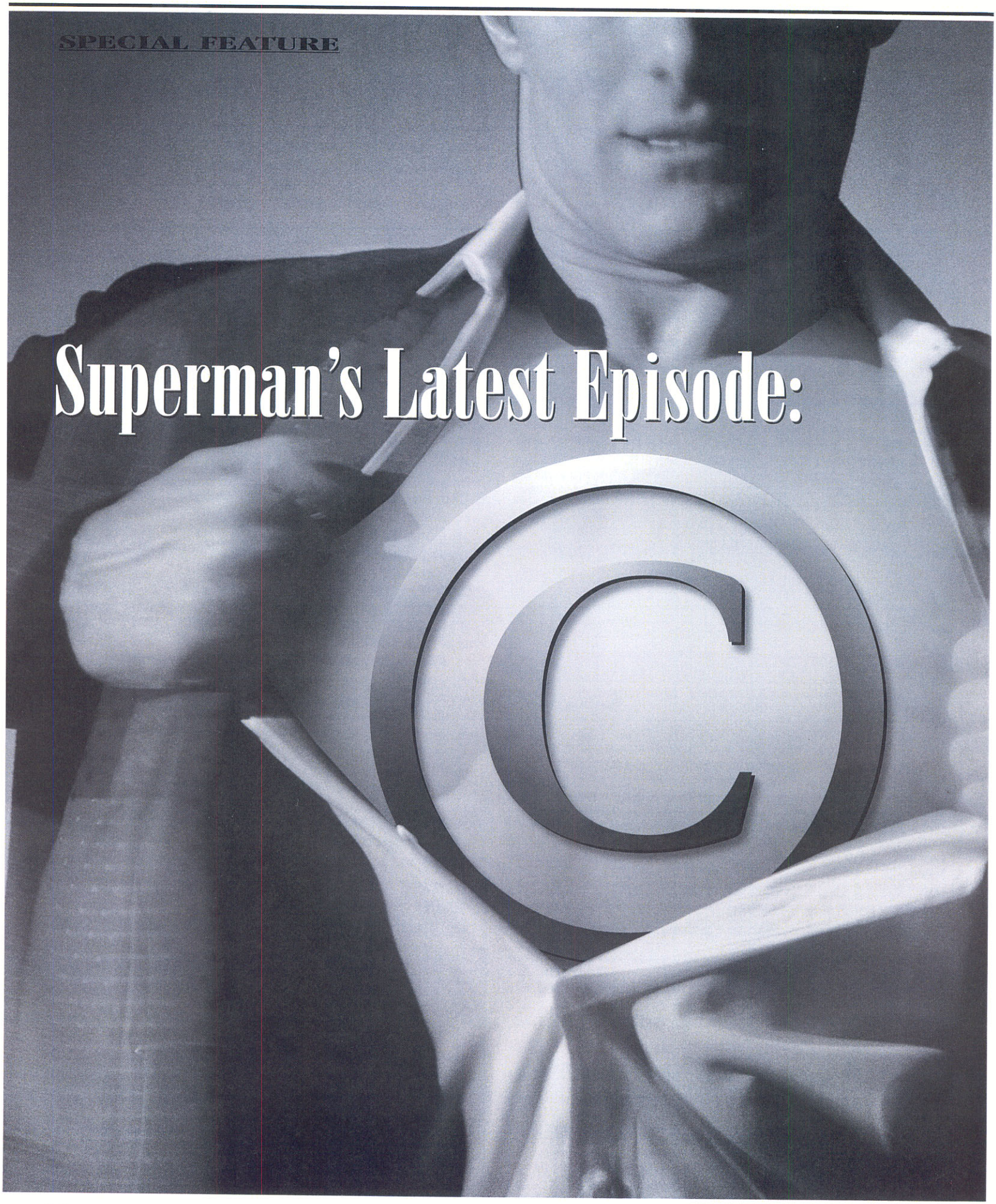
Superman's Latest Episode:



The Rights of Authors and their Families to Terminate a Copyright Grant and Recapture the Copyright

by Peter Afrasiabi

Authors and their families possess a critical right under the Copyright Act: the right to terminate a previous assignment of a copyright regardless of the consideration paid for the assignment, and thereby recapture the copyright so long as the work was not a work for hire. Because of "ancient" assignments, this intellectual property is often assumed lost forever by the creator or his family and heirs, but it is in fact subject to this potentially valuable recapture right, if exercised properly. Navigating the complexities of the copyright laws is thus critical. The recent *Superman* decision highlights these issues.

The Copyright Act

A critical date in the copyright world is January 1, 1978. That is the date the 1909 Copyright Act was amended in significant ways. Under the 1909 Act, a copyright lasted for 28 years from publication and there was a renewal right to another 28 years. For example, the creators of Superman assigned "all" their rights to Superman for $130.00 in 1938. They seemingly thought in 1938 that 28 years later they could then renew and negotiate a better deal for the subsequent 28 year term if in 1966 "Superman" was worth more than $130.00; it was an open question in 1938 whether during the initial term one could assign the renewal term rights. (*Siegel v. Nat'l Peridocial Publications, Inc.*, 364 F. Supp. 1032 (S.D.N.Y. 1973).) But in 1943, the Supreme Court held that an initial assignment that included the future 28 year period was valid and no renewal right remained for the author. (*See Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643, 656 (1943).) Hence, in 1966, when the Superman renewal would otherwise have been subject to renegotiation, the creators of Superman were not able to renegotiate.

Eventually Congress addressed this situation as well as other important wrinkles in copyright law. Specifically, in the Copyright Act of 1976, which went into effect on January 1, 1978, Congress made clear that an initial grant could *not* also grant the renewal period. Any agreement to the contrary is void. Congress also modified much of the complexities that existed in the 1909 Act in terms of ascertaining when a copyright existed, and brought the United States into line with most of the rest of the world by providing that the copyright exists at the moment of creation of an original work fixed in any tangible medium of expression. (17 U.S.C. § 102(a).) Congress also extended the copyright duration for 1909 Act works from 56 years

(28+28) to 75 years (a 19 year extension, 28+28+19) and, then again, in the 1998 Sonny Bono Copyright Extension Act, extended it another 20 years such that, for works created before 1978, a possible term of 95 years exists. (17 U.S.C. § 304(a)&(b).) This 1998 congressional grant of an additional 20 year term occurred, not coincidentally, six years before Disney's Mickey Mouse was slated to enter the public domain. For works created after 1978, a copyright lasts for the life of the author plus 70 years which, in terms of duration, was a radical departure from the 1909 Act. (17 U.S.C. § 302(a).)

Relevant to an artist's right to terminate a prior copyright assignment, Congress created a right to recapture the copyright by the author or his family so long as the original creation was not a work for hire. (17 U.S.C. § 304.) However, this right to terminate-recapture is different depending upon whether the work was created before January 1, 1978, or after.

For works created before January 1, 1978 ("1909 Act works"), this right to terminate a prior grant of a copyright springs to life 56 years after the work was originally created. (17 U.S.C.

§ 304(c).) In other words, the author and his family may terminate a prior assignment and secure to themselves the additional 39 year renewal term (19 years under the 1976 Act and 20 years under the 1998 Act) and, in certain circumstances, the second 28 year renewal term if the 1909 Act work was in its first term. The theory is that the transferee should not get the windfall of the additional term given by the 1976 and 1998 Acts. Critically, however, the copyright owner or his or heirs or estate must exercise that termination right during a five year window after the 56th year, *i.e.,* between the end of the 56th and 61st year. (17 U.S.C. § 304(c)(3).) Notice of the intent to terminate may be given as early as the end of the 46th year. (17 U.S.C. § 304(c)(4)(A).) There are also unique and complicated procedural notice requirements for any termination notice. (17 U.S.C. § 304(c)(4).) So complicated and borderline byzantine are these requirements that leading copyright commentators have characterized a successful termination of a copyright grant as a feat "accomplished against all odds." (*Patry on Copyright* § 7:52 (2007).)

The bottom line in this scenario is as follows: For 1909 Act works, an author or his family could potentially recapture the 19 year extension granted in the Copyright Act of 1976 plus the additional 20 years granted in the Sonny Bono Copyright Extension Act of 1998, for a total of 39 additional years (and in certain cases the second 28 year term). And it gets better for the author or his or her family: if they missed the termination trigger that should have been effected to recapture the original 19 year extension, there is a statutory second bite at the apple that allows them to recapture the last 20 years of the term that was added in 1998. (17 U.S.C. § 304(d).)

For works (that are not works for hire) created after January 1, 1978, the termination right springs to life for a 5 year window 35 years after the grant of a copyright was made. (17 U.S.C § 203.) Here, too, notice of the intent to terminate a copyright grant may be made between two and ten years before the 35th year. And here, again, the right to terminate cannot be assigned away. (17 U.S.C. § 203(a)(5).) By way of example, if Madonna assigned her copyrights to the original music label who recorded her first album in 1982, then Madonna may recapture those copyrights in 2017 and may give notice of her intent to do so as early as 2007. (Of course, this assumes Madonna's works were not works for hire, a major assumption and a significant point of litigation in the future between artists and record labels.) Madonna will then own those copyrights for the duration of her life and her heirs will have them for another 70 years. One only has to think of the catalogue of music created in the late 1970's and early 1980's to realize that we are on the verge of a massive potential reshuffling of copyright ownership in music alone. (Musical sound recordings are subject to a different scheme if created before January 1, 1978. Specifically the 1909 Act did not recognize sound recordings as copyrightable subject matter until an amendment in 1972. Thus, pre-1972 sound recordings—such as the Beatles!—only have copyright protection under whatever hodge-podge of state copyright laws exist. (17 U.S.C. § 301(c).) Sound recordings created between 1972 and 1978 are subject to the initial 28 year term and the 67 year renewal term (28+19+20).)

For works created both before 1978 and after, any derivative works created by the grantee/assignee before termination are not subject to termination and the grantee/assignee may continue to exploit them. However, once termination occurs no new derivative works may

be created. (17 U.S.C. § 203(b)(1) & 304(c)(6)(A).)

The *Superman* Case

A recent case, arising under the Copyright Act's termination-recapture rights applicable to works created before January 1, 1978, is an incredible example of the power of this right. In 1938, Jerome Siegel and Joseph Shuster came up with an idea for a comic book superhero. They shopped the idea around but had little success at first. Eventually they landed a deal and a comic book company picked up their idea of a superhero and his alter-ego. They called their creation "Superman." And they sold their rights in "Superman" for $130.00 each to Detective Comics in 1938. The value of "Superman" as time would tell entered the stratosphere, in the hundreds and hundreds of millions – if not billions – of dollars. As alluded to above, Mr. Siegel and Mr. Shuster attempted to secure economic rewards in 1966 (28 years after the initial assignment) by reclaiming the renewal rights but were thwarted by the intervening *Fred Fisher* case. And as it turned out, Jerome Siegel and Joseph Shuster in their later years were almost penniless. After the New York Times ran a story detailing how the creators of "Superman" were living in near destitute conditions, Warner Brothers (who by then owned the rights to "Superman") agreed to provide a modest lifetime pension to Siegel and Shuster. Jerome Siegel died in 1996. (*Siegel v. Warner Bros.*, 542 F. Supp. 2d 1098, 1110-14 (C.D. Cal. 2008).)

Mr. Siegel's heirs decided to exercise their termination-recapture right and in 1997 (between the end of the 56th and 61st year since the 1938 original copyrighting) sent a termination notice to Warner Brothers seeking to terminate the 1938 agreement under which rights to "Superman" were passed. After navigating the complicated maze of procedural notice requirements, the Siegel heirs initiated suit to terminate the 1938 grant of the copyright to Warner Brothers, secure the remainder of the copyright term to themselves, and secure an accounting of profits attributable to the "Superman" copyrights. After years of litigating whether they terminated properly (among other issues), they recently received a summary judgment victory from the United States District Court for the Central District of California. The Court held that Mr. Siegel's heirs had terminated properly and therefore regained the Superman copyright,

which had been assigned away 70 years ago in 1938. (*Siegel*, 542 F. Supp. 2d at 1145.)

The Court also held that certain "Superman" intellectual property was outside the reach of the termination notice given the technicalities of the notice provisions of the Copyright Act. Specifically, under the Copyright Act the termination notice must specify an effective termination date (in this case the 1997 termination notices specified the termination date as 4/16/99, a full 61 years after the initial grant.). The Court then must go back 61 years from there (to 4/16/38), and any statutory copyright that existed before 4/16/38 is unaffected by the termination litigation, which only applies to materials that post-date 4/16/38. Thus, in the *Siegel* case Warner Brothers found an early publication of an advance notice/announcement published in some magazines/comic books on 4/10/38 detailing a very-soon-to-be released comic book. Accordingly, any statutory copyright in *that* material is unaffected by the termination and Warner Brothers retains their copyrights in that material. As it turns out, that 4/10/38 notice/announcement contained essentially none of the familiar story elements of Superman – the literary elements, his alter ego, Superman's origin, his mission, even his name – instead only a picture of a person holding a car aloft in some sort of costume (without the familiar blue, red and yellow colors) that does not even contain an identifiable "S" on the chest, according to the district court. (*Siegel*, 542 F. Supp. 2d at 1125-27.) As the district court put it, "defendants may continue to exploit the image of a person with extraordinary strength who wears a black and white leotard and cape." (*Id.* at 1126.) But, assuming no change on appeal, the "Superman" that the public is familiar with now belongs to the Siegels. The Shuster heirs have a similar termination proceeding in its infancy stages.

The William Saroyan "Cave Dwellers" Case

What often surprises those unfamiliar with copyright law is that this recapture right may belong to the widow, children or grandchildren of an author even if the copyrighted property was otherwise properly bequeathed by the author under state law to third parties. Another important case illustrates this principle.

In *Saroyan v. William Saroyan Foundation* (675 F. Supp. 843 (S.D.N.Y. 1987)), the children of the playwright William Saroyan sought to recapture the copyrights to their Pulitzer Prize winning father's famous play *The Cave Dwellers*. William Saroyan wrote and copyrighted *The Cave Dwellers* in 1958, and he died in 1981. In his Will, he left all his copyrights to the William Saroyan Foundation. In 1986 at the expiration of the initial 28 year term, his children sought to renew the copyright in their name. The Foundation disputed the children's right to renew given the bequeath to the Foundation of the renewal term. But the court held that the Copyright Act was clear that the renewal term belongs to the widow, children or grandchildren if the author dies during the initial term. (*Id.* at 845.) As a result, the renewal right was never part of William Saroyan's estate such that traditional state law intestacy principles could even attach. (*Id.*) *Saroyan*, thus, demonstrates that assumptions about state law probate laws may be wrong in light of the federal Copyright Act's differing dictates.

Conclusion

This termination-recapture right that exists for authors and their families is immensely valuable. Importantly, this termination and recapture right is not just limited to high-profile copyrights like Superman. Many people have secured copy-

rights in a multitude of works – from musical compositions to lyrics, from computer source code to plays to short stories to audio-visual works and art – all of which may have some significant value to the creator or his or her family. For practitioners, these issues have obvious and significant ramifications, especially estates and trusts lawyers who are often on the front lines of dealing with the inter-generational passing of assets or who may be representing the children of those who created valuable copyrighted materials. Asking the right *copyright* questions to insure legal rights are not lost is critical. As for "Superman," there seems no doubt that he will fly again, and it seems pretty clear that Jerome Siegel's family will earn more than $130.00 between now and 2033 when Superman enters the public domain.

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