

No. 08-____

IN THE
Supreme Court of the United States

THOMAS STEINBECK AND BLAKE SMYLE,
Petitioners,

v.

PENGUIN GROUP (USA) INC., ET AL.,
Respondents.

**On Petition For A Writ Of Certiorari
To The United States Court Of Appeals
For The Second Circuit**

PETITION FOR A WRIT OF CERTIORARI

MARK S. LEE
MANATT, PHELPS &
PHILLIPS, LLP
11355 W. Olympic Blvd.
Los Angeles, CA 90064
(310) 312-4000

THEODORE B. OLSON
Counsel of Record
MATTHEW D. MCGILL
SCOTT P. MARTIN
GIBSON, DUNN & CRUTCHER LLP
1050 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 955-8500

Counsel for Petitioners

QUESTION PRESENTED

The Copyright Act grants to authors and enumerated family members an inalienable interest in property—the right to terminate certain transfers of copyright “notwithstanding any agreement to the contrary.” 17 U.S.C. §§ 203(a)(5), 304(c)(5), (d)(1). In 2004, petitioners—the only living son and granddaughter of author John Steinbeck—invoked Section 304(d)(1) to terminate certain transfers Steinbeck executed in 1938. The Second Circuit concluded that the Steinbeck descendants’ termination was ineffective because, in 1994, the copyright holder (Steinbeck’s third wife) had entered into an agreement that purported to replace the 1938 agreement and retransfer the same rights, leaving intact (on the Second Circuit’s view) no transfer to which a descendant’s termination right could apply.

The question presented is whether the right of termination granted by Congress to authors and their families and made available for exercise “notwithstanding any agreement to the contrary” can be extinguished by a copyright holder’s agreement to regrant previously transferred rights.

PARTIES TO THE PROCEEDING

In addition to the parties named in the caption, Waverly Scott Kaffaga (individually and as executor of the estate of Elaine Anderson Steinbeck), David Scott Farber, Anderson Farber Runkle, Jebel Kaffaga, Bahar Kaffaga, and Jean Anderson Boone were defendants and counterclaim-plaintiffs in the district court, were appellants in the court of appeals, and are respondents in this Court.

McIntosh & Otis, Inc., The Steinbeck Heritage Foundation, Eugene H. Winick, Samuel Pinkus, and Steven Frushtick were defendants and counterclaim-plaintiffs in the district court. Nancy Steinbeck was an intervenor-plaintiff in the district court. Francis Anderson Atkinson and Does 1–10 were defendants in the district court.

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PETITION FOR A WRIT OF CERTIORARI

Petitioners Thomas Steinbeck and Blake Smyle respectfully petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Second Circuit.

OPINIONS BELOW

The opinion of the court of appeals (App., *infra*, 1a–20a) is reported at 537 F.3d 193. The opinion of the United States District Court for the Southern District of New York (App., *infra*, 21a–39a) is reported at 433 F. Supp. 2d 395. The order of the United States Court of Appeals for the Second Circuit denying rehearing (App., *infra*, 40a–41a) is unpublished.

JURISDICTION

The judgment of the court of appeals was entered on August 13, 2008. A timely petition for rehearing was denied on October 16, 2008. On December 18, 2008, Justice Ginsburg extended the time in which to file a petition for a writ of certiorari to and including February 13, 2009. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Sections 203 and 304 of Title 17, United States Code, are set forth in the appendix to this petition (App., *infra*, 42a–56a).

STATEMENT

The issue in this case is whether the federal property right granted by Congress to authors and their family members to terminate transfers of copyright “notwithstanding any agreement to the contrary” can itself be extinguished by contract. That

issue is extremely important to the faithful administration of congressional copyright policy across the entire spectrum of copyrightable works, and it divides the Second and Ninth Circuits—the two courts of appeals that are most important in developing copyright law. Those circuits have issued a series of irreconcilable decisions on this recurring issue, which together create substantial confusion and uncertainty over the scope of the termination right. This Court should grant certiorari to resolve the intractable lower-court conflict and to provide much-needed guidance to the many individuals and industries that rely on copyrighted works for their livelihood and business as to whether the federal termination right may be abrogated by contract.

1. Since 1909, Congress has structured authors' property interests in copyrights to permit authors and their families to capture the value of the authors' works both at the time of authorship and again after the value of the works has been established. The Copyright Act of 1909 sought to achieve this end by granting copyright protection for an initial term of 28 years, followed by a renewal term of 28 years. 35 Stat. 1075, 1080–81. The renewal term was designed to enable authors who sold rights in the initial term—often before their works had a chance to become commercially successful—a second chance to benefit from the fruits of their labor. “The renewal term permit[ted] the author, originally in a poor bargaining position, to renegotiate the terms of the grant once the value of the work ha[d] been tested.” *Stewart v. Abend*, 495 U.S. 207, 218–19 (1990); see also H.R. Rep. No. 60–2222, at 14 (1909) (“[I]t should be the exclusive right of the author to take the renewal term, and the law should be framed . . . so that [the author] could not be deprived of that right.”).

Publishers easily and often defeated that congressional objective, however, by requiring authors to assign their rights under the 28-year renewal term at the same time they assigned their rights under the initial 28-year term. This Court's decision in *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943), upheld that controversial practice.

In the Copyright Act of 1976, Congress responded with several significant changes in copyright law, two of which are relevant here. *First*, Congress substantially extended the term of copyright protection. For works copyrighted before January 1, 1978 (the effective date of the 1976 Act), Congress extended the renewal term by 19 years, from 28 to 47 years—extending the total copyright protection from 56 years to 75 years. 17 U.S.C. § 304(a)–(b) (1982).¹

Second, Congress secured the benefits of this extended term for authors and specified members of their families by granting them an “inalienable” (*Stewart*, 495 U.S. at 230) right to terminate transfers or licenses of rights in copyrighted works. 17 U.S.C. §§ 203(a), 304(c). For works copyrighted before January 1, 1978, Section 304(c) permits an author to terminate a prior transfer or license at the end of the 56th year of its copyright protection by serving a notice of termination on the existing transferee. *Id.* § 304(c). In the event the author has died, Congress provided that the termination right would pass, notwithstanding any will or other testamentary allocation of copyright interests, to specified mem-

¹ Prospectively, for works copyrighted on or after January 1, 1978, the 1976 Act changed the copyright term to the life of the author plus 50 years. *See* 17 U.S.C. § 302(a) (1982).

bers of the author’s family, including the author’s spouse and children. *Id.* § 304(c)(1)–(2). In this manner, Congress ensured that authors and their families would have an opportunity to capture the value of the 19-year extended term (*i.e.*, years 57 through 75 of copyright protection). And to prevent publishers from using their superior bargaining power to contract around this termination right, Congress provided that the right could be exercised “notwithstanding any agreement to the contrary.” *Id.* § 304(c)(5).²

In the Sonny Bono Copyright Term Extension Act of 1998 (CTEA), Pub. L. No. 105–298, 111 Stat. 2827, Congress again extended the term of protection for pre-1978 works—this time from 75 to 95 years—and again provided artists and enumerated family members the right to recapture the value of copyrighted works for the newly extended portion of the term. 17 U.S.C. § 304(d). Under the CTEA, authors of pre-1978 works or specified surviving family members could terminate existing grants or licenses at the end of the 75th year of the work’s copyright if they had not exercised the termination right provided by the 1976 Act (*id.* § 304(c)). *Id.* § 304(d). As in Sections 203 and 304(c), Congress attempted to

² In Section 203, Congress created a similar termination right for transfers made by the author in or after 1978, permitting an author or specified family members to terminate a transfer or license 35 years after the transfer “notwithstanding any agreement to the contrary.” 17 U.S.C. § 203(a), (a)(5). Unlike the termination right applicable to pre-1978 works, however, the Section 203 right of termination runs from the date of the transfer (not from the date of the copyright) and applies only to transfers made by the author (not to transfers granted by copyright holders after the author’s death). *See id.* § 203(a), (a)(3).

protect the benefits of this extended copyright term from being bargained away in advance by providing that the termination right may be exercised “notwithstanding any agreement to the contrary.” *Id.* § 304(c)(5), *incorporated by reference in id.* § 304(d)(1).

The 1976 and 1998 Acts thus reflect Congress’s carefully calibrated effort to guarantee publishers the benefits they bargained for—that is, the amount of copyright protection available when the publisher originally negotiated for and obtained the transfer—while fairly compensating authors by providing them and their families an opportunity to capture the benefits of the extended portion of the copyright term. By providing authors with an “inalienable termination right,” *Stewart*, 495 U.S. at 230, Congress thus struck a “practical compromise” to serve both authors and publishers, H.R. Rep. No. 94–1476, at 124 (1976).

2. Petitioners Thom Steinbeck and Blake Smyle are the only living son and granddaughter of author John Steinbeck. In 1938, John granted the exclusive right to publish several of his works authored between 1929 and 1938, including *Of Mice and Men*, to The Viking Press. App., *infra*, 2a–3a. One year later, the 1938 agreement was extended through an option clause to several other works, including 1939’s *The Grapes of Wrath*. *Id.* at 3a.

John renewed the copyrights in each of the works for the 28-year renewal term that applied under the then-controlling Copyright Act of 1909, but he obtained little benefit from the renewal term because he had pre-assigned his rights under it to Viking in the 1938 agreement. *See* App., *infra*, 3a. John died in 1968, survived by his third wife, Elaine, and his

two sons, Thom and John IV, both the offspring of a previous marriage. *Ibid.* John bequeathed to his sons approximately \$50,000 in trust; the copyright interests in his collected works were unmentioned in his will and passed to Elaine through the operation of his will's residuary clause. *Id.* at 3a, 27a–28a.³

When the 1976 Act granted the right of termination to authors and their families, Elaine, as John's surviving spouse, held 50 percent of the termination interest, and Thom and John IV, as the author's two surviving children, each held 25 percent. App., *infra*, 28a; 17 U.S.C. § 304(c)(2). Because no person held a majority of the termination interest, it could not be exercised to terminate John's 1938 transfer unless Elaine acted in concert with Thom or John IV, or predeceased them, in which case her 50-percent termination interest would fall to John's children or grandchildren. 17 U.S.C. § 304(c)(2). This situation persisted through 1991, when John IV died, leaving his 25-percent termination interest to his only child, Blake. App., *infra*, 29a.⁴

³ Section 24 of the Copyright Act of 1909, still in effect at the time of Steinbeck's death, provided that, when an author was deceased, the right to renew a copyright for a second 28-year term could be exercised by the author's widow or children. 35 Stat. 1075, codified at 17 U.S.C. § 24 (Supp. 5 v.1 1947). The 1976 Act likewise provided that, for works still in their initial 28-year term on January 1, 1978, "the widow, widower, or children of the author . . . shall be entitled to a renewal and extension of the copyright." 17 U.S.C. § 304(a) (1982). In 1983, Thom, John IV, and Elaine agreed that each would have a one-third share in the renewal interest in Steinbeck's works still in their initial term at the time of his death (*i.e.*, the works authored after 1941). App., *infra*, 28a n.13, 37a n.28.

⁴ The 1983 agreement also granted Elaine a power of attorney to exercise Thom's and John IV's (later, Blake's) termina-
[Footnote continued on next page]

In 1994, after the 1976 Act’s termination window had closed with respect to some of John’s early works, but before it had closed with respect to his best-known works including *Tortilla Flat*, *Of Mice and Men*, and *The Grapes of Wrath*, Elaine (then age 80) entered into a contract with Penguin Group (USA) Inc., to which Viking had assigned the rights flowing from the 1938 agreement. App., *infra*, 3a, 30a–31a. The 1994 agreement re-granted the rights that John had assigned in 1938, and it also added several works, including works authored by Elaine, and otherwise changed the economic terms of the agreement to Elaine’s benefit. *Id.* at 3a–4a. The agreement stated that, “when signed by Author and Publisher, [it] will cancel and supersede the previous agreements, as amended, for the [works] covered hereunder.” *Id.* at 4a (internal quotation marks omitted; alterations in original). Yet the agreement also contemplated the future exercise of termination rights, stating, “If Elaine Steinbeck exercises her right to terminate grants made to Publisher in this agreement (in accordance with Section 304(c) of Title 17 of the U.S. Code)” *Id.* at 32a (internal quotation marks omitted).

Neither Thom nor Blake was a party to the 1994 agreement and neither has received any benefit from it.

Elaine died in 2003. She bequeathed John’s copyright interests in the relevant works and all the

[Footnote continued from previous page]

tion interests on their behalf. But, as the court below observed, “it is unclear that her exercise of those rights would have been valid.” App., *infra*, 17a n.5. The fiduciary duty arising from her role as attorney-in-fact would have prohibited Elaine from exercising those rights to Thom or Blake’s detriment. *In re Estate of Ferrara*, 852 N.E.2d 138, 143–44 (N.Y. 2006).

proceeds from the 1994 agreement to her offspring from a previous marriage—all unrelated to John—who are the individual respondents here. App., *infra*, 4a, 29a. Elaine’s termination interest passed by statute to Thom and Blake, giving them each a 50% termination interest. *Id.* at 29a. By that time, the termination right granted by the 1976 Act had expired as to all of the works covered by John’s 1938 agreement with Viking. But the 1998 CTEA revitalized those termination rights, granting the family members holding those rights an ability to capture the value arising from the CTEA’s 20-year extension of the copyright term by exercising the termination right within five years after 75 years from the date the work in question was copyrighted. 17 U.S.C. § 304(d).

In 2004, 75 years after John Steinbeck published his first novel, *Cup of Gold*, Thom and Blake, finally in possession of a majority of the termination interest in John’s works, jointly served on Penguin a notice of termination of the transfers of the copyright interests in the works covered by the 1938 agreement. App., *infra*, 4a.

3. Penguin filed suit against Thom and Blake in the United States District Court for the Southern District of New York, seeking a declaratory judgment that the termination notice was invalid. App., *infra*, 10a. Thom and Blake filed a related suit against the individual respondents, who counterclaimed that the notice was invalid. *Ibid.* The district court consolidated the suits to rule on the validity of Thom and Blake’s termination notice. *Id.* at 27a.

On cross-motions for summary judgment, the district court upheld Thom and Blake’s termination notice under Section 304(d). The court rejected Penguin’s contention that the 1994 agreement extinguished Thom and Blake’s termination rights by

cancelling the pre-1978 grants to which the termination right applied. App., *infra*, 33a n.23, 34a. The court concluded that, “to the extent that the 1994 Agreement would strip Thom and Blake . . . of their inalienable termination rights in the pre-1978 grants, it is void as an ‘agreement to the contrary.’” *Id.* at 33a (quoting 17 U.S.C. § 304(c)(5)).

The district court explained that Congress created the termination right “to provide successors in interest with an opportunity to obtain the fair value of the work by negotiating new terms for previously granted rights once the work’s true value has appeared.” App., *infra*, 25a–26a (citing 3–11 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 11.01[A]). Moreover, Congress provided that the right could be exercised “notwithstanding any agreement to the contrary,” a statutory prohibition on eliminating termination rights by contract that “is intended to be broadly applied to invalidate such unlawful contracts and liberally protect termination rights.” *Id.* at 26a & n.10 (citing *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002), and *Larry Spier, Inc. v. Bourne Co.*, 953 F.2d 774 (2d Cir. 1992)).

The district court also emphasized that the 1994 agreement “explicitly carries forward possible future termination under the statute.” App., *infra*, 32a. As a result, “[t]he contention that the 1994 Agreement extinguished the very termination right that it expressly acknowledges both exists and flows from the 1930s copyrights necessarily fails.” *Id.* at 32a–33a.

4. The United States Court of Appeals for the Second Circuit reversed, concluding that the termination notice was invalid. App., *infra*, 2a. The court of appeals held that the 1994 contract between Elaine and Penguin terminated and superseded the 1938 agreement and therefore “[e]ft in effect no pre-

1978 grants to which the termination rights provided by section 304(d) could be applied.” *Id.* at 11a.

The Second Circuit disagreed with the district court’s conclusion that the 1994 contract was an invalid “agreement to the contrary,” believing instead that parties to a contract may “eliminat[e] . . . a termination right through termination of a pre-1978 contractual grant.” App., *infra*, 18a. Although the 1994 agreement addressed the future exercise of termination rights, the court of appeals believed that “[n]one of the parties could have contemplated [in 1994] that Congress would create a second termination right” in 1998, and therefore the 1994 agreement could not be an “agreement to the contrary.” *Id.* at 17a.

REASONS FOR GRANTING THE PETITION

This Court should grant certiorari to clarify the meaning of 17 U.S.C. § 304, which conferred upon authors and certain enumerated family members a new, inalienable property right—the right to terminate pre-1978 transfers of copyright “notwithstanding any agreement to the contrary.” The court of appeals incorrectly held that petitioners were divested of their statutory termination right by a contract that purported to re-transfer the very rights previously assigned. That decision conflicts with the Ninth Circuit’s opinion in *Classic Media, Inc. v. Mewborn*, 532 F.3d 978 (9th Cir. 2008). It also contributes to the Second and Ninth Circuit’s fractured jurisprudence interpreting the Copyright Act’s “agreement to the contrary” language, which has created substantial confusion and uncertainty regarding the circumstances in which a contract may validly abrogate termination rights. Particularly given the unique importance of the Second and

Ninth Circuits in articulating and developing federal copyright law, this Court's review is warranted.

I. THE SECOND AND NINTH CIRCUITS ARE INTRACTABLY DIVIDED ON THE QUESTION PRESENTED.

The decision below squarely conflicts with the Ninth Circuit's decision in *Classic Media, Inc. v. Mewborn*, 532 F.3d 978 (9th Cir. 2008), which held that a 1978 contract that purported to re-grant certain pre-1978 transfers could not extinguish a statutory heir's right to terminate a pre-1978 grant. Indeed, *Mewborn* prominently and approvingly cited the district court's now-vacated decision in this case, including its conclusion that, "so far as the effect of the later agreement may be to preclude the exercise of inalienable termination rights by Steinbeck's heirs, 'it [was] void as an 'agreement to the contrary' pursuant to 17 U.S.C. § 304(c)(5)' and 'must be set aside as contrary to the very purpose of the termination statute.'" 532 F.3d at 986 (quoting *Steinbeck*, App., *infra*, 33a & n.23) (alteration in original).

This division between the Second and Ninth Circuits is particularly problematic "given the importance of those two circuits in interpreting copyright law generally." 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, 360 (2007); see Julie E. Cohen *et al.*, *Copyright in a Global Information Economy* 336 (2d ed. 2006) (the Second and Ninth Circuits "tend to be leaders in the copyright field given the presence of substantial publishing, entertainment, and software companies in their jurisdictions"). This Court should grant certiorari to bring national uniformity to the interpretation of the inalienable termination right granted to authors and their families by Congress in 17 U.S.C. § 304.

1. *Mewborn* involved rights in the story and novel *Lassie Come Home*. Author Eric Knight registered copyrights for the story in 1938 and the novel in 1940; his statutory heirs renewed the rights between 1965 and 1967. 532 F.3d at 980. In 1976, Mewborn—one of four heirs to the renewal-term interest in Knight’s works—assigned her one-quarter interest in the film, TV, and radio rights to appellee Classic’s predecessor-in-interest. *Ibid.* Over the next two years, Classic’s predecessor-in-interest obtained assignments from Mewborn’s sisters for their shares of the same rights, plus some ancillary rights such as dramatic, merchandising, and recording rights. *Ibid.* After the Copyright Act of 1976 went into effect on January 1, 1978, Mewborn signed a second contract with Classic’s predecessor-in-interest that reproduced the language of the 1976 contract and granted Mewborn’s interest in the ancillary rights “in addition to” the rights granted under the 1976 agreement. *Id.* at 980–81.

In 1996, 56 years after her father registered the copyright for the *Lassie Come Home* novel, Mewborn served on Classic’s predecessor-in-interest a notice of termination of her 1976 assignment of the *Lassie* film, TV, and radio rights. 532 F.3d at 981. Classic eventually sued for a declaratory judgment that Mewborn’s termination notice was ineffective. *Ibid.* Mirroring the decision of the Second Circuit here, the *Mewborn* district court held that Mewborn’s 1978 agreement re-granting the *Lassie* rights had relinquished by contract her statutory right to terminate the 1976 transfer. *Id.* at 982.

The Ninth Circuit reversed, holding that the 1978 purported re-grant of the rights assigned in 1976 could not destroy Mewborn’s termination right and that, accordingly, Mewborn had validly terminated the 1976 transfer. Characterizing the issue as “whether the [Copyright] Act’s termination of trans-

fer right . . . can be extinguished by a post-1978 regrant of the very rights previously assigned before 1978,” the Court concluded that “such a result would circumvent the plain statutory language of the 1976 Act, as well as the congressional intent to give the benefit of the additional renewal term to the author and his heirs.” 532 F.3d at 979–80. As a result, the Court concluded, “the post-1978 assignment did not extinguish Mewborn’s statutory termination right.” *Id.* at 980.

Relying on the district court’s decision in this case, the Ninth Circuit rejected Classic’s argument that the 1978 agreement contractually precluded Mewborn from exercising her right to terminate the 1976 agreement because, among other reasons, that would have rendered the 1978 agreement “void as an ‘agreement to the contrary’ pursuant to § 304(c)(5).” 532 F.3d at 986. The court similarly emphasized that the termination right is “*inalienable*,” as this Court has recognized, *id.* at 983 (quoting *Stewart v. Abend*, 495 U.S. 207, 218–19 (1990)) (emphasis in original), and that a principal purpose of the termination right was “to assure that [the extended copyright term’s] new benefits would be for the authors and their heirs,” *id.* at 984, rather than “a windfall for grantees,” *id.* at 985.

2. The Second Circuit held below that the 1994 agreement extinguished Thom and Blake’s statutory right to terminate the 1938 agreement. This is flatly inconsistent with the Ninth Circuit’s holding that an attempted re-grant would be an invalid “agreement to the contrary.” 532 F.3d at 980, 986. Yet the Second Circuit did not meaningfully attempt to reconcile its decision with *Mewborn*, cavalierly dismissing the authority in a *cf.* citation. App., *infra*, 20a.

In the parenthetical to its sole citation of *Mewborn*, the Second Circuit characterized the case as

follows: “termination right preserved, notwithstanding a March 1978—i.e. post-1978—grant of rights, where termination right could not have been exercised until 1984 at the earliest, and where ‘[n]either party intended to revoke and replace (or even modify)’ a 1976 grant of rights.” App., *infra*, 20a (quoting *Mewborn*, 532 F.3d at 989). Neither of these two attempts to distinguish *Mewborn* is persuasive.

The fact that the termination right in *Mewborn* could not have been exercised at the time of the re-grant is no distinction at all. In 1994, the 1976 Act’s termination right had expired with respect to several of Steinbeck’s works and, to the extent the termination right remained alive, the Second Circuit itself recognized that “the Steinbeck Descendants could not have exercised their termination rights [under Section 304(c)] in 1994 because they lacked more than one-half of the author’s termination interest.” App., *infra*, 17a. Moreover, when Elaine entered into the 1994 agreement, the termination right Thom and Blake later sought to exercise—that of Section 304(d)—had not yet been created by Congress.

Similarly unpersuasive is the Second Circuit’s reliance on the fact that the re-grant in *Mewborn* did not explicitly terminate the earlier grant. The Ninth Circuit mentioned this fact to distinguish its earlier decision in *Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036 (9th Cir. 2005), *cert. denied*, 548 U.S. 904 (2006), discussed in more detail below, *see infra* at 20–23, which held that the revocation and re-granting of an existing transfer can in some circumstances amount to a *de facto* termination—“tantamount to following the statutory formalities,” *Mewborn*, 532 F.3d at 987.

The re-grant in *Milne* “was not ‘any agreement to the contrary,’” the Ninth Circuit explained in *Mewborn*, because it was “consistent with, and . . . fully

honored [the] right of termination,” which the statutory heir had used as leverage to negotiate a better deal. 532 F.3d at 988 (emphasis in original). In *Mewborn*, by contrast, there was no “evidence in the record [that the parties], when entering into the 1978 Agreement, considered Mewborn’s termination rights under § 304(c), or that Mewborn intended to waive or relinquish them.” 532 F.3d at 989.

Steinbeck is indistinguishable from *Mewborn* in this respect. Neither Thom nor Blake was a party to (nor, for that matter, received any benefit from) the 1994 agreement, so there could be no suggestion that they intended to relinquish their termination rights. To the contrary, the evidence is clear that even Elaine, who *was* a party, did not intend the 1994 agreement as a *de facto* termination: Holding only half of the termination interest, Elaine could not alone wield a credible threat of termination, and, in fact, the agreement explicitly contemplated that termination rights would survive. *See App., infra*, 32a–33a. Thus, even if *Milne* had been correct to recognize an exception for renegotiations by holders of ripe termination interests in lieu of termination—and Section 304’s use of the language “notwithstanding *any* agreement to the contrary” (emphasis added) strongly suggests that *Milne* was not correct in this respect—that would not be a basis for distinguishing this case from *Mewborn*.

Indeed, this case cannot meaningfully be distinguished from *Mewborn*—a point that the Ninth Circuit confirmed by relying on the district court decision below as one of its two principal authorities. *See* 532 F.3d at 986. Yet the two cases reach contrary results. This conflict of authority—over a provision so central to Congress’s decisions twice to extend copyright terms—warrants the Court’s intervention.

II. ONLY THIS COURT’S REVIEW CAN RESOLVE THE CONFUSED AND FRACTURED CASELAW THAT PERVADES THE TWO CIRCUITS THAT ARE MOST IMPORTANT ON MATTERS OF COPYRIGHT LAW.

The decision below not only creates a clear split between the Second and Ninth Circuits but also further confuses an already fractured jurisprudence regarding what constitutes an “agreement to the contrary” under Sections 203 and 304. Indeed, even before the decisions in *Mewborn* and this case, commentators had already recognized an emerging division of authority between the Second and Ninth Circuits. See, e.g., Scott, *Oh Bother: Milne, Steinbeck, and an Emerging Circuit Split over the Alienability of Copyright Termination Rights*, *supra*, at 360. This Court’s review is warranted to resolve when, if ever, agreements between publishers and copyright holders may validly abrogate statutory termination rights.

1. The Second and Ninth Circuit caselaw has splintered on whether a contract formed before the statutory heirs could exercise their termination rights can qualify as an “agreement to the contrary.” The court below held that the 1994 agreement was not an “agreement to the contrary” because it “did not divest the Steinbeck Descendents of any termination right under section 304(d) when the parties entered into that agreement.” App., *infra*, 16a–17a; see also *id.* at 17a (noting that “the Steinbeck Descendents could not have exercised their termination rights in 1994 because they lacked more than one-half of the author’s termination interest,” and “[n]one of the parties could have contemplated [in 1994] that Congress would create a second termination right four years later”). By contrast, *Mewborn* empha-

sized, as a factor showing that the termination right had *not* been extinguished, that “Mewborn in 1978 [when she purportedly re-granted the relevant rights] 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.” 532 F.3d at 987. Indeed, even the Second Circuit has held that a contract formed in 1969—*i.e.*, before any termination right existed—was an unenforceable “agreement to the contrary.” *See Marvel Characters, Inc. v. Simon*, 310 F.3d 280, 290 (2d Cir. 2002).

Marvel Characters involved copyrights in *Captain America Comics*. In 1940, Timely—the predecessor-in-interest to appellee Marvel Characters—published the first issue of *Captain America Comics*, attributing authorship to appellant Joseph H. Simon and to Jack Kirby. 310 F.3d at 282. In 1941, Marvel published the second through tenth issues of *Captain America Comics* and obtained copyrights for each issue it had published. *Ibid.*

As the initial 28-year term of copyright protection in the *Captain America* works neared its end, Simon sued Timely. Simon argued that he was the author of the 1940 and 1941 *Captain America* works and “sought a declaratory judgment that he, as the author of the Works, had the sole and exclusive right to the renewal term of the copyright in the Works.” 310 F.3d at 283. Timely denied that Simon was the sole author of the works and argued “that Simon’s contributions to the Works were made as an ‘employee for hire.’” *Ibid.* In 1969, Timely and Simon entered into a settlement agreement in which Simon acknowledged that he contributed to the works as an employee for hire and assigned to Timely “any and all right, title and interest he may have or control” in

the works. *Id.* at 284 (internal quotation marks omitted).

In 1999, Simon filed notices of termination to recapture the copyrights he had granted in the *Captain America* works. 310 F.3d at 284. In those notices, Simon declared “that he independently created the Captain America character and authored the first issue in the Captain America comic book series, and that he was ‘neither an employee for hire nor a creator of a work for hire.’” *Id.* at 284–85. Marvel sued, seeking a declaratory judgment that the notices were invalid. Marvel argued that the 1976 Act’s termination right “did not apply to Simon because the Settlement Agreement expressly stated that he was not the author of the Works for copyright purposes,” *id.* at 285, and the statutory termination right applies only to copyrights “other than a copyright in a work made for hire,” 17 U.S.C. § 304(c). The district court granted summary judgment to Marvel, holding that the notices were invalid and that Marvel was the sole owner of the works. 310 F.3d at 285.

The Second Circuit reversed, concluding that the 1969 settlement agreement—which designated Simon’s contribution as “for hire” and thus purported to eliminate his termination right—was an invalid “agreement to the contrary” under Section 304(c)(5). 310 F.3d at 290. The court placed heavy emphasis on Congress’s decision that authors should be able to renegotiate earlier grants when the true value of their works becomes known:

The principal purpose of the amendments in § 304 was to provide added benefits to authors. The . . . concept of a termination right itself, w[as] obviously intended to make the rewards for the creativity of authors more substantial. More particularly,

the termination right was expressly intended to relieve authors of the consequences of ill-advised and unremunerative grants that had been made before the author had a fair opportunity to appreciate the true value of his work product.

310 F.3d at 290 (quoting *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 172–73 (1985)) (omission and alteration in original; internal quotation marks omitted).

The court looked also to the background of the 1976 Act, which responded in part to this Court’s decision in *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943). *Fred Fisher* held that an author could assign both the initial and renewal terms at the same time—despite Congress’s intention that the renewal term be reserved for authors so that they could share in the benefits of their creativity. See *Marvel Characters*, 310 F.3d at 284. As *Marvel Characters* explained, after *Fred Fisher*, “publishers began to insist that authors assign both their initial and renewal rights to them in one transfer,” which had the “natural effect of . . . eliminat[ing] the author’s renewal right under the 1909 Act.” *Ibid.* The 1976 Act “[r]espond[ed] to the continual erosion of authors’ rights” under the 1909 Act by extending the duration of copyrights and providing a robust termination right. *Ibid.*

In light of this legislative backdrop, *Marvel Characters* concluded that “the clear Congressional purpose behind § 304(c) was to prevent authors from waiving their termination right by contract.” 310 F.3d at 290; see also *Stewart*, 495 U.S. at 230 (“The 1976 Copyright Act provides . . . an inalienable termination right.”). Given the text of the statute, as well as the intent and purpose behind the termination right, the court held that the 1969 settlement agreement was “clear[ly] . . . an ‘agreement to the

contrary.” *Marvel Characters*, 310 F.3d at 290. If such an agreement were upheld, “the termination provision would be rendered a nullity”—a consequence that “would 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.” *Id.* at 290–91.

The court of appeals below attempted to reconcile its decision with *Marvel Characters* by arguing that “*Marvel* concludes only that backward-looking attempts to recharacterize existing grants of copyright so as to eliminate the right to terminate under section 304(c) are forbidden by section 304(c)(5). There was no such attempt at recharacterization here.” App., *infra*, 18a. But Section 304(c)(5) does not prohibit only “recharacterization[s].” Instead, it allows authors and their heirs to exercise termination rights “notwithstanding *any* agreement to the contrary” (emphasis added). The court of appeals did not—and could not—explain why coercing authors to recharacterize works is more problematic, under Section 304(c)(5)’s plain language, than a copyright holder’s agreement with the publisher to destroy the termination rights accorded to statutory heirs by Congress or any other attempted end-run around statutory termination rights.

In any event, the court of appeals’ palpably unenthusiastic hair-splitting cannot obscure the fact that—consistent with *Mewborn* but contrary to the decision below—*Marvel Characters* recognizes that a contract can constitute an invalid “agreement to the contrary” even if it was executed before Congress created the relevant termination rights. This Court’s review of the issue is warranted.

2. The Second and Ninth Circuits have also divided on whether the parties may abrogate termination rights by contract where the statutory heirs

used the threat of termination as leverage to renegotiate the original grant in their favor. In *Milne v. Stephen Slesinger, Inc.*, the Ninth Circuit held that an agreement by the sole holder of an exercisable statutory termination right to re-grant the relevant copyright interests effectively extinguished the statutory right of termination: “Congress . . . anticipated that parties may contract, as an alternative to statutory termination, to revoke a prior grant by replacing it with a new one,” 430 F.3d at 1046, which *Mewborn* explained was “tantamount to following the statutory formalities,” 532 F.3d at 987. In the decision below, by contrast, the Second Circuit held that *Elaine’s* re-grant successfully extinguished *Thom and Blake’s* termination right even though the re-grant was *not* an alternative to termination: Elaine could not alone exercise the statutory termination right, and the 1994 agreement “explicitly contemplated the future exercise of termination rights.” App., *infra*, 10a (summarizing district court decision); *see also id.* at 32a–33a.

Milne involved rights in *Winnie-the-Pooh* and related works by author A.A. Milne. In 1930, A.A. Milne granted copyrights in several *Winnie-the-Pooh* works to Stephen Slesinger, who then transferred those rights to Stephen Slesinger, Inc. (SSI). 430 F.3d at 1039. In 1983, A.A. Milne’s son, Christopher Robin Milne, entered into a contract with SSI that revoked the 1930 grant but immediately re-issued the copyrights to SSI. *Id.* at 1040. At the time the 1983 contract was negotiated and signed, Christopher Robin possessed the power to terminate the 1930 transfer, but he did not exercise that termination right, choosing instead to “us[e] the bargaining power conferred by his termination righ[t]” to “negotiat[e] . . . a more lucrative deal.” *Id.* at 1040. In 2002—after the CTEA was enacted—A.A. Milne’s

granddaughter, Clare, attempted to terminate the A.A. Milne's original 1930 grant. *Id.* at 1041.

The district court held that the termination notice was invalid, and the Ninth Circuit affirmed. Because Christopher Robin's 1983 contract purported to revoke his father's 1930 transfer, the Ninth Circuit concluded that there remained no transfer to which the Section 304(d) termination right could apply. 430 F.3d at 1042–43. Christopher Robin's 1983 agreement was not an “agreement to the contrary,” the court held, because he had employed an “alternative to statutory termination” by using the “perceived right to terminate as a valuable bargaining chip . . . to obtain an advantageous agreement.” *Id.* at 1046. “Although Christopher [Robin] presumably could have served a termination notice, he elected instead to use his leverage to obtain a better deal” *Id.* at 1045.

The Ninth Circuit has confined the holding in *Milne* to these facts. Characterizing the agreement in *Milne* as “*sui generis*,” *Mewborn* explained that the *Milne* termination rights were validly abrogated only because Christopher Robin's renegotiation was “tantamount to following the statutory formalities” of terminating a grant and then negotiating a new grant. 532 F.3d at 987. Christopher Robin used his power to terminate to “enter into a highly remunerative new grant”—by some estimates in the hundreds of millions of dollars, *see Milne*, 430 F.3d at 1040–41—thereby “achiev[ing] the exact policy objectives for which § 304(c) was enacted.” *Mewborn*, 532 F.3d at 987.

As an initial matter, it is hardly clear that the statutory text admits of an exception to the rule that “agreement[s] to the contrary” cannot destroy termination rights, even if the agreement allegedly “achieves” Congress's objectives. 532 F.3d at 987.

Section 304(c)(5) provides without qualification that termination rights may be exercised “notwithstanding *any* agreement to the contrary” (emphasis added).

It is, however, clear that, even on *Milne*’s interpretation of the “agreement to the contrary” provision, the re-grant at issue in this case could not validly have abrogated Thom and Blake’s termination right because that re-grant was not “tantamount to following the statutory formalities.” *Mewborn*, 532 F.3d at 987. Instead, the parties to the 1994 agreement—which did not include Thom and Blake, who together possessed half of the termination interest—“explicitly contemplated the future exercise of termination rights.” App., *infra*, 10a (summarizing district court decision); *see also id.* at 32a–33a. This Court’s review is warranted to resolve whether and under what circumstances a *de facto* exercise of the termination right amounts to an “agreement to the contrary.”

III. THE QUESTION PRESENTED IS RECURRING AND EXTREMELY IMPORTANT TO THE MAINTENANCE OF CONGRESS’S COPYRIGHT BARGAIN.

This case raises an important, recurring issue regarding the scope of the “agreement to the contrary” provision in Section 304. That provision governs the rights to some of the world’s most significant copyrighted works—a point amply illustrated by the cases in which this issue has already been litigated. *See Steinbeck*, App., *infra*, 2a (*The Grapes of Wrath*, *Of Mice and Men*, and others of Steinbeck’s “best-known works”); *Mewborn*, 532 F.3d at 979 (“world-famous children’s story and novel, *Lassie Come Home*”); *Milne*, 430 F.3d at 1039 (*Winnie-the-*

Pooh and other “classic children’s books” featuring Christopher Robin and his stuffed bear); *Marvel Characters*, 310 F.3d at 282 (“now-iconic *Captain America Comics*”). Authors and their families, like publishers, are entitled to certainty with respect to the allocation of the billions of dollars to be generated by these and other works during the 39 years of extended copyright protection. The Ninth Circuit’s interpretation of Section 304’s “agreement to the contrary” provision secures the value of the extended terms for authors and their families, just as Congress intended. The Second Circuit’s interpretation allows publishers to contract around the termination right and arrogate that value to themselves. This uncertainty, with outcomes perhaps depending on a publisher’s choice of forum, cannot be allowed to persist.

Yet this issue is certain to recur for decades, as Section 304(c) grants authors and their families the power to terminate grants of copyrights obtained as late as December 31, 1977. *See* 17 U.S.C. § 304(c). Because the termination rights must be invoked “during a period of five years beginning at the end of fifty-six years from the date copyright was originally secured,” *id.* § 304(c)(3), termination under Section 304(c) may occur as late as December 31, 2038 (*i.e.*, 61 years after December 31, 1977). Between now and then, authors and their families are in jeopardy of losing their termination rights through contractual end-runs of the sort at issue here. And if publishing companies are permitted to frustrate termination rights—as the decision below allows—then those companies will be able to retain exclusive rights until as late as December 31, 2072, cheating authors’ families of the benefits of the CTEA’s ex-

tended copyright term. *See id.* § 304(b) (applying 95-year term to pre-1978 copyrights).⁵

Indeed, questions regarding the proper interpretation of the “agreement to the contrary” provision will arise indefinitely because precisely the same language is included in Section 203(a)(5), which allows termination of grants executed by the author in or after 1978. 17 U.S.C. § 203(a)(5) (“Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.”). Absent this Court’s intervention, publishers in the Second Circuit will be able to retain copyright protection in these grants for up to 70 years after an author’s death. *See id.* § 302(a) (applying copyright term consisting of author’s life plus 70 years for works created in or after 1978).

In addition to the serious financial consequences of the Second Circuit’s decision, this case raises fundamental questions regarding congressional copyright policy. In particular, the decision threatens to undermine Congress’s decision to allocate the benefits of extended copyright protection to authors and their families rather than to publishers.

⁵ The termination right under Section 304(d) will also continue well into the future. That right applies to works for which the Section 304(c) termination right had expired by October 27, 1998 (the CTEA’s effective date) but that were still in their renewal term on that date. 17 U.S.C. § 304(d). Under Section 304(d), a work whose termination right had expired on October 26, 1998 would now have a termination right that could be exercised from October 26, 2012 to October 26, 2017. *See id.* § 304(c), (d). The decision below will allow publishers to enjoy copyright protection in such works until 2032. *See id.* § 304(b).

Publishing companies thwarted Congress's earlier attempt, in the 1909 Act, to establish a national copyright regime that adequately protected and compensated authors and their families.⁶ Congress has now twice lengthened the renewal copyright term, and on both occasions it enacted termination rights designed to secure the benefits of that extended term for authors and their families "notwithstanding any agreement to the contrary." 17 U.S.C. § 304(c)(5), (d)(1); *see also* H.R. Rep. No. 94-1476, at 124. Congress understood that authors and their families often face financial pressures in vulnerable times, which cause them to surrender copyrights prematurely. Congress knew that only an "inalienable" (*Stewart*, 495 U.S. at 230) power to recapture such rights would enable authors and their families to garner the value of the extended term. Despite the statute's unambiguous text, legislative history, and context, the Second Circuit's decision once again allows publishers to subvert the congressional design.

Indeed, the Second Circuit's decision threatens to foil Congress's efforts even more substantially than was possible under the 1909 Act. Although this Court's decision in *Fred Fisher* permitted publishers to coerce authors to contract away their renewal rights, the decision did not allow an author to con-

⁶ Compare *Stewart*, 495 U.S. at 218-19 (the renewal term was created to "permi[t] the author, originally in a poor bargaining position, to renegotiate the terms of the grant once the value of the work has been tested."), and H.R. Rep. No. 60-2222, at 14 (1909) ("[I]t should be the exclusive right of the author to take the renewal term, and the law should be framed . . . so that [the author] could not be deprived of that right."), with *Fred Fisher*, 318 U.S. 643 (1943) (upholding publishers' practice of requiring authors to assign both their initial and renewal rights to the publisher at the same time).

tract away the right of surviving family members to renew the copyrights if the author died before the renewal period. *See Stewart*, 495 U.S. at 219–21; *Miller Music Corp. v. Charles N. Daniels, Inc.*, 362 U.S. 373, 375 (1960). The decision below, however, permits some surviving family members to contract away the termination rights of the other family members—without regard to the congressional allocation of termination interests.

* * *

This case presents an ideal vehicle for this Court to resolve the question whether the right to terminate a pre-1978 transfer of copyright may be extinguished by a later re-grant of the same rights—and thus to clarify the scope of the “agreement to the contrary” provision. This issue has spent years percolating in the lower courts, which have been unable to reach any coherent answers. The splintered caselaw has created substantial uncertainty that threatens the faithful administration of congressional copyright policy. This Court’s review is warranted.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted.

MARK S. LEE
MANATT, PHELPS &
PHILLIPS, LLP
11355 W. Olympic Blvd.
Los Angeles, CA 90064
(310) 312-4000

THEODORE B. OLSON
Counsel of Record
MATTHEW D. MCGILL
SCOTT P. MARTIN
GIBSON, DUNN & CRUTCHER LLP
1050 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 955-8500

Counsel for Petitioners

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