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### **You Might Need to Know This**

By: Jim Astrachan

This column is not sexy or funny, but it's really important if you represent older authors or the families of deceased authors. And even if you don't now, you may one day and when you do, you will need to know that authors and their heirs very often have the ability to terminate a transfer of copyright ownership and take back the copyright.

When the 1976 Copyright Act was enacted by Congress it was determined to give authors, or their heirs, a chance to recapture the ownership of copyrights previously transferred; a second bite of the apple, so to speak. This means that if a copyrighted work originally sold for a pittance and later became famous and valuable, the author could reclaim the work and resell or license it for a price representative of its current value.

17 U.S.C. § 304, grants authors, or heirs of deceased authors, an inalienable right to terminate a pre-1978 grant of a copyright during a five year period following the fifty-sixth year after the original grant. Section 203 does the same for post-1977 grants, and allows authors, or their heirs to terminate at any time during the five year period following the thirty-fifth year after the original grant. The only exception is that grants of copyrights in works created for hire cannot be terminated. That excludes, then works created by an employee in the scope of employment, and those nine categories of works defined in Section 101(a) of the Copyright Act as works created for hire.

This 'second bite of the apple' provision granting authors termination rights first appeared in the 1909 Copyright Act, but in 1943 the United States Supreme Court dealt it a crippling blow in a case deciding the termination rights to the song "When Irish Eyes are Smiling." There, the Supreme Court held that an author could irrevocably sign away his statutory rights to terminate his grant of copyright. Following this decision any lawyer worth his salt required that an author assign termination rights at the same

time the copyright was assigned. This practice, which became almost universal, eliminated the termination right of all but the most powerful authors.

Clearly, loss of the second bite was not what Congress intended, but inexplicably Congress took almost thirty years before it remedied the Supreme Court's decision, which it did with Sections 203 and 304 of the 1976 Copyright Act. Specifically, the 1976 Act allows authors to terminate the rights of grantees to whom authors had transferred rights in the original work. And under the 1976 Act, even if the author had signed away his rights to terminate the grant, that assignment was void as the right to terminate was not alienable.

There are some other important exceptions to termination rights. For example, a derivative work – a work based on another work such as a screen play from a novel – prepared under the authority of the grant before its termination may continue to be utilized post termination of the original grant of copyright. But new derivative works can't be authored or created after the grant of the original copyright is terminated. It is not hard to imagine that Hollywood was very happy with this interpretation of Section 304 in the "Irish Eyes" case. However, the licensee who makes the derivative work was still required to pay royalties and the terminated licensee, who receives these royalties, remained obligated to pay the originally bargained for royalty to the copyright owner pursuant to the terms of the original license.

This aspect of the "Irish Eyes" decision has been universally criticized. In fact, the former Register of Copyrights, who actually drafted the legislation called the decision "dead wrong." Still, Congress has failed to act to clarify what the Register, at least, had thought was the Section's purpose.

The admonishment set forth in the 1976 Act that an author's right of termination is inalienable can map an interesting journey. Take the case of an author of a comic book superhero who settled an earlier litigation with a publisher by agreeing that he created the hero – Captain America – as a work for hire – an agreement that if binding on the litigants would eliminate the author's termination rights. In this case the author Simon, and successor publisher Marvel Comics, litigated whether the earlier settlement agreement in which Simon conceded work for hire status might be considered an alienation of his absolute rights to terminate copyright transfer in light of Simon's current contention that he was not an employee when he created the works at issue. The Court of Appeals held for Simon, and quoted the Supreme Court's "Irish Eyes" decision:

The principal purpose of the amendments in § 304 was to provide added benefits to authors. The ...concept of a termination right itself was 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 have been made before the author had a fair opportunity to appreciate the true value of his work product.

This is, of course, Congress' attempt to protect an author from his unequal bargaining position. And in this vein, to protect Simon from his less than equal bargaining power when he conveyed rights to Captain America – the U.S. Army reject turned superhero who was charged with protecting America from Nazi spies during the early, dark days of WWII – the Court of Appeals held that a settlement agreement, unsupported by judicial findings of fact, in which the author contracted away his rights by declaring himself an employee who created a work for hire, could be an alienation and if so would be unenforceable by Marvel Comics.

Clearly, this is the proper result for a contrary decision would have allowed a grantee to pressure an author to avoid the affect of termination rights by declaring a work one made for hire. That's not to say that the courts can't visit the actual relationship of the parties and find that there was an employee-employer relationship so as to cause the employee-made work to be classified as work created for hire. They can and will do so, and if they find a legitimate work created for hire situation there will be no termination rights for it will follow that the employee was never the author and never owned the copyright in the work.

A complex area of copyright to be sure, but one that can unexpectedly impact an attorney engaged in myriad areas of the law from estate administration to employment law. It pays to know that termination rights exist.

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