Frankel conference

As someone who is not a specialist in the area, I am grateful to be included in today's conference. I wanted to be here to mark the high admiration and affection I have for Professor Frankel. Like Ken Simons, I have benefited from Tamar's knowledge base which is both deep and wide, her lively and inexhaustible curiosity, her imagination, and the immense intellectual stimulation she inevitably provides. Her new book under discussion today reveals some of her extraordinary powers, in its skillful use of materials from sources as diverse as Hammurabi and Grotius, from histories ancient and modern, traditions religious and secular, and from a variety of disciplines. And her volume embraces all that diversity of material without losing clarity of argument and elegance of prose.

I did wonder how a ~~specialist~~ Schuler in copyright and related fields could "add value" to such a gathering. Naturally enough I was attracted to the discussion in

Tamar's book of Wolf v Superior Court, a California case involving a controversy between the novelist who created the "Roger Rabbit" characters, and Disney who produced, under contract, a movie based on the novel. The question presented in the case was whether Disney owed any fiduciary duty to the novelist, or whether the relationship was strictly contractual.

Interestingly, that case does not seem to mention the "termination right", something all authors possess, except in cases of works made for hire. Essentially it is a device that federal copyright provides for the protection of authors whom Congress clearly perceived as a less powerful class than publishers and movie studios. It is a device that exists, an addition to the alternatives of CONTRACT and FIDUCIARY LAW/ I present it to you as interesting in its own right as a statutory response to perceived lack of bargaining power. Conceivably, the termination right might also have some impact for how future courts handle contractual/fiduciary disputes involving copyright owners.

The right of termination is an inalienable right in authors, other than in works made for hire situations, to recapture their copyrights. It covers any

work other than a work made for hire, and any transfer, license or grant of copyright (except if by will) whether exclusive or nonexclusive

In the words of the legislative history, it is "a provision safeguarding authors against unremunerative transfers. A provision of this sort is 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." The prior copyright act, the C Act of 1909, had attempted a similar protection for authors, by breaking up the copyright term into two parts and having the second or renewal term vest in authors. But the old statute had been interpreted to allow authors under some circumstances to transfer the renewal term at the same time as transferring the initial copyright. The right of termination was enacted, says the legislative history, "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. 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."

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The statute is interesting not only because of it embodies a particular paternalistic view of authors by Congress, but also because it contains a balanced set of protections for the terminated assignees. Thus, for example, regarding the usual rule that terminated rights can be regranted only after termination, the l eg history tells us that there is an"An exception, in the nature of a right of "first refusal," [which] would permit the original grantee or a successor of such grantee to negotiate a new agreement with the persons effecting the termination at any time after the notice of termination has been served."

Unlike the 1909 act's renewal right, he terminationn right is inalienable. Says the statute," Termination of the grant may be effective notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant" It is as if Congress added a set of silent but mandatory contract terms to every transfer or grant of permission to use a copyright.

Incidentally, the statute has two such termination provisions, one for permissions and grants that a copyright owner made prior to the effective

date of the new act, and another for permissions and grants the copyright owner made after the effective date of the new act. My discussion will focus on the latter.

Under that provision, the author or statutorily designated heirs or representatives, can terminate any contract or permission to use his copyrighted work, except grants made by will. The termination is made by the author or these other persons by giving written notice. Termination can take effect as early as 35 years after the grant or permission was made.... Or, if the grant covers the right to publish the work, the termination period begins 35 years after the date of publication, or 40 y ears after the from the date of the grant, whichever is earlier. The period of potential termination does not always stay open; the termination can occur only during a window of five years. This time limit on the termination window gives some closure to publishers, studios and other potentially terminable parties.

Also helping to protect the potentially terminable parties, is the requirement that the author give notice at least two years before and not more than ten years before the termination is to take effect. That way, the copyright grantor can't routinize termination by delivering a notice the day after every grant is effected; such a notice would be ineffective as being given too early.

A more significant protection to the publishers and studios comes with a provision that given them the right to continue utilizing any derivative work that they made under the provisions of the grant prior to its termination—~~say~~, a translation of the copyrighted work that the ~~assignees~~ have commissioned, or a movie they have made based on the book. In my view that means that upon receiving a notice of termination, but before its effective date, the party about to be terminated can make a new movie or translation. Of course, any royalty obligations and such that pertained to the making of the derivative work remain in force.

That in brief is the Congressional termination right.

The questions raised by this alternative model are many. First, returning to cases like Wolf v Superior Court, should the existence of a federal termination right be taken into account in determining whether the author, a copyright grantor, has a fiduciary relationship with the grantee? On the one hand, the existence of the termination right suggests that Congress sees the author as an entity in need of assistance, which might push toward the finding that the grantee has fiduciary duties. On the other hand, the existence of the termination right might be taken as exhausting and

satisfying Congress's paternalistic interest, perhaps decreasing the need for a court to find such rights.

Second, to what extent are mandatory terms such as this, crafted narrowly to meet specific exigencies, superior or inferior to common law solutions such as contract or fiduciary relations? The law is full of alternative methods of protecting those who lack bargaining power, ~~from~~ wage and hour legislation to ~~worker's compensation for injury~~. The termination provision has interesting characteristics of its own worth considering.

"the renewal term provided by the 1909 [copyright] act was meant to provide authors with a right to renegotiate assignments made before the full value of a work could be known."

Sec 203 as enacted:

It covers any work other than a work made for hire, and any transfer or grant of copyright (except if by will) whether exclusive or nonexclusive grant Termination of the grant may be effective notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.\

House report:

subject to a duty of accounting to the other coowners for any profits.

Works made for hire

Section 201(b) of the bill adopts one of the basic principles of the present law: that in the case of works made for hire the employer is considered the author of the work, and is regarded as the initial owner of copyright unless there has been an agreement otherwise. The subsection also requires that any agreement under which the employee is to own rights be in writing and signed by the parties.

The work-made-for-hire provisions of this bill represent a carefully balanced compromise, and as such, they do not incorporate the amendments proposed by screenwriters and composers for motion pictures. Their proposal was for the recognition of something similar to the "shop right" doctrine of patent law: with some exceptions, the employer would acquire the right to use the employee's work to the extent needed for purposes of his regular business, but the employee would retain all other rights as long as he or she refrained from the authorizing of competing uses. However, while this change might theoretically improve the bargaining position of screenwriters and others as a group, the practical benefits that individual authors would receive are highly conjectural. The pesumption that initial ownership rights vest in the employer for hire is well established in American copyright law, and to exchange that for the uncertainties of the shop right doctrine would not only be of dubious value to employers and employees alike, but might also reopen a number of other issues.

The status of works prepared on special order or commission was a major issue in the development of the definition of "works made for hire" in section 101, which has undergone extensive revision during the legislative process. The basic problem is how to draw a statutory line between those works written on special order or commission that should be considered as

"works made for hire," and those that should not. The definition now provided by the bill represents a compromise which, in effect, spells out those specific categories of commissioned works that can be considered "works made for hire" under certain circumstances.

Of these, one of the most important categories is that of "instructional texts." This term is given its own definition in the bill: "a literary, pictorial, or graphic work prepared for publication with the purpose of use in systematic instructional activities." The concept is intended to include what might be loosely called "textbook material," whether or not in book form or prepared in the form of text matter. The basic characteristic of "instructional texts" is the purpose of their preparation for "use in systematic instructional activities," and they are to be distinguished from works prepared for use by a general readership.

(p122) SECTION 203. TERMINATION OF TRANSFERS AND LICENSES

The problem in general

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 them a provision safeguarding authors against unremunerative transfers. A provision of this sort is 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. 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.

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The right of termination would not apply to "works made for hire," which is one of the principal reasons the definition of that term assumed importance in the development of the bill. ... section 203(a)(3) provides, as a general rule, that a grant may be terminated during the 5 years following the expiration of a period of 35 years from the execution of the grant.

... An important limitation on the rights of a copyright owner under a terminated grant is specified in section 203(b)(1). This clause provides that, notwithstanding a termination, a derivative work prepared earlier may "continue to be utilized" under the conditions of the terminated grant; the clause adds, however, that this privilege is not broad enough to permit the preparation of other derivative works. In other words, a film made from a play could continue to be licensed for performance after the motion picture

contract had been terminated but any remake rights covered by the contract would be cut off. For this purpose, a motion picture would be considered as a "derivative work" with respect to every "preexisting work" incorporated in it, whether the preexisting work was created independently or was prepared expressly for the motion picture.

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. However, the bill 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. 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." An exception, in the nature of a right of "first refusal," would permit the original grantee or a successor of such grantee to negotiate a new agreement with the persons effecting the termination at any time after the notice of termination has been served.

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