3d 1036 (9th Cir. 2005).

\(^{127}\) \textit{See} 17 U.S.C. § 304(d).

\(^{128}\) 17 U.S.C. § 304(c)(5).

\(^{129}\) \textit{See} \textit{Milne}, 430 F.3d at 1041 (“The district court asked the question that lies at the very heart of the parties’ dispute: ‘Should the 1983 SSI Agreement be treated as a pre-1978 agreement to be governed by the [CTEA’s] termination provisions of 17 U.S.C. § 304?’ ”).

\(^{130}\) \textit{Id.} at 1048.
Alan Alexander Milne (Milne) was the creator of Winnie-the-Pooh. In 1930, Milne granted to Stephen Slesinger (Slesinger), predecessor-in-interest to Stephen Slesinger, Inc. (SSI), the exclusive merchandising and other rights to the Pooh works in the United States and Canada during the initial and renewal terms of the copyrights.

Upon Milne’s death in 1956, his will bequeathed all of his interests in the Pooh works to a trust (the Milne Trust) for the benefit of his widow during her lifetime. In 1961, SSI granted to Walt Disney Productions (Disney) the rights that SSI had acquired through the 1930 grant from Milne. Disney also entered into an agreement with the author’s widow and the Milne Trust, which granted Disney certain exclusive rights in the Pooh works, including motion-picture rights and foreign-merchandising rights. In 1972, after the death of Milne’s widow, her interest in the copyrights and the royalties under the Milne Trust was assigned, in accordance with Milne’s will, to the Pooh Properties Trust. The beneficiaries of the Pooh Properties Trust included Milne’s surviving son, Christopher Robin Milne (Christopher), and Christopher’s daughter, Clare Milne (Clare).

In 1983, Disney confronted the possibility that Christopher might seek to terminate the rights that Disney had received in 1961 from SSI. According to the Ninth Circuit, Disney sought to preempt this possibility by proposing that the parties “renegotiate the rights to the Pooh works.” The court characterized Christopher Milne’s participation in the “renegotiation” as “using the bargaining power conferred by his termination right” to negotiate and sign on April 1, 1983, a “more lucrative deal with SSI and Disney that would benefit the Pooh Properties Trust and its beneficiaries.” The 1983 Agreement revoked the 1930 and 1961 grants and immediately replaced them with a regranting of the same interests. The 1983 Agreement declared that “[t]he Trustees hereby assign, grant, and set over unto [SSI] all of the rights in and to [the Pooh works] which

---

131 Id. at 1039.
132 Id.
133 Id.
134 Id. at 1040.
135 Id.
136 Id.
137 Id. at 1040. Clare was Milne’s only grandchild. Id. at 1039.
138 Id. In 1983, the five-year window during which Milne’s 1930 grant to Slesinger (predecessor in interest of SSI and Disney) could be terminated under 17 U.S.C. § 304(c) was only years away. See 17 U.S.C. 304(c)(3) (2000) (“Termination of the grant may be effected at any time during a period of five years beginning at the end of fifty-six years from the date copyright was originally secured.”).
139 Milne, 430 F.3d at 1040.
140 Id.
141 Id. at n.4.
TERMINATION RIGHTS

were transferred to [Slesinger by virtue of the 1930 grant]."142  The 1983 Agreement recited that “disputes had existed” and that the 1983 Agreement served to “clarify certain aspects of [the parties'] contractual arrangements and to settle revised agreements.”143  Further, in the 1983 Agreement, Christopher purported to relinquish his right to seek termination of the previous transfers in exchange for an increase in royalties.144

In November 2004, Clare served SSI with a notice of termination for the 1930 grant by Milne to Slesinger and brought suit, seeking a declaration that the termination notice was valid and effective in terminating SSI’s rights in the Pooh works.145  However, the district court found that Clare’s termination notice was invalid.146  The court favored SSI’s argument and held that the 1983 Agreement between Christopher, SSI, and Disney was a new contract that revoked the 1930 grant, which Clare’s notice sought to terminate, and that the 1983 Agreement was not subject to termination under the Copyright Act.147  The district court rejected Clare’s argument that the 1983 agreement was merely an extension of the 1930 grant.148  Furthermore, the court held that § 304(c) was not applicable because the 1983 Agreement was not made prior to 1978 and that § 203(a) was not applicable because the 1983 Agreement was not made by the author.149  In addition, the court noted that the 1983 Agreement “was created in order to protect SSI and Disney from a termination of the rights granted to them” and that the Copyright Act did not alter the power of private parties to contract.150

On appeal to the Ninth Circuit, Clare argued that in light of § 304(c)(5), the court should consider the 1983 Agreement to be an “agreement to the contrary” that could not prevent Clare from exercising her termination rights as to the 1930 grant.151  Clare cited as support both the Supreme Court case, Stewart v. Abend,152  and the Second Circuit case, Marvel Characters.153  Clare argued that in Stewart the Supreme Court held that “Congress intended to make the termination right

142  Id.
143  Id.
144  See id. (“The Pooh Properties Trust now received double SSI’s share of the royalties, compared to about half of SSI’s share before the 1983 agreement. Thus, the renegotiations between the parties resulted, in some estimates, in a net gain of hundreds of millions of dollars to the Pooh Properties Trust.”).
145  Id. at 1041.
146  Id. at 1042.
147  Id.
148  Id. at 1041.
149  Id. at 1042.
150  Id. at 1041–42.
151  Id. at 1043.
153  Marvel Characters, Inc. v. Simon, 310 F.3d 280 (2d Cir. 2002).
inalienable for authors and their families.”154 Furthermore, Clare argued that Marvel Characters also “support[ed] her claim that the 1983 agreement [was] an ‘agreement to the contrary’ under section 304(c)(5).”155 Finally, Clare asserted that the district court, in arriving at a contrary interpretation of § 304(c)(5), inappropriately used legislative history to override the statute’s clear meaning.156

The Ninth Circuit, in holding that the 1930 grant “was terminated by the beneficiaries of the Pooh Properties Trust upon execution of the 1983 agreement,” emphatically rejected Clare’s arguments based on § 304(c)(5).157 In broad, blanket terms, the court declared that “[q]uite simply, there is no principle of logic, canon of statutory construction, or consideration of fairness that supports Clare’s reading of the CTEA.”158 To support this sweeping statement, the court systematically rejected Clare’s § 304(c)(5) argument, denying first its grounding in the statute, then distinguishing other judicial interpretations, and finally, employing language from the legislative history of the 1976 Act.159

The Ninth Circuit acknowledged that the Copyright Act did not define the phrase “agreement to the contrary,” but the court noted that the statute provided two examples of agreements that would constitute an “agreement to the contrary”: “‘an agreement to make a will’ and an agreement ‘to make any future grant.’”160 Citing the principle that “[w]hen a statute contains... specific items and a general item, we usually deem the general item to be of the same category or class as the more specifically enumerated items,”161 the court determined that because the 1983 Agreement did not fall into either of the two example categories, it did not constitute “an agreement to the contrary.”162

The Ninth Circuit also rejected Clare’s reliance on Stewart and Marvel Characters as support for her § 304(c)(5) argument.163 The Ninth Circuit declared that “Stewart does not support the broad ‘plain meaning’ that Clare attributes to section 304(c)(5).”164 The court distinguished Stewart on narrow grounds, noting that the case did not specifically interpret the language of § 304(c)(5) or § 203(a)(5).165 Further, the court deemed Clare’s interpretation of Stewart

154 Milne, 430 F.3d at 1043.
155 Id.
156 Id. at 1045.
157 Id. at 1042.
158 Id. at 1043–47.
159 Id. at 1047.
160 Id. at 1043 (quoting 17 U.S.C. § 304(c)(5) (2000)).
161 Id. at 1043 (quoting Sutton v. Providence St. Joseph Med. Ctr., 192 F.3d 826, 834 (9th Cir. 1999)).
162 Id.
163 Id. at 1043–44.
164 Id. at 1043.
165 See id. Rather, the issue addressed in Stewart focused on derivative works and reversion of
unfounded because the "only" discussion pertaining to inalienability in *Stewart* involved the Supreme Court's statement that "'[t]he 1976 Copyright Act provides a single, fixed term, but provides an inalienable termination right.'"\textsuperscript{166}

As to Clare's reliance on *Marvel Characters*, the Ninth Circuit distinguished that case, confining *Marvel Characters* to its specific holding that a settlement agreement, entered after a work's creation and stipulating that the work was created for hire, constitutes an "agreement to the contrary" under the 1976 Act.\textsuperscript{167} The court reasoned that "'[t]he facts, reasoning and holding of *Marvel* have little relevance to this case because, here, there is no after-the-fact attempt to recharacterize the work or a prior agreement.'"\textsuperscript{168} Unlike the settlement agreement in *Marvel Characters*, which purported to retroactively alter the positions of the parties, the Ninth Circuit characterized the 1983 Agreement as containing "contractual provisions that operated prospectively through the revocation of an existing grant and the making of a new one."\textsuperscript{169} The court pointed to the agreement's express revocation and replacement of the 1930 grant with a grant that was more lucrative for the Pooh Properties Trust and the author's heirs, as well as the parties's description of the 1983 Agreement as 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)."\textsuperscript{170}

Like the Second Circuit in *Marvel Characters*, the Ninth Circuit in *Milne* also looked to the legislative history to support its holding. The Ninth Circuit cited Congress's statements that nothing in the Copyright Act was intended to change contract law respecting when an author may otherwise terminate a license, transfer, or assignment,\textsuperscript{171} and specifically, that Congress 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 negotiat[e] a new one."\textsuperscript{172} Therefore, the Ninth Court reasoned that "the 1983 agreement exemplifies the increased bargaining power that Congress intended to bestow on authors and their heirs by
creating the termination right under the 1976 Copyright Act.”173 As described by
the court, Christopher “perceived the right to terminate as a valuable bargaining
chip”174 and, instead of serving a termination notice, elected to “use his leverage”
to “obtain an advantageous agreement that doubled its royalty share relative to
SSI’s share.”175 According to the court, because Clare benefited monetarily from
the 1983 Agreement that her father “renegotiated,” her “current dissatisfaction”
with the arrangement provided no basis for invalidating the 1983 Agreement.176
Thus, the court found that because “the 1983 agreement appears to be the type
expressly contemplated and endorsed by Congress, we do not consider it to be a
prohibited ‘agreement to the contrary’ under section 304(c)(5).”177
After the Ninth Circuit decided Milne, Clare filed a petition of certiorari with
the Supreme Court.178 After accepting briefs from Milne and SSI, the Supreme
Court denied certiorari in June of 2006.179

III. ANALYSIS

The cases described above illustrate the growing division between the Second
and Ninth Circuits in their interpretation of the statutory language and legislative
intent of the Copyright Act’s termination provisions, and in their willingness to
apply those provisions to invalidate contractual agreements. The Ninth Circuit
in Milne employed a very narrow interpretation of § 304(c)(5) that significantly
limited the provisions’ effect on general contract law principles.180 The Second
Circuit cases, including a recent Southern District of New York opinion, however,
exhibit a broader reading of § 304(c)(5) and call for a more liberal application
of the termination provisions to invalidate agreements that prevent the exercise of
termination rights.181

Initially, this Part will address the role of the Steinbeck case in demonstrating
the emergence, importance, and future significance of the circuit split between the
Second and Ninth Circuits. This Part will then analyze each circuit’s method of
interpreting § 304(c)(5) and applying that provision to contractual arrangements
that purport to prevent the exercise of termination rights. Next, this Part will

173 Id.
174 Id.
175 Id. at 1045–46.
176 Id. at 1045.
177 Id. at 1046.
178 Petition for a Writ of Certiorari, Milne ex rel. Coyne v. Stephen Slesinger, Inc., 126 S. Ct. 2969
See supra Part II.C.2.
180 See supra Part II.C.1.
examine the Second and Ninth Circuits’ constructions of the language of § 304(c)(5) and the legislative purposes underlying that statutory provision. Then, this Part will evaluate the application of each circuit’s approach in light of considerations of fairness, logical consistency, and the need to establish an administrable legal standard.

This Part will argue that the Second Circuit’s interpretation of § 304(c)(5) as broadly prohibiting any alienation of termination rights is more faithful to the language of the termination provisions than the Ninth Circuit’s restrictive approach. As support for this position, this Part will highlight the Ninth Circuit’s strained statutory construction in Milne, its inappropriate use of legislative history in that case, and the difficulties of utilizing Milne as an administrable legal standard. Finally, this Part will emphasize the importance of resolving the current circuit split and recommend that the Supreme Court resolve the split by endorsing the approach of the Second Circuit.

A. STEINBECK AND THE EMERGING SPLIT BETWEEN THE SECOND AND NINTH CIRCUITS

The recent Southern District of New York decision in Steinbeck, although not an appellate decision, is very relevant to the analysis of the split between the Second and Ninth Circuits. Steinbeck helps illustrate the existence of a genuine and material conflict between the Second and Ninth circuits’ interpretation and application of the copyright termination provisions. Because the facts in the

182 In its Brief in Opposition to Clare’s petition for certiorari, SSI argued that the Steinbeck decision does not create a circuit conflict. In addition to arguing that Steinbeck is only a district court decision and that there are some technically distinguishing facts, SSI also attempted to dismiss the Steinbeck as a case of mere contract interpretation. See Brief in Opposition at 2, Milne ex rel Coyne v. Stephen Slesinger, Inc., 126 S. Ct. 2969, No. 05-1332 (2006) [hereinafter Brief in Opposition]. Such a characterization simplifies and distorts the court’s reasoning and holding. While the court noted the absurdity of defendant’s argument that the 1994 Agreement, which expressly acknowledged the existence and continuation of Elaine’s termination rights, erased those rights, this was not the court’s sole reasoning. Specifically, the court found that the 1938 Agreement was author Steinbeck’s exclusive grant of publication rights to Penguin’s predecessor... so they unquestionably were within the terms of the subsequently-enacted termination statute... This [1938] grant of publication rights is terminable because it is a “copyright subsisting in either its first or renewal term on January 1, 1978,... [and is] the exclusive... grant of a transfer or license of the renewal copyright... executed before January 1, 1978, by [the living author of such work], otherwise than by will [here, by contract]...” (quoting 17 U.S.C. § 304(c)).

Steinbeck v. McIntosh & Otis, Inc., 433 F. Supp. 2d 395 (S.D.N.Y. 2006). Thus, the Steinbeck decision involved interpretation and application of the statutory termination provisions and was not simply based on “interpretation of the contract.” Brief in Opposition, supra, at 2.
Steinbeck case are more analogous to the facts in Milne than are the facts of Bourne or Marvel Characters, a comparison between Steinbeck and Milne exhibits more plainly the conflict between the two circuits’ developing law on the alienation of termination rights.

In both Milne and Steinbeck, the defendants argued that an agreement executed between the defendant and an heir of the author, made subsequent to the author’s original grant to the defendant and after January 1, 1978, precluded the author’s heirs from exercising their termination rights.\(^{183}\) In both cases, the transferees argued that the agreement entered by the author’s heir was a new, independent “transfer” that superseded the author’s original grant, and because transfers made on or after January 1, 1978 are terminable only if they were executed by the author, no terminable transfer remained.\(^{184}\) Also, in both cases, the agreements at issue expressly acknowledged the existence of the termination rights. In Milne, Christopher expressly agreed in the contract to relinquish his right to seek termination of previous transfers.\(^{185}\) In Steinbeck, the contract at issue affirmed the existence and continuation of the family’s termination right.\(^{186}\) In Milne, the Ninth Circuit found the voluntary relinquishment of Christopher’s termination rights to be valid under state contract law and not invalidated under the termination provisions.\(^{187}\) By contrast, in the view of the Southern District of New York, which was applying Second Circuit precedent, whether or not the contract’s terms provided for the continuation of termination rights or for their voluntary relinquishment, if a contract had the effect of disinheriting the author’s family of its inalienable termination right, that contract was void pursuant to the termination provisions.\(^{188}\) Thus, when the Second Circuit’s interpretation and manner of applying the termination provisions is projected onto the Steinbeck facts, which closely parallel the facts of Milne, the genuine conflict that exists between the two circuits is made clear.

B. THE SECOND CIRCUIT’S BROAD INTERPRETATION OF § 304(c)(5) IS MORE FAITHFUL TO THE STATUTE’S LANGUAGE AND LEGISLATIVE HISTORY THAN THE NINTH CIRCUIT’S NARROW READING

Between the divergent positions of the two circuits on the alienability of termination rights, the Second Circuit’s interpretation that § 304(c)(5) broadly

\(^{183}\) See supra notes 109, 147 and accompanying text.
\(^{184}\) See supra notes 109, 147 and accompanying text.
\(^{185}\) See supra note 144 and accompanying text.
\(^{186}\) See supra note 120 and accompanying text.
\(^{187}\) See supra notes 171–77 and accompanying text.
\(^{188}\) See supra notes 121–25 and accompanying text.
prohibits agreements that prevent the exercise of termination rights is more faithful to the language and legislative history of the termination provisions than the Ninth Circuit's narrow reading. In Marvel Characters, the Second Circuit interpreted 17 U.S.C. § 304(c) in favor of the author's right to terminate. The court relied on legislative history and the Supreme Court's interpretation of the termination provisions to determine that the purpose of § 304(c)(5) was "to prevent authors from waiving their termination right by contract." Reading the statute in light of this purpose, the court determined that a settlement agreement, though not an agreement to make a will or an agreement to make a future grant, nonetheless constituted an "agreement to the contrary" that could not prevent an otherwise valid exercise of termination rights.

In Steinbeck, the Southern District of New York, applying the Second Circuit precedent set in Bourne and Marvel Characters, interpreted § 304(c)(5) to require rejection of the contention that the 1994 Agreement prevented the author's family's exercise of their termination rights. The court emphasized the wide reach and decisive impact of the termination provisions on any contract interfering with termination rights, stating that "[t]o protect this [termination] right and prevent creators or statutory heirs from contracting away, for whatever reason, this absolute right . . . the statute declares void any contract the effect of which is in contravention of or which negates either of these termination rights." In contrast to the Ninth Circuit's attempts to limit the termination provisions' effect on the individual's right to contract, the Steinbeck court accepted the practical result of the termination provisions. In that regard, the Steinbeck court stated, "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."

These Second Circuit courts' interpretation of § 304(c)(5) is supported by the statute's language, the legislative history, and passages from Supreme Court opinions that describe the nature or purpose of termination rights. The "notwithstanding any agreement to the contrary" language of § 304(c)(5) lends itself, facially, to a very broad interpretation. However, the Second Circuit courts did not rely on the provision's language alone, but construed it in light of the

---

189 See supra note 92 and accompanying text.
190 See supra notes 88–91 and accompanying text.
191 See 17 U.S.C. 304(c)(5) (2000) ("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.").
192 See supra note 92 and accompanying text.
193 See supra note 118 and accompanying text.
194 See supra note 115.
statutory purpose of preventing authors from waiving their termination rights by contract, even voluntarily.196 Such a construction of the statute’s purpose finds support in the House Report for the 1976 Act,197 as well as in the Supreme Court’s description of the legislative purpose of termination rights in Mills Music.198

Further, despite the Ninth Circuit’s rejection of a similar argument in Milne, the Second Circuit courts’ interpretation also draws at least some support from the Supreme Court’s opinion in Stewart v. Abend.199 In Milne, the Ninth Circuit rejected Clare’s use of Stewart to support her argument that termination rights are inalienable, claiming that Stewart did not directly confront the issue of the alienability of termination rights.200 The Ninth Circuit indicated that the Supreme Court’s one-time description in Stewart of termination rights as “inalienable” had no value as precedent and “[d]id not support the broad ‘plain meaning’ that Clare attribute[d] to section 304(c)(5).”201 While strictly speaking, Stewart may have no precedential value as to the inalienability of termination rights, the Supreme Court’s statement that “[t]he 1976 Copyright Act . . . provides an inalienable termination right” in the Court’s short background recitation of the “evolution of the duration of copyright protection”202 likely bears some relevance to the assertion that termination rights were intended to be inalienable. Even if not binding, the Supreme Court’s description of termination rights as “inalienable” warrants more attention than the summary dismissal it was given by the Ninth Circuit.

Standing in stark contrast to the Second Circuit’s tendency to read rather broadly the inalienability of termination rights is the Ninth Circuit’s very narrow interpretation of § 304(c)(5). In Milne, the Ninth Circuit limited the language of the statute to prohibit only certain kinds of contractual alienation of termination rights.203 Applying a principle of statutory construction, the Ninth Circuit determined that because the 1983 Agreement was neither an agreement to make a will nor an agreement to make a future grant, the 1983 Agreement could not be regarded as an “agreement to the contrary” pursuant to § 304(c)(5).204

The interpretation that only agreements to make a will or a future grant can be regarded as “agreements to the contrary” under § 304(c)(5) stands in sharp

196 See supra notes 87, 91–92, 115–17, 125 and accompanying text.
197 See supra notes 22, 24 and accompanying text.
198 See supra note 21 and accompanying text.
200 See supra notes 164–66 and accompanying text.
201 See supra text accompanying note 164.
202 Stewart, 495 U.S. at 230.
203 See supra notes 160–62 and accompanying text.
204 See supra note 162 and accompanying text.
contrast to the Second Circuit’s holding that the settlement agreement in *Marvel Characters* qualified as an “agreement to the contrary.” Further, the Ninth Circuit’s interpretation defies the natural and logical meaning of the statute. The Ninth Circuit limits “notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant” to mean “notwithstanding any agreement to make a will or to make any future grant.” The court ignores the explicitly broad qualifier “any” and completely alters the meaning of “including,” which is explicitly defined for its use in Title 17 of the U.S. Code as an illustrative, rather than a limitative, term. In light of that definition, the Second Circuit’s broader interpretation of “any agreement” is more faithful to the prescribed meaning of the term “including.”

Like the Second Circuit, the Ninth Circuit also sought to support its statutory construction with language cited from the legislative history. The Ninth Circuit relied on a phrase in the House Report for the 1976 Act that stated that Congress 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 negotiate a new one.” While the Ninth Circuit acknowledged in a footnote that this particular statement actually referred to § 203, and not § 304(c), which was at issue in the *Milne* case, the court nonetheless erroneously relied on it, claiming that “[t]o the extent that the legislative record references section 304(c)(5)’s counterpart provision under section 203(a)(5), we find that history instructive given Congress’ use of identical language in both provisions.”

However, the cited Congressional language, when quoted in full, actually says: “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.” As is plain from the entire statement, there is a clear distinction between the operation of § 304(c) and the operation of § 203 that prevents the reasoning in the quoted legislative history from applying equally to both provisions. Because the window for termination of a transfer under § 304(c) is tied to the date of the *copyright*, while the window for termination under § 203 is tied to the date of the *transfer*, voluntarily agreeing

---

205 See supra note 92 and accompanying text.
207 See 17 U.S.C. § 101 (2000) (“Except as otherwise provided in this title, as used in this title, the following terms and their variant forms mean the following: . . . The terms ‘including’ and ‘such as’ are illustrative and not limitative.”).
208 See supra note 171–72 and accompanying text.
209 *Milne ex rel. Coyne v. Stephen Slesinger, Inc.*, 430 F.3d 1036, 1046 n.9 (9th Cir. 2005).
211 See supra notes 55–59 and accompanying text.
to terminate an existing grant and replace it with a new one would have different effects under each section. Under § 203, as stated in the House Report, terminating an existing grant of copyrights and replacing it with a new one would not extinguish the termination right, but rather would reset the thirty-five year clock at the date of the new transfer, merely delaying the exercise of termination rights thirty-five more years. However, as illustrated in Milne itself, because the window for termination under § 304(c) does not move with the date of the transfer, and because there is a temporal limit set on the latest possible grant terminable under § 304 (December 31, 1977), a replacement of a pre-1978 transfer with a new agreement after January 1, 1978 would effectively prevent any exercise of a termination right under § 304(c). Thus, the legislative history cited by the Ninth Circuit in Milne cannot be used to support its holding.

C. THE SECOND CIRCUIT’S LIBERAL APPLICATION OF § 304(C)(5) LEADS TO MORE FAIR AND CONSISTENT RESULTS AND ESTABLISHES A MORE WORKABLE LEGAL STANDARD THAN THE NINTH CIRCUIT’S RESTRICTIVE APPROACH

The Second Circuit’s broad interpretation of “any agreement” in § 304(c)(5) results in a more liberal application of that provision to prohibit agreements that prevent the exercise of termination rights. The Second Circuit approach creates results that are more fair and consistent, as well as a standard that is more practical to apply. First, the limited effect given to § 304(c)(5) by the Ninth Circuit has allowed a contract executed by one heir to affect the termination rights of another. This result is less fair than the result reached by the Second Circuit’s strict adherence to the language of the termination provisions. Theoretically, under the Ninth Circuit’s reasoning, one individual heir could execute an agreement that would disinherit any number of other heirs of their interest in the termination rights—perhaps even preventing some or all of those other heirs from receiving any benefit under the individual heir’s new agreement. In contrast, the termination provisions require action by a majority of a divided interest in termination rights in order to effect termination, and provide that all holders of a termination interest share in the reverted interest, regardless of whether they joined in the majority that exercised the right. Further, to the extent that the Ninth Circuit bases its conclusion on the view that the termination provisions have no limiting effect on an individual’s right to contract, its reasoning results in a logical inconsistency because allowing one heir to use his termination rights as


213 See supra note 66 and accompanying text; see also 3 NIMMER & NIMMER, supra note 6, § 11.04 ("Anyone who had the right to terminate a given grant, not just someone who in fact joined in requesting the termination, will own the rights thus terminated ... ").
a bargaining tool to negotiate a post-transfer contract completely deprives other heirs of their ability to similarly use their termination rights as a basis for negotiating their own bargains.

These same weaknesses also render it difficult to administer a practical legal standard derived from the Ninth Circuit's decision in Milne. Even if the Milne case were construed more narrowly so as to prevent the unfair and inconsistent results described above, the resulting standard would still be difficult to apply. One could limit Milne to upholding voluntary agreements that result in the relinquishment or alienation of termination rights only where all owners of interest in the termination rights benefit from the agreement, or only where their benefit is equivalent to that which they would have received if the termination rights had been exercised. However, both standards would require an additional threshold inquiry as to the determinable benefits received by all of the author's statutory heirs, and in the latter case would also require a very speculative evaluation of whether or not such benefits are equivalent to what the heirs would have received through the formal exercise of their termination rights. By contrast, the Second Circuit's literal interpretation of the § 304(c)(5) language and liberal application of that provision to any agreement that prevents the exercise of termination rights establishes a much more consistent legal standard, which is easier to apply.

As more transfers enter the statutory window for termination and more cases are litigated concerning the copyright termination provisions, a uniform interpretation of the alienability of termination rights and the validity of agreements that purport to relinquish those rights will be necessary to ensure consistent application of the federal statute—particularly in two of the circuits to which many courts look for guidance with respect to copyright law issues. Accordingly, the Supreme Court should revisit the issue it declined to address in Steinbeck and resolve the current split of authority by overruling the Ninth Circuit's narrow interpretation and restrictive application of the copyright termination provisions. In doing so, the Court should favor the Second Circuit's broad interpretation and liberal application of § 304(c)(5), which invalidates any agreements that prohibit the exercise of termination rights, because the Second Circuit's approach is more faithful to the statutory language and the legislative history of the Copyright Act, leads to more fair and consistent outcomes, and provides a more administrable legal standard.

IV. CONCLUSION

A true tension exists between the decisions from the Second and Ninth Circuits with regard to whether or not termination rights can be relinquished or otherwise alienated through contractual arrangements prior to their formal
exercise. Cases from the Second Circuit, like the appellate opinions in Bourne and Marvel Characters and the district court opinion in Steinbeck, illustrate the Second Circuit’s broad interpretation of § 304(c)(5) and liberal application of that provision to prevent the effect of contractual arrangements that purport to interfere with termination rights. This broad reading is based on the court’s literal interpretation of the statutory language and its understanding that the underlying legislative intent was to create an inalienable termination right to benefit authors and protect the author’s heirs, even against their own voluntary agreements.

The Ninth Circuit’s Milne decision stands in opposition to the Second Circuit’s interpretation of termination rights as inalienable, as it upheld a contractual agreement by one heir that expressly relinquished the termination rights of that heir and effectively disinherited another heir of hers. The Ninth Circuit supported this decision by narrowly interpreting the statutory language of the termination provisions, so as to limit those provisions’ interference with state contract law. The Ninth Circuit’s holding, however, is based on inappropriate statutory construction and misplaced reliance on inapplicable legislative history.

The decisions from the Second Circuit reflect a more accurate interpretation and application of both the termination provisions’ statutory language and the asserted legislative policy that they were enacted to promote. Further, the Second Circuit’s broad interpretation and liberal application of § 304(c)(5) results in more fair and consistent outcomes, as well as a more administrable legal standard, than the Ninth Circuit’s narrow interpretation and restrictive application of the statute. The Ninth Circuit’s interpretation and application of the termination provisions should not continue as good law. Accordingly, the Supreme Court should, upon its next opportunity, resolve the current split of authority in favor of the broad interpretation and liberal application of the termination provisions employed by the courts of the Second Circuit.

Allison M. Scott