THE GRAPES OF WRATHFUL HEIRS:

TERMINATIONS OF TRANSFERS OF COPYRIGHT AND "AGREEMENTS TO THE CONTRARY"♦

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I. INTRODUCTION

The owner of a copyright has the exclusive right to reproduce, distribute, perform, or display the copyrighted work, or to prepare derivative works based on it.[1] Since these rights are not very valuable without the means to exploit the work, it is quite common for an author to assign the copyright to the publisher of a work. The central problem with this arrangement is in the difficulty of determining the value of a work before its publication. It has been said that "the form of property designated copyright, unlike real property and other forms of personal property, is by its very nature incapable of accurate monetary evaluation prior to its exploitation."[2] Due to this difficulty, an author may assign the

[1] 17 U.S.C. § 101 (2006).
[2] 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 9.02 (3d ed. 2008)

copyright to a work for much less than its ultimate value. The creators of Superman, for example, assigned the copyright covering the comic book hero in 1938 for $130.[3] This seems a paltry sum, considering the massive amount of revenue generated by the Man of Steel; the 2006 movie "Superman Returns" generated $200 million at the domestic box office alone.[4] On the other hand, it is not hard to imagine that publishers regularly secure copyrights for a great number of books that are ultimately unsuccessful. In these situations, the author could easily have received much more than the actual value of the assigned copyright.

In the 1976 Copyright Act, Congress provided a statutory termination right to allow authors to renegotiate transfers that do not adequately compensate them for their works.[5] The termination provisions codified in 17 U.S.C. §§ 203, 304(c), and 304(d) give the author, or his or her heirs, the right to reclaim the copyright in a work after a certain period of time. This right is "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."[6] As will be discussed, the termination provisions give authors and heirs a "second bite at the apple" by allowing them to bargain for higher compensation, once the value of the work has been determined. The Supreme Court has described this termination right as being "inalienable,"[7] noting the language in the termination provisions which states that termination "may be effected notwithstanding any agreement to the contrary."[8]

There are several recent examples where heirs have attempted to reclaim the copyrights in very successful, high-profile works. The case of *Siegel v. Warner Bros*, arising from the termina-

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[3] Siegel v. Warner Bros., 542 F. Supp. 2d 1098, 1107 (C.D. Cal. 2008). The creators, Jerome Siegel and Joseph Shuster, were paid by Detective Comics on a per-page basis for the original thirteen-page Superman comic book. Enclosed with this check was a written agreement, assigning to Detective Comics "all [the] good will attached . . . and exclusive right[s] . . . to have and hold forever." *Id.*

[4] Michael Cieply, *Ruling Gives Heirs a Share of Superman Copyright*, N.Y. TIMES, Mar. 29, 2008, at C3. The movie "Superman Returns" was the most recent of five major Superman movies. The previous installment, "Superman IV: The Quest for Peace," grossed $16 million. Josh Friedman, *'Superman' Returns to Rescue the Franchise*, L.A. TIMES, July 3, 2006, at C1. There are also plans for a new movie. *See* Cieply, at C3.

[5] Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (1976) (codified as amended in scattered sections of 17 U.S.C); 17 U.S.C. §§ 203, 304 (2006). The House Report for the 1976 Copyright Act states that the termination provisions are "needed 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." 1 PAUL GOLDSTEIN, GOLDSTEIN ON COPYRIGHT § 5.4 (3d ed. 2008) (quoting H.R. Rep. No. 94-1476 (1976)).

[6] Mills Music, Inc. v. Snyder, 469 U.S. 153, 172-73 (1985).

[7] Stewart v. Abend, 495 U.S. 207, 230 (1990).

[8] 17 U.S.C. §§ 203, 304.

tion of the transfer of the copyright for the Superman character, provides an example of a successful termination.[9] Another success story is seen in *Classic Media, Inc. v. Mewborn*, where the copyright in question was to Eric Knight's children's story *Lassie Come Home*.[10] Winifred Knight Mewborn, one of Eric Knight's daughters, terminated the assignment of her twenty-five percent share in the copyright, effective May 1, 1998.[11]

At least one recent attempt at termination, however, was denied by the court.[12] In *Penguin Group (USA) Inc. v. Steinbeck*, the Court of Appeals for the Second Circuit considered the attempt by the heirs of John Steinbeck to terminate the assignments of the copyrights in a number of the author's works.[13] The Second Circuit found that Elaine Steinbeck had effectively contracted away the statutory right to terminate the earlier assignments of the copyrights.[14] This recent opinion, then, reveals that the phrase "notwithstanding any agreement to the contrary," found in §§ 203 and 304(c) and (d) of the Copyright Act, does not necessarily invalidate any agreement that would eliminate termination rights.[15]

Recent cases in the Second and Ninth Circuit illustrate that the termination right is not completely "inalienable." Where parties have renegotiated the terms of an assignment, and it appears that the result is substantially the same as it would have been had the author or heir terminated the grant and renegotiated a new one, a court may find that there has essentially been a de facto exercise of the statutory termination right. If the court is satisfied that this is the case, it will honor the subsequent agreement. This note endorses that approach as consistent with the reasoning behind the termination right, and proposes a balancing test, examining several different factors to determine whether an author or heir has effectively leveraged the termination provisions to negotiate better terms. These factors, or prongs, of the balancing test include whether the negotiator intended to extinguish present or future termination rights (the "intent prong"), whether the termination right had vested at the time of negotiations (the "vesting prong"), the sophistication of the negotiator (the "sophistication prong"), and how favorable the terms of the new agreement are to the author or heirs (the "results prong"). As will be seen, the Sec-

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[9] Siegel v. Warner Bros., 542 F. Supp. 2d 1098 (C.D. Cal. 2008).
[10] Classic Media Inc. v. Mewborn, 532 F.3d 978 (9th Cir. 2008).
[11] *Id.* at 981.
[12] Penguin Group (USA) Inc. v. Steinbeck, 537 F.3d 193 (2d Cir. 2008), *cert. denied,* 129 S. Ct. 2383 (2009).
[13] *Id.*
[14] *Id.*
[15] *Id.*

ond and Ninth Circuits have considered some of these factors, which this note compiles alongside other considerations to form a cohesive balancing test.

Part II of this Note first examines the history and development of the termination provisions of the Copyright Act. Part III focuses on four recent cases from the Second and Ninth Circuits, examining the various ways that assignees and heirs have tried to contract around these rights. Part IV briefly discusses why allowing the alienability of the right is preferable to a strict rule holding the termination right to be inalienable, and discusses the overarching principles that should be drawn from these cases in determining whether to honor an agreement purporting to extinguish the termination right. Part V concludes that, by applying the proposed balancing test, courts can protect the benefits that Congress intended to confer while preventing heirs from getting a third bite of the apple where there has been a de facto exercise of the termination right.

II. A BRIEF HISTORY OF THE DEVELOPMENT OF THE TERMINATION PROVISIONS

The reasoning behind the current termination statutes[16] has its origins in the Copyright Act of 1909, which featured a twenty-eight year initial term, with the author having a right to a twenty-eight year renewal term that vested at the end of the initial term.[17] The renewal term was intended to provide an author, who sold the copyright in his or her work before the value of the work was realized, with an opportunity to benefit from the success of the work.[18] In theory, the right of renewal allowed authors to renegotiate terms with the publisher when they were in a stronger bargaining position.[19]

The Supreme Court's 1943 decision in *Fred Fisher Music Co. v. M. Witmark & Sons*,[20] however, greatly frustrated the Congressional intent to confer the benefit of the renewal term. In the *Fred Fisher* case, the Supreme Court upheld an author's assignment of the re-

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[16] 17 U.S.C. §§ 203, 304 (2006).

[17] Copyright Act of 1909, ch. 320, 35 Stat. 1075 (1909) (codified as amended in scattered sections of 17 U.S.C.); *see* NIMMER, *supra* note 2, § 9.02.

[18] *See* NIMMER, *supra* note 2, § 9.02. (quoting the House Report for the 1909 Act which stated, "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." H.R. Rep. No. 2222, 60th Cong., 2d Sess. p. 14).

[19] *Id.*

[20] Fred Fisher Music Co. v. M. Witmark & Sons, 318 U.S. 643 (1943).

newal copyright term for his work, given before the end of the initial term.[21] After this decision, it became common for publishers to require authors to assign their renewal rights at the same time as the initial copyright term.[22] This practice prevented authors from renegotiating assignments at a later date.

In 1976, Congress made major revisions to the copyright law, abandoning the renewal term altogether for new works and making the new duration for a copyright the life of the author plus fifty years.[23] Congress noted, however, that without some other provision, this extension would simply "constitute a windfall to grantees."[24] At the same time, therefore, the act gave authors and their heirs the right to terminate transfers of copyrights within a specified period of time, regardless of any "agreements to the contrary."[25] For transfers executed by an author on or after January 1, 1978, such authors, or their statutory successors, have the right to terminate the transfer during a five-year window that begins thirty-five years after the execution of the grant.[26] A similar termination right was given to transfers executed before January 1, 1978; authors, or their statutory successors, have the right to terminate such a transfer during a five-year period, beginning fifty-six years after the copyright was originally obtained, or beginning on January 1, 1978, whichever is later.[27] These provisions were intended "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."[28]

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[21] *Id.*

[22] *See* Penguin Group (USA) Inc. v. Steinbeck, 537 F.3d 193, 197 (2d Cir. 2008).

[23] Copyright Act of 1976, Pub. L. No. 94-553, § 302, 90 Stat. 2541 (1976) (codified as amended in scattered sections of 17 U.S.C.). This was amended in 1998, when Congress added an additional twenty years. The duration of copyright for works created on or after January 1, 1978, is now the life of the author plus seventy years. Sonny Bono Copyright Term Extension Act, Pub. L. No. 105-298,§ 302, 112 Stat. 2827 (1998) (codified in scattered sections of 17 U.S.C.).

[24] Classic Media Inc. v. Mewborn, 532 F.3d 978, 984 (9th Cir. 2008) (quoting the 1976 Act House Report which stated, "[T]he Extended Renewal 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." H.R. Rep. No. 94-1476, at 140 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5756.).

[25] *See* 17 U.S.C. §§ 203, 304(c) (2006) (providing that termination of a grant may be effected "notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant"). As will be seen, this phrase has led to a significant amount of litigation seeking to define what constitutes an "agreement to the contrary."

[26] 17 U.S.C. § 203 (2006). If the grant also covers the publication rights for a work, the five-year window "begins at the end of thirty-five years from the date of publication of the work under the grant or at the end of forty years from the date of execution of the grant, whichever term ends earlier." *Id.* *See also* 18 AM. JUR. 2D COPYRIGHT AND LITERARY PROPERTY § 160 (2008).

[27] 17 U.S.C. § 304(c) (2006). *See also* 18 AM. JUR. 2D COPYRIGHT AND LITERARY PROPERTY § 165 (2008).

[28] Stewart v. Abend, 495 U.S. 207, 220 (1990).

In 1998, Congress extended the length of the Copyright term an additional twenty years and added another opportunity for the termination right to be exercised, if it had not been exercised already.[29] Under the Sonny Bono Copyright Term Extension Act, an author or his or her heirs may terminate a pre-1978 grant within a period of five years beginning at the end of seventy-five years from the date that the copyright was originally secured.[30] To be eligible for this termination right, the termination right granted by 17 U.S.C. § 304(c) must have expired as of October 26, 1998.[31] In all other respects, this termination right operates in the same way as the rights granted by § 304(c).[32]

As mentioned earlier, the *Siegel* case provides a high profile example of a successful termination.[33] Joanne Siegel and Laura Siegel Larson, heirs of one of the creators of Superman, terminated several grants in the Superman copyright; these terminations took effect on April 16, 1999.[34] Warner Brothers, Time Warner, and DC Comics disputed the effectiveness of these termination notices, but in March of 2008, the U.S. District Court for the Central District of California found that the heirs had in fact recaptured Jerome Siegel's half of the copyright in Superman, and ordered an apportionment of any profits obtained after the effective date of the termination.[35]

Though the Copyright Act's effect of providing authors with a second chance at negotiation has been described as paternalistic,[36] the termination right is consistent with other property principles that seek to ensure that the creator of a work be able to share in the fruits of his or her labor. One such example is the *droit de suite*, present in many other countries as well as in the state of Cali-

[29] Sonny Bono Copyright Term Extension Act, 112 Stat. 2827.
[30] 17 U.S.C. § 304(d).
[31] *Id.*
[32] *Id.*
[33] *See* Siegel v. Warner Bros., 542 F. Supp. 2d 1098 (C.D. Cal. 2008).
[34] *Id.* at 1114. The effective date of this termination, April 16, 1999, was within the five-year window beginning fifty-six years after the 1938 grant. Siegel and Siegel Larson filed the notices of termination on April 3, 1997, which was more than two years and less than ten years before the effective date. Thus, the date of notice and the effective date were within the appropriate time periods as required by the Copyright Act. *See* 17 U.S.C. § 304(c) (2006). For discussion of the mechanics of termination, see generally NIMMER, *supra* note 2, § 11.06 and GOLDSTEIN, *supra* note 5, § 5.5.2.
[35] *Siegel*, 542 F. Supp. 2d at 1145. There was one work that fell outside of the scope of the termination notice, since it was published more than sixty-one years before the stated effective date. The defendants may thus continue to exploit this promotional announcement, which featured a black-and-white illustration of Superman lifting a car. The court determined, however, that the scope of the material that may be exploited is very narrow, confined to "the image of a person with extraordinary strength who wears a black and white leotard and cape." *Id.* at 1126.
[36] *See, e.g.*, Stephen W. Tropp, *It Had to be Murder, or Will Be Soon – 17 U.S.C § 203 Termination of Transfers: A Call for Legislative Reform,* 51 J. COPYRIGHT SOC'Y U.S.A. 797, 800 (2004).

fornia.[37] This right entitles artists and authors to a portion of the proceeds of a sale of their work.[38] Professor Paul Goldstein notes that one of the premises of the *droit de suite* is "that artists who sell their works at starvation prices should be allowed to share in the work's increased value on resale."[39] The termination provisions similarly provide an opportunity for authors to share in the success of their work.

The termination provisions also reflect the traditional rule that courts will not enforce an unconscionable contract.[40] Allowing authors to revoke an assignment of a copyright, when it is determined that it is worth more than originally bargained for, is in some ways similar to a determination that enforcing the original bargain would be unconscionable in light of the work's success. Unconscionability is generally thought to require both a finding of procedural unconscionability, which relates to deficiencies in the bargaining process, and substantive unconscionability, such as an unreasonably unfair or harsh term in a contract or an inequitable result.[41] Although courts have not used these terms in adjudicating cases involving the termination provisions, they have addressed the concerns these terms embody.

The termination provisions provide a valuable second chance for authors or their heirs to benefit from the success of their works. Assignees, however, have attempted to sidestep or buy these benefits in several different ways. Heirs have also attempted to effectively sell their termination rights to assignees. The next section will examine these strategies and how the courts have dealt with them.

III. ATTEMPTS TO CONTRACT AROUND THE TERMINATION PROVISIONS

There have been several strategies employed to sidestep the

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[37] The California statute is codified at CAL. CIV. CODE § 986 (West 2008). The *droit de suite* is recognized in many countries and is provided for in the Berne Convention. Berne Convention for the Protection of Literary and Artistic Works art. 14ter, Sep. 28, 1979, S. Treaty Doc. No. 27, 99th Cong., 2d Sess. 37 (1986).

[38] For example, the California statute entitles artists to 5 percent of the proceeds of a qualifying resale of a work of fine art. *See* CAL. CIV. CODE § 986 (West 2008).

[39] PAUL GOLDSTEIN, INTERNATIONAL COPYRIGHT: PRINCIPLES, LAW, AND PRACTICE 260 (Oxford University Press 2001).

[40] *See* 8 SAMUEL WILLISTON & RICHARD A. LORD, WILLISTON ON CONTRACTS § 18.1 (4th ed. 1993 & Supp. 2008) (noting that "equity has often refused to enforce some agreements when, in its sound discretion, these have been deemed unconscionable."); *see also* RESTATEMENT (SECOND) OF CONTRACTS § 208 (1981) ("If a contract or term thereof is unconscionable at the time the contract is made a court may refuse to enforce the contract, or may enforce the remainder of the contract without the unconscionable term, or may so limit the application of any unconscionable term as to avoid any unconscionable result.").

[41] *See* WILLISTON & LORD, *supra* note 40, § 18.10.

termination right. Such an effort inevitably runs into the problem presented by the phrase in the statutes that states, "[t]ermination of [a] grant may be effected notwithstanding any agreement to the contrary."[42] It is this language that provides the authority for the Supreme Court's declaration that the termination right is inalienable.[43] As will be seen, seemingly contrary findings of several recent cases raise questions about whether the termination right is "inalienable" and suggest that, in some circumstances, an author or heir will be able to effectively sell the right. Accordingly, it may be best to understand the phrase "notwithstanding any agreement to the contrary" to mean that the court will disregard agreements that are contrary to the purpose of the termination provisions, but not necessarily all agreements that are contrary to the exercise of the right.

One strategy in attempting to sidestep the termination right stems from the fact that the termination rights in §§ 203 and 304 of the Copyright Act do not extend to a copyright in a work made for hire, which is defined as a work that is created for an employer, or which is ordered or commissioned.[44] If a publisher can convince the court that a work was made for hire, the author will have no termination right. In some cases, therefore, publishers have attempted to re-characterize works for which they have been assigned a copyright as works made for hire.[45]

Such a case was presented to the Second Circuit in *Marvel Characters, Inc. v. Simon*.[46] Joseph H. Simon is the creator of the Captain America character and story, which he sold in 1940 to Timely Publications, now a part of Marvel Comics, Inc.[47] When the copyright in the Captain America works, which Timely had registered, neared the end of the twenty-eight-year initial term, Simon brought two separate actions against Martin and Jean Goodman, the owners of Timely Publications.[48] In his first com-

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[42] 17 U.S.C. §§ 203(a)(5), 304(c)(5) (2006).
[43] Stewart v. Abend, 495 U.S. 207, 230 (1990).
[44] 17 U.S.C. §§ 203, 304 (2006). A "work made for hire" is defined as:

> a work prepared by an employee within the scope of his or her employment; or a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.

17 U.S.C. § 101 (2006).
[45] *See* Marvel Characters, Inc. v. Simon, 310 F.3d 280 (2d Cir. 2002).
[46] *Id.*
[47] *Id.* at 281.
[48] *Id.* at 283.

plaint, Simon asserted that "the Goodmans' exploitation of the Captain America character constituted unfair competition and misappropriation of his state law property rights" as the author of the work.[49] Simon's second action sought a declaratory judgment that he, as the sole author of the Captain America character and books, had the right to the renewal term in the works.[50] Both of the actions were settled by the parties in 1969.[51] As part of this settlement agreement, Simon assigned to the Goodmans "any and all right, title[,] and interest he may have or control or which he has had or controlled" in the Captain America works; he further stated that his contributions to the works were "done as an employee for hire of the Goodmans."[52]

It was after this settlement, in 1976, that Congress granted authors the right to terminate the grant of a copyright.[53] In 1999, Simon filed notices of termination with the U.S. Copyright Office, claiming that he was the independent creator of the Captain America character and the first issue of the series and that he was "neither an employee for hire nor a creator of a work for hire."[54] In response, Marvel Comics filed suit seeking a declaratory judgment that, since Simon stipulated in the 1969 settlement agreement that he contributed to the Captain America works as an employee, he was barred from asserting that he was the author of the works, and the termination notices were invalid.[55] After finding that Simon was not precluded from litigating the issue of authorship, the Second Circuit then discussed the legislative purpose and Congress' intent in stating that a "[t]ermination of [a] grant may be effected notwithstanding any agreement to the contrary" in § 304(c) of the Copyright Act.[56] Finding that allowing an agreement between an author and a publisher to re-characterize a work as one made for hire would frustrate Congress' intent in providing the termination right, the court held that the settlement agreement was an "agreement to the contrary" and could not defeat Simon's termination right.[57]

The *Marvel Characters* decision provides an example the

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[49] *Id.*
[50] *Id.*
[51] *Id.*
[52] *Id.*
[53] 17 U.S.C. § 304(c) (2006).
[54] *Marvel Characters,* 310 F.3d at 284-85.
[55] *Id.* at 286.
[56] *Id.* at 289-90.
[57] *Id.* at 290-91 (stating that if such an agreement were not considered an "agreement to the contrary," "the termination provision would be rendered a nullity; litigation-savvy publishers would be able to utilize their superior bargaining position to compel authors to agree that a work was created for hire in order to get their works published.").

court's belief that it needed to uphold the termination right as inalienable. Even though the termination right did not exist at the time of the agreement,[58] the court decided that allowing the agreement to stand "would very likely repeat the result wrought by the *Fred Fisher* decision and provide a blueprint by which publishers could effectively eliminate an author's termination right."[59] The Second Circuit's decision was thus shaped by a desire to ensure that authors and heirs would benefit from the termination provisions.[60]

Some copyright assignees have sought an assignment of the termination right itself. An example of this is found in the *Classic Media* case.[61] When Eric Knight, the creator of the children's story *Lassie Come Home*, died in 1943, his renewal rights in the copyright for the Lassie works reverted to his wife, Ruth Knight, and his three daughters, Jennie Knight Moore, Betty Knight Meyers, and Winifred Knight Mewborn,[62] per § 24 of the 1909 Copyright Act.[63] Each heir renewed the copyright with the U.S. Copyright Office in each of the Lassie works between 1965 and 1967.[64] On July 14, 1976, Mewborn assigned her 25 percent share in the motion picture, television, and radio rights in the Lassie works to Lassie Television, Inc. ("LTI"), Classic Media's predecessor-in-interest, for $11,000.[65] It was after this assignment, on October 19, 1976, that Congress enacted the 1976 Copyright Act, which provided the statutory right to terminate the assignment of a copyright.[66] The Act took effect on January 1, 1978.[67] After the effective date of the 1976 Copyright Act, in March 1978, LTI obtained agreements from Mewborn's two sisters; for $3,000 each, the sisters assigned their shares in the motion picture, television, and radio rights in the Lassie works.[68] The agreements signed by Mewborn's sisters were slightly different from the one signed by Mewborn and included the assignment of "ancillary rights."[69] In order to make the

[58] The settlement agreement was signed in 1969, seven years before Congress created the termination right and nine years before it became effective. *Id.* at 283-84.
[59] *Id.* at 291.
[60] *Id.*
[61] Classic Media Inc. v. Mewborn, 532 F.3d 978 (9th Cir. 2008).
[62] *Id.* at 980.
[63] Copyright Act of 1909, 35 Stat. 1075. Under the terms of the act, Ruth Knight received a fifty percent interest in the copyright, and Knight's three daughters each received a twenty-five percent interest in the copyright.
[64] *Classic Media*, 532 F.3d at 980.
[65] *Id.*
[66] Copyright Act of 1976, 90 Stat. 254.
[67] *Id.*
[68] *Classic Media*, 532 F.3d at 980.
[69] The grants signed by Myers and Moore "assigned their motion picture, television and radio rights to LTI, as well as ancillary rights such as merchandising, dramatic, recording,

sisters' grants conform to each other, LTI got another agreement from Mewborn in March 1978, for an additional $3,000.[70] This second agreement states that "the rights granted herein to [LTI] are in addition to the rights granted by me to [LTI] under and pursuant to an assignment dated July 14, 1976."[71]

On April 12, 1996, Mewborn served Golden Books, LTI's then successor-in-interest, with notice of termination of the 1976 assignment, with an effective date of May 1, 1998.[72] Though Golden Books denied the effectiveness of the termination notice and threatened suit against Mewborn, the issue was not brought to court at that time.[73]

In 2004, Mewborn learned that Classic Media was planning to produce a movie entitled *Lassie Come Home*, based on Knight's works.[74] After this discovery, Mewborn wrote to Classic Media, demanding that they account for and pay Mewborn's share of the profits from the exploitation of the works.[75] Classic Media filed a declaratory relief action in the Central District of California, arguing that Mewborn had no interest in the Lassie film or in any of the rights assigned in the 1978 agreement, and that her termination of the 1976 assignment was ineffective.[76] The district court ruled in favor of Classic Media, finding that the parties intended for the 1978 agreement to assign Mewborn's additional rights not transferred in 1976, "including the newly acquired 304(c) right to terminate the 1976 agreement."[77]

The Court of Appeals for the Ninth Circuit, however, reversed the district court's ruling.[78] Concluding that the 1978 agreement did not assign Mewborn's right to terminate the 1976 assignment, the court focused primarily on three factors.[79] First, and most importantly, the court noted the express language of the Copyright Act that termination of a transfer made before January 1978, "may be effected notwithstanding any agreement to the con-

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and certain publishing rights." *Id.*

[70] *Id.*

[71] *Id.* at 981. This second grant from Mewborn transferred all of the rights contained in the first grant, but also included the "ancillary rights" that were assigned by her sisters. *Id.*

[72] *Id.*

[73] *Id.* Golden Books Family Entertainment wrote to Mewborn, denying the effectiveness of her termination notice, on April 1, 1998. This was just one month before the effective date of that notice. *Id.*

[74] *Id.* This movie, produced in the United Kingdom, was released in the United States on September 1, 2006. *See* Michael Wilmington, *BOW WOW!; 'Lassie's' back … and better than ever,* CHI. TRIB., Sept. 1, 2006, at C1.

[75] Classic Media, 532 F.3d at 981.

[76] *Id.*

[77] *Id.* at 982.

[78] *Id.*

[79] *Id.*

trary."[80] Second, the court mentioned the "clear intent" of Congress to provide additional years of copyright protection in the 1976 Act.[81] Furthermore, the court noted the lack of any language in the 1978 agreement that mentions a termination right, much less language that demonstrates that the parties intended that it be assigned to LTI.[82] The court thus considered the 1978 agreement between Mewborn and LTI to be an "agreement to the contrary" as considered by 17 U.S.C. § 304.[83]

In its opinion, the Ninth Circuit was careful to distinguish the facts of *Classic Media* from its earlier decision in *Milne v. Stephen Slesinger, Inc.*,[84] in which the court upheld an agreement between an author's heir and a publisher in which the heir agreed not to seek termination of the existing agreements in return for executing a new deal.[85] The key difference between the two cases, according to the *Classic Media* majority, is in whether the termination right had vested.[86] In the *Milne* case, the author's heir had a right, at the time of the agreement purporting to eliminate the termination right, to serve notice of termination.[87] The majority in *Milne* found that Milne's heir used the possibility of termination as leverage in forming the new agreement with Slesinger and obtaining a better deal.[88] By contrast, when Mewborn made the 1978 agreement, she "did not even have the right to serve an advance

[80] *Id.* (referring to 17 U.S.C. § 304(c)(5)).
[81] *Classic Media*, 532 F.3d at 982.
[82] *Id.*
[83] After the Ninth Circuit's decision, the parties settled. In a statement released on July 15, just four days after the decision was filed, Classic Media said it was

> pleased to announce that the parties have independently reached complete resolution of all matters in the case, with Classic Media owning the exclusive 100% copyright in Lassie. Classic Media Looks forward to continuing to bring the adventures of the world's most famous dog to audiences everywhere for generations to come.

Statement from Classic Media with Regards to Lassie Court of Appeal Decision (July 15, 2008), http://www.lassie.com/Lassie_Statement_lw.pdf (last visited Nov. 2, 2009).
[84] Milne v. Stephen Slesinger, Inc., 430 F.3d 1036 (9th Cir. 2005). This case involved the "Winnie the Pooh" children's books, authored by Alan Alexander Milne. Milne granted various rights in the works to Stephen Slesinger, Inc. in 1930. In 1983, Milne's heirs considered terminating the grants but instead opted to enter into a new agreement, which revoked the original grant and re-issued the rights in the works to Stephen Slesinger.
[85] *Classic Media*, 532 F.3d at 987.
[86] *Id.*
[87] *Milne*, 430 F.3d at 1040. Under § 304(c)(4)(A), a termination may be effected during the five-year window beginning fifty-six years after the date that the copyright was originally secured, or beginning on January 1, 1978, whichever is later. 17 U.S.C. § 304 (c)(4)(A). A termination notice can be served as early as ten years before the effective date. *Id.* Thus, the negotiations in 1983 occurred at a time when Milne could have served Slesinger with a termination notice for the 1930 grant.
[88] *Milne*, 430 F.3d at 1045 (noting that "[t]he beneficiaries . . . were able to obtain considerably more money as a result of the bargaining power wielded by the author's son, Christopher, who was believed to own a statutory right to terminate the 1930 grant.)

notice of termination so as to vest her termination rights as to the Lassie works, and could not have served notice for another six years as to the story and eight for the novel."[89] Additionally, the court notes that "there is no evidence in the record that Mewborn was even aware of her termination rights in March 1978, just two months after § 304(c) became effective."[90]

As seen in the *Milne* case, an agreement which eliminates the termination right of an author or an heir will not necessarily be invalidated as an "agreement to the contrary."[91] Another case that illustrates such an exception to the rule is the *Penguin Group* case.[92] In that case, the Second Circuit considered an agreement between Penguin Group and Elaine Steinbeck regarding the works of her husband, John Steinbeck.[93]

In 1938, John Steinbeck executed an agreement with The Viking Press (Penguin Group's predecessor-in-interest), which set terms for the publication of many of his works, including *Cup of Gold, To A God Unknown,* and *Of Mice and Men.*[94] This agreement gave the publisher the "sole and exclusive right" to publish these works in the United States and Canada, and provided Steinbeck with royalties based on net sales.[95] The copyrights in these works were renewed by Steinbeck for their twenty-eight year renewal terms.[96] In 1968, John Steinbeck died and bequeathed his copyright interests to Elaine Steinbeck, his widow.[97]

In 1994, Elaine Steinbeck entered into a new agreement with Penguin Group, which covered the publication rights for all of the works included in the 1938 agreement and added several other Steinbeck works, including some of her own works.[98] This agreement required Penguin Group to provide a "far larger annual guaranteed advance, and royalties of between ten and fifteen per-

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[89] *Classic Media*, 532 F.3d at 987. Under § 304(c)(4)(A), a termination may be effected during the five year window beginning 56 years after the date that the copyright was originally secured, or beginning on January 1, 1978, whichever is later. 17 U.S.C. §304 (c)(4)(A). Thus the effective date of termination for the Lassie story could not be before 1994, and the effective date of termination for the novel could not be before 1996. Since a termination notice cannot be served any earlier than ten years before the effective date, the earliest that Mewborn could have served notice was 1984 for the story and 1986 for the novel.
[90] *Id.* at 989.
[91] *Milne*, 430 F.3d 1036.
[92] Penguin Group (USA) Inc. v. Steinbeck, 537 F.3d 193 (2d Cir. 2008).
[93] *Id.* At the time of the 1994 agreement with Penguin, Mrs. Steinbeck was the owner of the copyright interests in the works in question.
[94] *Id.* at 196. In 1939, this agreement was extended to cover four of Steinbeck's other works, including *The Grapes of Wrath.*
[95] *Id.*
[96] *Id.*
[97] *Id.*
[98] *Id.*

cent of retail (rather than wholesale) sales."[99] The agreement stated that "when signed by the Author and Publisher, [it] will cancel and supersede the previous agreements, as amended, for the [works] covered hereunder."[100]

In 2003, Elaine Steinbeck died and bequeathed to various heirs her copyright interests in her late husband's works, as well as the proceeds from the 1994 agreement with Penguin Group.[101] The *Penguin Group* court noted that Elaine Steinbeck's "statutory termination rights expired upon her death."[102]

On June 13, 2004, Steinbeck's descendants, his surviving son Thomas Steinbeck and Blake Smyle, the sole surviving child of Steinbeck's other son, attempted to terminate the prior grants.[103] They served a notice of termination on Penguin Group, claiming to terminate the 1938 agreement with The Viking Press, Penguin Group's predecessor-in-interest.[104] This notice was filed within the time period for the termination right granted by the Sonny Bono Copyright Extension Act.[105]

Upon receiving this notice, Penguin Group filed a complaint in the United States District Court for the Southern District of New York, seeking a declaratory judgment that the termination notice was ineffective.[106] The court, however, held that the termination notice was effective.[107] Considering Penguin Group's argument that the 1994 agreement extinguished the termination right, the court declared that "to the extent that the 1994 Agreement would strip [the Steinbeck Descendants] . . . 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)."[108]

The Court of Appeals for the Second Circuit reversed the decision of the district court.[109] The Second Circuit found that, since the 1994 agreement expressly terminated and superseded the 1938 agreement, the termination rights for the works contained therein were also eliminated.[110] Supporting this view, the court

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[99] *Id.*
[100] *Id.*
[101] *Id.* at 197.
[102] *Id.*
[103] *Id.*
[104] *Id.*
[105] Sonny Bono Copyright Term Extension Act, 112 Stat. 2827 (providing for an effective termination date within a five year period beginning at the end of seventy-five years from the date that the copyright was secured).
[106] *Penguin Group*, 537 F.3d at 199.
[107] Steinbeck v. McIntosh & Otis, Inc., 433 F. Supp. 2d 395 (S.D.N.Y. 2006).
[108] *Id.* at 402.
[109] *Penguin Group*, 537 F.3d at 204.
[110] *Id.* at 202.

noted that the 1994 agreement displays a clear intent to terminate the 1938 agreement and that "parties to an agreement can mutually agree to terminate it by expressly assenting to its rescission while simultaneously entering into a new agreement dealing with the same subject matter."[111]

At first glance, the 1994 agreement looks very much like an "agreement to the contrary" which courts have refused to honor.[112] If a termination right could be extinguished by language in a subsequent agreement that claims to terminate and supersede the earlier assignment, transferees would have a powerful tool to sidestep the termination provisions entirely, as was feared by the court in *Marvel Characters*.[113] The Second Circuit, however, concluded that the 1994 agreement was not "an agreement to the contrary" under 17 U.S.C. § 304(c)(5).[114] Like the court in *Milne*, the *Penguin Group* court seems to find that the negotiations between Elaine Steinbeck and Penguin Group equated to a de facto exercise of her § 304(c) termination right.

The issue in *Penguin Group* is complicated by the fact that the § 304(d) termination rights, which were also extinguished, did not yet exist at the time of the 1994 agreement.[115] The termination rights provided by § 304(d) would not become effective until 1998, four years later.[116] Noting this important fact, the court in *Penguin Group* asserted that it could not "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."[117]

It is clear that Penguin Group could not, in 1994, have had the intention of persuading Steinbeck to give away her termination rights under 17 U.S.C. § 304(d).[118] For this reason, it is understandable that the Second Circuit would not be concerned about creating a *Fred Fisher* type incentive for publishers and would not jump to declare the 1994 agreement an "agreement to the contrary." However, it is not hard to imagine the court deciding

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[111] *Id.* at 200 (*quoting* Jones v. Trice, 202 A.D.2d 394, 395 (2d Dept. 1994)).
[112] *See* Classic Media Inc. v. Mewborn, 532 F.3d 978 (9th Cir. 2008); Marvel Characters, Inc. v. Simon, 310 F.3d 280 (2d Cir. 2002).
[113] *Marvel Characters*, 310 F.3d at 291 (expressing concerns that upholding agreements to the contrary "would very likely repeat the result wrought by the *Fred Fisher* decision and provide a blueprint by which publishers could effectively eliminate an author's termination right.").
[114] *Penguin Group*, 537 F.3d at 202.
[115] *Id.* at 202-03.
[116] Sonny Bono Copyright Term Extension Act, 112 Stat. 2827.
[117] *Penguin Group*, 537 F.3d at 203.
[118] Again, this is because they did not exist yet, and none of the parties (as far as we know) had any reason to know that they would come about in the future.

the other way. In *Classic Media*, where the Ninth Circuit found that Winifred Knight Mewborn could not have intended to assign away her termination rights, the court found great significance in the fact that Mewborn likely did not know that the termination rights existed.[119] The fact that it was absolutely impossible for Elaine Steinbeck to know of the additional termination rights that would later be granted, coupled with the general principle of making amendments to the copyright law retroactive,[120] might just as easily have led the court to find that she did not intend to assign this right, and should be able to benefit from it.

It is also interesting to consider how the Second Circuit may have handled the 1994 agreement if the termination notice were served earlier, under the provisions of 17 U.S.C. § 304(c).[121] It is quite possible that the outcome would have been largely the same. The court notes that Elaine Steinbeck "did renegotiate and cancel the 1938 agreement while wielding the threat of termination. Indeed, this kind of renegotiation appears to be exactly what was intended by Congress."[122] In several places in the opinion, the court discusses the parties' ability to renegotiate "and extract more favorable terms from early grants of an author's copyright."[123] This language evokes the reasoning of the Ninth Circuit in the *Milne* case, where the court determined that the heir was able to use the termination right as leverage to get a better deal from the publisher and, as a result, the negotiations could not be considered an "agreement to the contrary."[124] The Second Circuit even states 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."[125] As will be discussed in Part IV, it seems clear that the Second Circuit would have found that Elaine Steinbeck effectively used this opportunity when she renegotiated the publishing terms in 1994.

IV. DETERMINING WHEN THERE HAS BEEN A DE FACTO EXERCISE OF THE TERMINATION RIGHT: A BALANCING TEST

A review of these recent cases reveals that the termination

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[119] Classic Media Inc. v. Mewborn, 532 F.3d 978, 989 (9th Cir. 2008).
[120] Stewart v. Abend, 495 U.S. 207, 220 (1990).
[121] There would have been a narrow window in which such notice could have been served. Though the § 304(c) termination right for *Cup of Gold*, the earliest work covered in the 1938 agreement, expired in 1990, the § 304(c) termination right for *The Grapes of Wrath*, the latest work, did not expire until 2000. *Penguin Group*, 537 F.3d at 199. It would have thus been possible for a § 304(c) termination notice for *The Grapes of Wrath*, for example, to have been served as late as 1998, four years after the 1994 agreement.
[122] *Penguin Group*, 537 F.3d at 202.
[123] *Id.* at 204.
[124] Milne v. Stephen Slesinger, Inc., 430 F.3d 1036 (9th Cir. 2005).
[125] *Penguin Group*, 537 F.3d 193 at 204.

right is not completely "inalienable." Where there has been a de facto exercise of the termination right, such an agreement between authors or heirs and assignees will be honored and the termination right extinguished.

Critics have argued that it is flawed to interpret the termination provisions as allowing for the alienability of the right, urging the courts to flatly reject any agreement preventing the exercise of termination rights.[126] Some have said that upholding such agreements would "require a very speculative evaluation of whether such benefits are equivalent to what the heirs would have received through the formal exercise of their termination rights."[127] It is thus argued that a strict rule, which disregards any agreement to the contrary, "establishes a much more consistent legal standard, which is easier to apply."[128] While such a strict rule would certainly be easier to apply, such a reading of the termination provisions is neither necessary nor equitable.

First, if the court is mindful of the broad principles outlined by this note, speculation as to what benefits the heirs would receive through exercise of the termination right is unnecessary. A well-informed heir who is negotiating with an assignee would be able to make this determination. Provided that the termination right has vested at the time of negotiations, heirs will always be able to terminate the assignment if they determine that they could get a better deal elsewhere. Thus, if the heir has a vested right, there are no questions needed as to that heir's level of sophistication, and if it is clear that the termination right was on the bargaining table, the court can assume that, within reason, the benefits conferred on the heirs represented the market value of the termination right.

Second, applying a strict standard would do more harm than is justified by its potential convenience and ease of application. To allow heirs to terminate a transfer in absolutely every situation could do a great deal of harm to assignees. If a termination right is bargained for, an assignee will presumably have paid a premium for it. In such a situation, the heirs will have benefitted from the termination right. As the court stated in the *Penguin Group* case, "[N]othing 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

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[126] *See* Allison M. Scott, *Oh Bother: Milne, Steinbeck, and an Emerging Circuit Split Over the Alienability of Copyright Termination Rights,* 14 J. INTELL. PROP. L. 357 (2007).
[127] *Id.* at 387.
[128] *Id.*

or to exercise them."[129]

It has also been argued that allowing for the alienability of the termination right would undo the benefits of the provisions, much like *Fred Fisher* did to the renewal term. Professor Nimmer has warned "that the combined force of the decisions from the Ninth and Second Circuits will threaten to render termination of transfer a dead letter."[130] This will not be a problem, however, if courts only uphold such agreements when certain concerns, outlined below, are satisfied.

Courts should not strictly interpret the termination provisions to be inalienable. To do so would ignore the fact that authors and heirs can benefit from the termination right without exercising it. Further, where assignees genuinely believed that they were bargaining for the termination right, disregarding an agreement could result in them paying for the right again or losing the copyright altogether.

This note proposes a four-prong balancing test to assist in determining whether an agreement by the author or heirs, which purports to extinguish a termination right, effectively acts as an exercise of the termination right. Some of the prongs are drawn directly from case law but are simply made more explicit. Some represent concerns that were in the background of the discussed cases but that merit a direct inquiry by the court. This balancing test may also serve as a blueprint for the author, heir, or assignee who wishes to execute an effective transfer of a termination right. Depending on the facts of a specific case, some or all of these prongs may apply.

A. *The Intent Prong*

An initial consideration for the court, and the most important, is the intention of the parties to the agreement. This inquiry is informed by basic contract law, which requires the mutual intent of the parties to contract.[131] To relate back to the analogy made to the doctrine of unconscionability, this factor speaks to the procedural fairness of the agreement.[132] Before deciding whether it will honor an agreement in which an author or heir relinquishes a termination right, the court must determine whether the parties

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[129] *Penguin Group*, 537 F.3d at 204.
[130] NIMMER, *supra* note 2, § 11.07.
[131] *See* WILLISTON & LORD, *supra* note 40, § 3.5 (stating that "in order to create an enforceable contract, the parties must agree to the material terms of their bargain and have a present intention to be bound by their agreement, sometimes referred to as present serious contractual intent.").
[132] *See id.* § 18.10.

actually intended the relinquishment of the right. Furthermore, where it appears that the parties did not intend to eliminate the termination right, it is extremely unlikely that the deal will reflect the value of the right; this affects the substantive fairness of the deal. Thus, where the parties intend to extinguish the right, the court should be more willing to honor the agreement. Where the parties did not have this intention, the court should invalidate the agreement as contrary to the intentions of the termination provision.

In the *Penguin Group* and *Milne* cases, there was clear evidence that the parties intended to eliminate the termination rights. Elaine Steinbeck's 1994 agreement with Penguin states that it will "cancel and supersede the previous agreements, as amended."[133] The 1983 agreement made by Christopher Milne is even more explicit in its intent; it is described by the parties to it 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. §§ 203 or 304(c)."[134]

In the *Classic Media* case, the court found that the 1978 assignment did not "expressly or impliedly transfer Mewborn's termination right."[135] Noting that there was no evidence that Mewborn was even aware of her termination rights, the court did not find that Mewborn intended to waive them.[136] The court also found that "if LTI had entered into the 1978 Agreement intending that the termination right was on the bargaining table, the contract language fails to reflect this intention or provide any consideration for that right."[137]

If a court determines, as the Ninth Circuit found in *Classic Media*, that the parties did not intend to extinguish the termination right, the agreement should not be honored. If, however, it appears that there was such an intention, the court must consider whether the author or heir has effectively leveraged the termination right.

B. *The Vesting Prong*

In determining whether a subsequent agreement reflects the value of the termination right, a court should next determine whether the termination right had vested at the time of an agree-

[133] *Penguin Group,* 537 F.3d at 200.
[134] Milne v. Stephen Slesinger, Inc., 430 F.3d 1036, 1044 (9th Cir. 2005).
[135] Classic Media Inc. v. Mewborn, 532 F.3d 978, 989 (9th Cir. 2008).
[136] *Id.*
[137] *Id.*

ment which claims to eliminate the right. The majority opinions in the *Penguin Group, Milne, Classic Media,* and *Marvel Characters* cases all make this inquiry.[138] This is also a fairly simple and straightforward test for courts to employ; all that must be determined is whether the agreement claiming to extinguish a termination right was made any time during the ten-year period in which notice of termination could be served on the assignee, thus vesting the termination rights in the author or heir. In such a situation, closer to the possibility of termination, it is much more likely that the termination right will be considered by the parties in their bargaining and will result in the author or heirs receiving adequate compensation for use of the copyrighted work. Also, an author or heir will be able to more accurately assess the value of the right once it has vested.

Where the courts have found that a termination right had vested at the time of agreement, those agreements were upheld and the termination rights extinguished. In the *Milne* case, the Ninth Circuit found significance in the fact that Christopher Milne entered negotiations after his termination right vested.[139] The majority noted that negotiations between the parties occurred in 1983, at a time when Disney was "faced with the possibility that Christopher might seek to terminate the rights Disney had received in 1961."[140] The Second Circuit also noted in the *Penguin Group* case that at the time of negotiation "at least some of the works covered by the agreement were eligible, or about to be eligible, for termination."[141]

In cases where termination rights had not yet vested, courts have not allowed them to be assigned or waived. In the *Marvel Characters* case, the Second Circuit noted that the termination right did not even exist at the time of the settlement agreement between the parties.[142] The Ninth Circuit also noted the fact that the termination right had not vested in the *Classic Media* case, stating that at the time of the 1978 agreement Mewborn "did not even have the right to serve an advance notice of termination so as to vest her termination rights as to the Lassie Works."[143]

Where a termination right is vested, the person holding that right is in a better position to use it as a bargaining chip. If the au-

[138] *Penguin Group*, 537 F.3d at 203; *Classic Media,* 532 F.3d at 987; *Milne,* 430 F.3d at 1040; Marvel Characters Inc. v. Simon, 310 F.3d 280, 285 (2d Cir. 2002).
[139] *Milne*, 430 F.3d at 1045.
[140] *Id.* at 1040.
[141] *Penguin Group*, 537 F.3d at 204.
[142] *Marvel Characters,* 310 F.3d at 292.
[143] *Classic Media,* 532 F.3d at 987.

thor or heir is able to bargain for a good deal as a result, they have benefitted from the right without needing to exercise it. In the *Penguin Group* case, the court noted that "Elaine Steinbeck did renegotiate and cancel the 1938 Agreement while wielding the threat of termination. Indeed, this kind of negotiation appears to be exactly what was intended by Congress."[144]

C. *The Sophistication Prong*

In determining whether an author or heir has benefitted from the termination right, courts must also consider the sophistication of the person making the assignment. This inquiry includes whether the parties actually negotiated and whether the parties were advised by counsel before drafting or signing an agreement. The main concern here is the procedural fairness of the negotiation. Though this concern has not explicitly been addressed by the courts in the cases discussed, it is clear that the courts were aware of these background factors, which merit a direct inquiry.

In the *Penguin Group* and *Milne* cases, the courts found evidence of negotiation.[145] In the *Classic Media* case, however, Mewborn does not appear to have been a sophisticated negotiator.[146] The 1978 contract, which Classic Media attempted to construe as eliminating the termination right, was drafted by LTI without negotiating with Mewborn.[147] The court notes that Mewborn "signed the contract 'as is' without the advice of counsel and without negotiating any of its terms."[148]

If the purpose of the termination right is to provide authors or their heirs with an opportunity to bargain for the full value of the work, the lack of negotiation seen in cases like *Classic Media* should make courts suspicious.[149] Where there is evidence that an agreement has been entered into without negotiation, without representation, or where there are other factors which call the negotiators sophistication into question, the court should scrutinize the agreement more closely.

D. *The Results Prong*

It is also important to consider the substantive fairness of an

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[144] *Penguin Group*, 537 F.3d at 202.
[145] *Penguin Group*, 537 F.3d at 204; Milne v. Stephen Slesinger, Inc. , 430 F.3d 1036, 1040 (9th Cir. 2005).
[146] *Classic Media,* 532 F.3d 978.
[147] *Id.*
[148] *Id.* at 989.
[149] *Id.*

agreement that claims to extinguish the termination right. As discussed above, one of Congress' central motivations in providing the statutory termination right was to ensure that authors and their heirs are adequately compensated for their works.[150] Determining whether an author or an author's heirs have been adequately compensated is crucial to a court's decision as to whether it will honor an agreement that would eliminate a termination right. Thus, a simple and obvious test for the court in some cases will be merely to look at the difference, in the amount of money paid to authors or heirs, between the original grant and a contract which purports to extinguish the termination right, and determine whether the contract is substantively fair. In some cases, such as *Milne*, this quick inquiry will make it obvious whether the party has effectively leveraged the termination right.[151] Where the termination right is effectively used as a bargaining chip, the end result is essentially the same as if the assignment had been terminated and renegotiated.[152]

In the two earlier mentioned cases where the court upheld an agreement that extinguished the termination right, *Penguin Group* and *Milne*, the majorities noted the substantial benefits that the heirs extracted from those deals.[153] In the *Milne* case, the Ninth Circuit noted that under the 1983 deal signed between Christopher Milne, Stephen Slesinger Inc. and Disney, the Pooh Properties Trust was entitled to "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, by some estimates, in a net gain of hundreds of millions of dollars to the Pooh Properties Trust, which included Clare as a prime beneficiary."[154] This passage makes it clear that the court believed that Clare got a very good deal as a result of this agreement.

In the *Penguin Group* case, the Second Circuit noted the favorable terms of the 1994 deal between Elaine Steinbeck and Penguin.[155] The court characterized the agreement as "chang[ing]

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[150] H.R. Rep. No. 94-1476, at 140 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5756.

[151] The majority opinion in *Classic Media* notes that Christopher Milne's agreement "resulted in a net gain of hundreds of millions of dollars to Christopher and the remaining heirs, landing the studio and Christopher in the same place had he followed the formalities." 532 F.3d at 988.

[152] *See* Milne v. Stephen Slesinger, Inc., 430 F.3d 1036, 1047 (9th Cir. 2005) (noting that "[f]ar from resulting in a termination of the grantee's rights, the 1983 agreement resulted in an increased royalty stream to the author's heirs-the very result envisioned by Congress when it enacted the termination provisions").

[153] Penguin Group (USA) Inc. v. Steinbeck, 537 F.3d 193, 197 (2d Cir. 2008); *Milne*, 430 F.3d at 1040.

[154] *Milne*, 430 F.3d at 1040-41.

[155] *Penguin Group*, 537 F.3d at 196.

the economic terms of the 1938 Agreement, mostly to Elaine Steinbeck's benefit, by requiring Penguin to provide a far larger annual guaranteed advance, and royalties of between ten and fifteen percent of retail (rather than wholesale) sales."[156] This description makes it appear that the court found that the agreement was a good deal for Steinbeck's heirs.[157]

In the *Classic Media* case, the Ninth Circuit did not find the 1978 agreement between Mewborn and Classic Media to be as lucrative as it found the Milne agreement.[158] In comparing the two deals, the *Classic Media* majority actually state that "Mewborn's predicament is a far cry from Christopher Milne's."[159] In the 1978 agreement, Mewborn received only a one-time $3,000 payment.[160] Even when considered in conjunction with the $11,000 which Mewborn received under the 1976 agreement, this amount does not appear to impress the court.[161]

It is clear from the way that the courts have examined these negotiations that, where a deal would extinguish a termination right, the results of that deal will help inform the court's decision. Where a deal is more lucrative for the author or heirs, a court will be more likely to find that the termination right has been effectively leveraged. Where a deal is less lucrative, a court will be more likely to invalidate the deal as "an agreement to the contrary."

V. CONCLUSION

Recent opinions from the Second and Ninth Circuits make clear that the termination rights granted by §§ 203, 304(c), and 304(d) are not absolutely "inalienable."[162] In some cases, the court will be convinced that the parties achieved the same result through an agreement that they would have reached through the formal termination of the transfer, followed by renegotiation. In the *Milne* case, for example, the court stated that Milne "fulfilled the very purposes for which Congress enacted the termination right."[163] As a result, the court believed that it "defeats common

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[156] *Id.*
[157] *Id.*
[158] Classic Media Inc. v. Mewborn, 532 F.3d 978 (9th Cir. 2008).
[159] *Id.* at 989.
[160] *Id.* at 981.
[161] *Id.* at 980.
[162] Penguin Group (USA) Inc. v. Steinbeck, 537 F.3d 193, 204 (2d Cir. 2008); Milne v. Stephen Slesinger, Inc., 430 F.3d 1036, 1047 (9th Cir. 2005). It is of course possible for the Supreme Court to step in and reassert that the termination right is, as declared in *Stewart v. Abend*, inalienable. Some have suggested that the Supreme Court should do just that upon its next opportunity. *See* NIMMER, *supra* note 2, § 11.07; Scott, *supra* note 126, at 361.
[163] *Milne*, 430 F.3d at 1048.

sense to suggest that he needed to take a walk around the block between the time he revoked the old agreement and entered into the new one."[164] In order to ensure that authors and heirs benefit from termination rights, however, courts should be very hesitant to allow termination rights to be extinguished, and should require some showing that there was a fair price given for the relinquishing of the right.

The four prongs proposed by this note are consistent with that goal and with the general policy reasons behind the termination provisions. If a court can determine that a party intended to use their vested termination right as a bargaining chip, and effectively did so, the court may be satisfied that the author or heir has appropriately benefitted according to the intent behind the termination provisions.

The courts must, however, be very skeptical of agreements that purport to assign or otherwise relinquish termination rights. For the termination provisions to provide the benefits intended by Congress, they cannot be easily sidestepped. By looking to the intent of the parties, the time of vesting for the termination right, the sophistication of the heir, and the actual results of any subsequent agreement, courts can determine whether an author or heir has effectively leveraged the termination right to obtain the benefits that Congress intended to confer with the termination provisions of the Copyright Act.

Michael J. Bales[*]

[164] *Id.*

[*] Senior Notes Editor, Cardozo Arts & Ent. L.J. (2009-2010), J.D. Candidate 2009, Benjamin N. Cardozo School of Law. B.A., Western Washington University, 2004. I would like to thank Professor Justin Hughes for his guidance, and the AELJ staff and editorial board for their assistance and contributions. I would also like to thank my family and friends for their support, encouragement, and willingness to endure lengthy discussions about copyright law.