

# ***Milne v. Slesinger*: The Supreme Court Refuses to Review the Ninth Circuit’s Limits on the Rights of Authors and their Heirs to Reclaim Transferred Copyrights**

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*Milne v. Slesinger*<sup>1</sup> is a decision that could massively shift bargaining power from authors and their heirs to publishers and movie studios. In the case, the Court of Appeals for the Ninth Circuit upheld a lower court ruling that an agreement revoking and re-granting a prior copyright license validly circumvents termination rights of authors and their heirs under the Copyright Act. In doing so, the Ninth Circuit refused to follow an earlier decision of the Second Circuit Court of Appeals that confirmed what most copyright lawyers firmly believed — that the

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<sup>1</sup> *Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036 (9th Cir. 2005).

termination right of authors and their heirs is inalienable.<sup>2</sup> On June 26, 2006, the U.S. Supreme Court refused to review the Ninth Circuit's decision.<sup>3</sup>

The decision could emasculate a right that most copyright lawyers thought could not be waived: the statutory right of authors and their heirs to terminate prior licenses and copyright assignments. As a result of this decision, at least in California and other states within the Ninth Circuit, movie studios, book publishers, music publishers and other transferees and licensees of copyrighted works are newly empowered to fend off efforts by authors and their heirs to terminate copyright licenses and assignments entered into decades ago and reclaim those rights or renegotiate their terms at prevailing fair market values. For reasons explained below, however, the holding in *Milne v. Slesinger* may be less promising than studios and other copyright licensees might hope.

#### I. THE RIGHT TO TERMINATE COPYRIGHT ASSIGNMENTS AND LICENSES

Under the Copyright Act of 1909, copyrights subsisted for an original term of twenty-eight years, with an additional term of twenty-eight years if the author renewed his copyright.<sup>4</sup> The renewal term was principally intended to benefit authors' widows and children. However, the law did not prevent authors from assigning both their original copyright term and their renewal term well before their copyright's true long-term value could be discerned.<sup>5</sup> Given publishers' greater bargaining power, publishers required, as a condition of their willingness to publish authors' works in the first place, that authors assign *both* their original and renewal copyrights, thereby undermining the very purpose of the renewal right—to benefit the authors' heirs.<sup>6</sup> Congress tried to redress this when it rewrote the copyright law in 1976. Congress granted authors and their heirs a statutory right to terminate earlier assignments and licenses of their copyrights during a five-year window, and

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<sup>2</sup> See, e.g., *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002); *Stewart v. Abend*, 495 U.S. 207, 230 (1990) (the 1976 Copyright Act “provides a single, fixed term, but provides an inalienable termination right”).

<sup>3</sup> *Milne v. Stephen Slesinger, Inc.*, 126 S. Ct. 2969 (U.S. 2006).

<sup>4</sup> See William F. Patry, *The Copyright Term Extension Act of 1995: Or How Publishers Managed to Steal the Bread from Authors*, 14 *CARDOZO ARTS & ENT. L.J.* 661, 670 (1996).

<sup>5</sup> See *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943).

<sup>6</sup> John Molinaro, Note and Comment, *Who Owns Captain America? Contested Authorship, Work-For-Hire, and Termination Rights Under the Copyright Act of 1976*, 21 *GA. ST. U. L. REV.* 565, 573 (2004); Patry, *supra* note 4, at 670.

provided that agreements to make further grants of their copyrights would be, with one narrow exception, generally unenforceable.

In fact, the Copyright Act of 1976 contains *two* termination provisions: section 203<sup>7</sup> and section 304.<sup>8</sup> Section 203 governs copyright transfers made by authors *after* January 1, 1978.<sup>9</sup> Under this section, an author or his heirs may terminate any copyright license or assignment entered into on or after January 1, 1978 “at any time during a five-year window beginning thirty-five years from the execution of the grant.”<sup>10</sup> Termination is not automatic. Rather, the author or his heirs must serve written notice of termination no earlier than two and no later than ten years before the intended termination date.<sup>11</sup> Upon serving a valid notice, the authors or his heirs have a vested interest in the rights that were previously granted and they revert to the author or his heirs on the date termination becomes effective.<sup>12</sup> Further grants or agreements to make further grants are valid only if they are made *after* the effective termination date.<sup>13</sup> However, authors or their heirs may make further grants to the original grantee (or the original grantee’s successors in title) within the notice period without waiting until termination actually becomes effective, provided that the authors or their heirs have in fact served notice of termination.<sup>14</sup>

The other statutory termination right, the one contained in section 304, operates in the same way as the termination right in section 203 except in the following respects. First, section 304 applies only to grants made prior to January 1, 1978.<sup>15</sup> Second, the termination period begins fifty-six years (or in certain instances, including in the case of A.A. Milne’s Pooh works, seventy-five years) after the copyright was *secured*, whereas the termination right under section 203 begins thirty-five years after the copyright was *transferred*.<sup>16</sup> Third, section 304 governs copyright transfers made not just by an author but by an author’s heirs as well.<sup>17</sup> Lastly, under section 304 the right to terminate licenses and as-

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<sup>7</sup> Copyright Act of 1976 § 2, 17 U.S.C. § 203 (2006).

<sup>8</sup> *Id.* § 304.

<sup>9</sup> *Id.* § 203.

<sup>10</sup> *Id.* § 203 (a)(3) (“If the copyright license involves the right to publish the work, the termination period starts thirty-five years from the date of publication, or forty years after the transfer, whichever is earlier.”).

<sup>11</sup> *Id.* § 203(4).

<sup>12</sup> Derivative works existing before termination of the original work and works made for hire are not subject to termination. *Id.* § 203(a), (b)(1).

<sup>13</sup> *Id.* § 203(b)(4).

<sup>14</sup> *Id.*

<sup>15</sup> *Id.* § 304(c).

<sup>16</sup> *Id.*

<sup>17</sup> *Id.* § 304.

signments of copyrights that were in their renewal term on October 27, 1998 (*i.e.*, the date the Sonny Bono Copyright Term Extension Act extending the copyright renewal term by a further twenty years was enacted<sup>18</sup>) which had otherwise expired, was revived for another twenty years (if such termination right previously had not been exercised).<sup>19</sup> Notably, the limitation on further grants and agreements to make further grants, subject to the narrow exception for original grantees and their successors, applies to both section 304 and section 203. Since the merchandising license that gave rise to *Milne v. Slesinger* was executed by A.A. Milne back in 1930, the section 304 termination right was the one at issue in that case.

## II. *MILNE V. SLESINGER AND WINNIE THE POOH*

### A. *Background*

Alan Alexander Milne wrote his best known works, *When We Were Very Young*, *Winnie-the-Pooh*, *Now We Are Six*, and *House at Pooh Corner* in the 1920s. He registered them with the U.S. Copyright Office between 1924 and 1928 and renewed the copyright registrations between 1952 and 1956.<sup>20</sup> After giving effect to these renewals, Milne's copyrights were scheduled to expire beginning in 1980 and ending in 1984.

In 1930, Milne granted an exclusive license to sell merchandise based on Milne's Pooh works in North America to Stephen Slesinger, who assigned the license to his company, Stephen Slesinger Inc. ("SSI"). Milne died in 1956, bequeathing the right to receive royalties from the Slesinger license and his remaining interests in the Pooh works to the Milne trust.<sup>21</sup> The beneficiaries of the Milne trust were Milne's widow and, after her death, Milne's only child, Christopher Robin, and after Christopher's death, Christopher's only child, Clare.<sup>22</sup> In 1961, SSI, Milne's widow and the Milne trust granted Disney exclu-

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<sup>18</sup> Sonny Bono Copyright Term Extension Act of 1998, Pub. L. No. 105-298, 112 Stat. 2827 (codified as amended in scattered sections of 17 U.S.C.).

<sup>19</sup> 17 U.S.C. § 304(d). This same protection does not exist under section 203 for grants executed after January 1, 1978 because it is not needed. Grants executed after January 1, 1978 would be subject to termination at the earliest on January 1, 2013—35 years after the date of grant—and accordingly could not have been waived as of the enactment of the CTEA.

<sup>20</sup> See *Milne*, 430 F.3d at 1039; see also Pooh Corner Home Page, <http://www.pooh-corner.com/pooh.html>.

<sup>21</sup> See *Milne*, 430 F.3d at 1039.

<sup>22</sup> *Id.*

sive copyright licenses in their respective interests in the Pooh works.<sup>23</sup> Milne's widow died in 1971.

In 1976, Congress enacted a sweeping revision to the nation's Copyright Act and extended the term of copyright protection from a static fifty-six year maximum (*i.e.*, successive terms of twenty-eight years each) to the life of the author plus fifty years. However, the term for works existing at the time of enactment of the new Copyright Act was extended from fifty-six years to seventy-five years from the publication date. To give authors and their heirs the benefit of this extension, Congress included the section 203 and 304 termination rights described above. Thus, the new Copyright Act postponed expiration of the copyrights in the Pooh works from 1980 at the earliest (*i.e.*, 1924 plus fifty-six years) until 1999 at the earliest (*i.e.*, 1924 plus seventy-five years). On the other hand, it also gave Christopher Milne the right to terminate and recapture the 1930 license his father had given Stephen Slesinger, effective during four rolling five-year windows with the earliest opening in 1980 and the last closing in 1989.<sup>24</sup> To exercise his termination rights, Christopher could have given the Slesingers notice at any time between 1970 and 1987.<sup>25</sup> Thus, while the 1976 Copyright Act bestowed upon both Disney and the Slesingers a windfall in the form of nineteen years of added copyright protection for the Pooh works, it also presented a risk: that at some point during the next nine years, Christopher could pull the Pooh rights out from under them. Disney faced a similar risk with respect to the 1961 license from Milne's widow and trust.

The Winnie the Pooh franchise generated approximately \$5 billion in yearly revenue for Disney from merchandising alone.<sup>26</sup> With the danger of losing the rights to this extremely lucrative franchise looming, Disney met with Christopher and Slesinger in 1983. The parties agreed to rescind the 1930 and 1961 agreements and to regrant, within the same instrument, a copyright license to SSI.<sup>27</sup> SSI in turn would grant those rights to Disney,<sup>28</sup> and Christopher agreed not to terminate either grant.<sup>29</sup>

In 1998, Congress passed the Sonny Bono Copyright Term Extension Act, which extended the basic copyright term by another twenty

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<sup>23</sup> See Robert Trigaux, *A Sticky, Icky Mess*, ST. PETERSBURG TIMES, Oct. 21, 2001, at H1.

<sup>24</sup> See 17 U.S.C. § 304(c)(3).

<sup>25</sup> See *id.* § 304(c)(4)(A).

<sup>26</sup> See Trigaux, *supra* note 23.

<sup>27</sup> *Milne*, 430 F.3d at 1040.

<sup>28</sup> *Id.*

<sup>29</sup> *Id.*

years. That act, for which Disney lobbied strongly, rescued Disney's earliest incarnation of Mickey Mouse, Steamboat Willie, from falling into the public domain that year. It also meant that the Pooh works would now not fall into the public domain until 2019 at the earliest—yet another windfall for all concerned. Similar to the way the 1976 Copyright Act implemented its copyright term extension, the 1998 act also opened up a new window in which authors and their heirs could terminate pre-1978 assignments and licenses where terminations had not yet been effected, including A.A. Milne's 1930 license to Stephen Slesinger. As a result, Clare Milne (whose father Christopher had died in 1996) now held the very termination right that Disney persuaded her father *not* to exercise back in 1983.

Under a deal reached between Disney and Clare Milne in 2002, Clare served SSI with a notice purporting to terminate the 1930 grant to Stephen Slesinger<sup>30</sup> and agreed to re-grant those rights to Disney.<sup>31</sup> Funded by Disney, Clare filed a federal court action for declaratory relief asking the court to confirm that her termination notice was valid and that it vested in her the Pooh rights previously granted to Slesinger.

Because Clare had attempted to terminate only the grant to Slesinger, and had agreed to give Disney any of the rights recaptured, the issue in *Milne* was whether Disney would be required to continue to pay royalties to Slesinger.<sup>32</sup> The ultimate question, therefore, was whether the termination notice was valid and who owned the copyright to the profoundly profitable franchise.

### B. *The District Court Decision and Clare Milne's Appeal*

In Clare Milne's federal court action for declaratory relief, the Slesingers argued that Clare's termination notice was ineffective because the 1983 agreement among Disney, the trust and SSI revoked the original 1930 license, leaving no pre-1978 grant of rights to which Clare's section 304 statutory termination right could be applied. Clare's lawyers directed the court's attention to the plain language of the section 304 termination provision which reads, "[t]ermination of [a pre-1978] grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future

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<sup>30</sup> Brief of Petitioner-Appellant at 3, *Milne v. Slesinger*, No. 04-57189 (9th Cir. May 4, 2005); Brief of Respondent-Appellee at 9, *Milne v. Slesinger*, No. 04-57189 (9th Cir. Apr. 18, 2005).

<sup>31</sup> *Milne*, 430 F.3d at 1041.

<sup>32</sup> See Brief of Respondent-Appellee at 1, *Milne v. Slesinger*, No. 04-57189 (9th Cir. Apr. 18, 2005).

grant.”<sup>33</sup> They argued that the parties’ 1983 agreement was just the type of “agreement to the contrary” that section 304 rendered unenforceable.

The district court rejected Clare’s argument, holding that “[n]othing in the copyright acts has altered the power of private parties to contract” and the Ninth Circuit Court of Appeals agreed.<sup>34</sup> In the court’s view, Congress did not intend to “prevent the parties to a transfer or license from voluntarily agreeing at any time to terminate an existing grant and negotiating a new one.”<sup>35</sup> Many copyright scholars previously thought that this was indeed the very purpose of the quoted language—to prevent publishers from using their greater bargaining power to require authors and their heirs to waive these termination rights.<sup>36</sup> To the contrary, the court observed that, “as an alternative to termination,” parties may rescind pre-1978 grants and re-grant them after 1978, avoiding section 304’s termination right.<sup>37</sup> Hence, the 1983 revocation by Christopher Milne and the Milne trust of the 1930 and 1961 agreements and re-grant of the rights previously licensed placed the Pooh rights outside the ambit of section 304.<sup>38</sup> “[T]here was no pre-1978 grant of rights to [Slesinger] in existence” for Clare to terminate under section 304.<sup>39</sup> Since, in the court’s view, the only grant that existed at the time was the one created in 1983, the court construed the copyright grant as a post-1978 agreement not subject to termination by Milne’s heirs.<sup>40</sup>

Counsel for Clare Milne cited a recent Second Circuit case interpreting the section 304 termination right to support Milne’s position. The Second Circuit found in *Marvel Characters, Inc. v. Simon* that an agreement made after an original copyright grant stipulating that Captain America was a work made for hire and therefore outside the scope of the statutory termination right<sup>41</sup> was the kind of “agreement to the

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<sup>33</sup> 17 U.S.C. § 304(c)(5).

<sup>34</sup> *Milne*, 430 F.3d at 1045 (quoting *Milne*, 2003 U.S. Dist. LEXIS 7942, at \*14); see H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5743.

<sup>35</sup> H.R. Rep. No. 94-1476 at 127, reprinted in 1976 U.S.C.C.A.N. at 5743.

<sup>36</sup> See David Nimmer & Peter S. Menell, *Sound Recordings, Works for Hire, and the Termination-of-Transfers Time Bomb*, 49 J. COPYRIGHT SOC’Y USA 387, 396 (2001) (“Congress made the termination right *inalienable*.”); Patry, *supra* note 4, at 684 (“The section 304(c) termination right is inalienable and unwaivable . . .”).

<sup>37</sup> *Milne*, 430 F.3d at 1046.

<sup>38</sup> *Id.* at 1042-43.

<sup>39</sup> *Id.*

<sup>40</sup> Note that post-1978 agreements fall under section 203 under which only grants made by authors, not by their heirs, are subject to termination. See 17 U.S.C. § 203(a).

<sup>41</sup> 17 U.S.C. § 304(c) (“In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, other than a copyright in a work made for hire, the exclusive or nonexclusive grant . . . is subject to termination . . .”) (emphasis added).

contrary”<sup>42</sup> which section 304 rendered unenforceable. The court reasoned that to conclude otherwise would render “the termination provision . . . 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” without fear of subsequent termination.<sup>43</sup> This would have an effect akin to the outdated 1909 copyright regime, where publishers would require authors to assign both their original and renewal rights, defeating the purpose of the Copyright Act. The district and appellate courts distinguished the Second Circuit’s holding in *Marvel* as a case which stood merely for the proposition that parties cannot use an “after-the-fact attempt to recharacterize [a work which was not necessarily made-for-hire as a work which was made-for hire] in order to avoid the Section 304 termination right.”<sup>44</sup>

The *Milne* court tried to rationalize its holding as consistent with the underlying purpose of termination under section 304: “safeguarding authors against unremunerative transfers” and remedying “the unequal bargaining position of authors, resulting in part from the impossibility of determining a work’s value until it has been exploited.”<sup>45</sup> The threat of termination, rather than its exercise, was what provided authors and their heirs the ability to negotiate more lucrative agreements.<sup>46</sup> Allowing Christopher Milne to do just that by revoking and re-granting the Pooh rights in an agreement that was more lucrative than the prior agreement, by hundreds of millions of dollars, was precisely what Congress intended, according to the *Milne* court.<sup>47</sup> Of course, the court’s reasoning ignored the fact that back in 1983 when Christopher Milne and the Milne trust agreed to revoke the 1930 and 1961 agreements, they necessarily sold out for less than what the Pooh works became worth after giving effect to the twenty years tacked onto their copyright periods under the Sonny Bono Copyright Term Extension Act.

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<sup>42</sup> *Marvel Characters, Inc. v. Simon*, 310 F.3d 280, 282 (2002).

<sup>43</sup> *Id.* at 290-91.

<sup>44</sup> *Milne*, 430 F.3d at 1044.

<sup>45</sup> HR. Rep. No. 94-1476 at 124, reprinted in 1976 U.S.C.C.A.N. at 5740.

<sup>46</sup> *Milne*, 430 F.3d at 1046.

<sup>47</sup> *Id.* (“Thus, the 1983 agreement exemplifies the increased bargaining power that Congress intended to bestow on authors and their heirs by creating the termination right under the 1976 Copyright Act”).

### III. WHAT *MILNE v. SLESINGER* MEANS FOR STUDIOS, PUBLISHERS AND OTHER COPYRIGHT TRANSFEREES

#### A. *Greater Bargaining Power . . . in the Ninth Circuit*

Before *Milne v. Slesinger*, the termination rights afforded under sections 203 and 304 of the Copyright Act were believed to give authors and their heirs great bargaining power against studios, publishers and other copyright transferees which, in many cases, had acquired their copyrighted works for nominal sums, only to turn those works into million- or billion-dollar franchises. In recent years, the families of Joe Simon, Jerry Siegel, and John Steinbeck have also attempted to recapture through section 304 the rights to Captain America, Superman, and *The Grapes of Wrath*, respectively, so they could renegotiate the grants at current fair market values. In each case, these termination attempts were challenged by the holders of existing licenses.<sup>48</sup>

In *Penguin Group (USA) Inc. v. Steinbeck*,<sup>49</sup> the Penguin publishing company, in an attempt to avoid termination of copyrights granted to it by John Steinbeck in 1938,<sup>50</sup> entered into an agreement with Steinbeck's widow after 1978 for continued publication of Steinbeck's works.<sup>51</sup> The agreement "canceled and superseded the previous agreements, as amended, for the Works."<sup>52</sup> This, Penguin argued, rendered Steinbeck's heirs' subsequent termination notices invalid because no pre-1978 grant existed.<sup>53</sup>

The court disagreed. Citing the same authority that the Ninth Circuit rejected in *Milne*, the court concluded that the termination right is inalienable,<sup>54</sup> noting that "copyright termination abrogates freedom of contract in two ways: it allows for the invalidation of the original contractual transfer and it abrogates subsequent attempts to contract around the termination right it creates."<sup>55</sup> The court ultimately found for Steinbeck on other grounds,<sup>56</sup> but held alternatively that "to the

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<sup>48</sup> See Compl., *Marvel Characters Inc. v. Simon*, No. 00 Civ. 1393 (S.D.N.Y. Feb. 27, 2002) (Captain America); Notice of Mot. and Mot. Summ. J., *Siegel v. Time Warner Inc.*, No. 04 Civ. 8776 (C.D. Cal. Feb. 15, 2006) (Superman); Compl., *Penguin Group (USA) Inc. v. Steinbeck*, No. 04 Civ. 6795 (S.D.N.Y. Aug. 4, 2004) (*Grapes of Wrath* and other Steinbeck works).

<sup>49</sup> *Penguin Group (USA), Inc.*, 2006 U.S. Dist. LEXIS 38346, at \*17.

<sup>50</sup> *Id.* These included the rights to *Cup of Gold*, *The Grapes of Wrath*, *Of Mice and Men*, and many other of Steinbeck's novels. *Id.* at \*13.

<sup>51</sup> *Id.* at \*15.

<sup>52</sup> *Id.*

<sup>53</sup> *Id.* at \*16.

<sup>54</sup> *Id.* at \*5 n. 4.

<sup>55</sup> *Id.* at \*8 n. 10.

<sup>56</sup> See *id.* at \*16-17 (finding that the 1994 agreement in fact intended to preserve the statutory right of termination).

extent the 1994 Agreement would strip [Steinbeck's heirs] . . . of their inalienable termination rights in the pre-1978 grants, it is void as an 'agreement to the contrary' . . ."<sup>57</sup> Therefore, the termination notices were valid, and Steinbeck's family will soon recapture the rights to his works.<sup>58</sup>

*Milne and Penguin (USA) Group, Inc.*'s respective interpretations of the alienability of termination rights and the meaning of "agreement to the contrary" appear to directly conflict. Under the Ninth Circuit's interpretation, the termination right is not inalienable, and rescind-and-re-grant agreements are permissible. Under *Penguin (USA) Group, Inc.*, the opposite is true. Accordingly, authors and their heirs will be better off litigating their termination rights in New York or other courts of the Second Circuit. Publishers, movie studios and other licensees will prefer courts within the Ninth Circuit. The question remains, how broadly will courts in the Ninth Circuit apply the holding of *Milne v. Slesinger*? The answer might be not broadly at all.

B. *Even within the Ninth Circuit, Milne v. Slesinger Might be Narrowly Construed*

It is tempting to say that *Milne* stands for the broad proposition that, despite the language in the Copyright Act and Second Circuit cases suggesting otherwise, authors and their heirs can waive their statutory termination rights simply by revoking prior licenses and re-granting them within the same instrument. There are at least a couple of reasons, however, why this might not be the case.

One reason Clare *Milne*'s lawyers urged the Supreme Court to review the Ninth Circuit holding was to avoid the wholesale nullification of authors' and their heirs' statutory rights wrought by studios, publishers and other licensees insisting that existing licenses be renegotiated at times and places of the licensees' choosing.<sup>59</sup> In their brief, lawyers for the *Slesingers* pointed out no fewer than five times that the 1983 revocation preceded the date the statutory termination right Clare *Milne* asserted was enacted by Congress (October 27, 1998) and, therefore, there was no contract to which the CTEA's termination right could be applied.<sup>60</sup> The court of appeals had also reasoned that "there was no

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<sup>57</sup> *Id.* at \*17.

<sup>58</sup> *Id.* at \*19.

<sup>59</sup> See Petition for Cert. at pp. 26-27.

<sup>60</sup> Respondent's brief at p. 8 ("the grant embodied in the 1930s Agreement—already had been terminated (along with the rest of the 1930s Agreement) by the 1983 Agreement long before the CTEA was enacted, "); at p. 10 ("there was no pre-1978 grant of rights to *Slesinger* in existence when Congress enacted the CTEA in 1998") (internal quotes omitted); at p. 13 ("Because there was no pre-1978 grant of rights to *Slesinger* in existence when

pre-1978 grant of rights to SSI in existence when Congress enacted the CTEA in 1998” and therefore no grant to which the termination right embodied in the CTEA could be applied.<sup>61</sup> Accordingly, both the court of appeals decision and the respondents’ own brief suggest that the *Milne* holding should be limited to cases where the alleged revocation occurred before the termination right being asserted was enacted. If the holding of *Milne* were so limited, then only revocations by authors and their heirs that occurred before October 27, 1998 (at the latest) would be enforceable under *Milne*.

Another reason why *Milne* might be narrowly construed is that when the 1930 and 1961 grants were revoked, Christopher Milne *could* have exercised his termination right instead. However, Christopher Milne elected revocation over termination. Disney made a one-hundred-eighty-degree turn. Having successfully persuaded Christopher to *not* exercise his termination rights before, Disney was now urging his daughter to do the exact opposite. Future courts may choose not to disregard revocations exercised at a point in time where, unlike in *Milne*, the authors’ heirs’ termination rights had not then ripened.

Although the financial terms of Disney’s 2002 agreement with Clare Milne are not public, if their agreement called for Disney to pay Clare Milne more than Disney was paying the Slesingers, then conceivably Disney would have been *worse* off had Clare’s termination notice been upheld. Moreover, there can be little doubt that as a major motion picture studio and entertainment company with a deep and aging library of classic literary works, Disney stood to benefit from case law limiting, rather than strengthening, the statutory termination rights of authors and their heirs.<sup>62</sup>

### C. *The Supreme Court Might Yet Weigh In*

The termination right “cannot be waived in advance or contracted away.”<sup>63</sup> As a result, studios and publishers cannot require authors to waive or assign any future termination right, as they could in the prior

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Congress enacted Section 204(d) of the CTEA in 1998, that statute never gave Petitioner any right of termination with respect to any grants to Slesinger.”); at p. 14 (“Since there was no extant pre-1978 grant to Slesinger at the time when Congress enacted Section 304(d), Petition never owned any right of termination thereunder.”); at p. 14, n. 10 (“Here, there was no vested termination right . . .”).

<sup>61</sup> See *Milne*, 430 F.3d at 1042-43.

<sup>62</sup> Given this dynamic, it is somewhat surprising that no amicus curiae briefs were filed by organizations of authors urging the Supreme Court to grant Clare Milne’s petition for certiorari in the *Milne v. Slesinger* case.

<sup>63</sup> H.R. Rep. No. 94-1476 at 125, 1976 U.S.C.C.A.N. at 5740.

copyright regime.<sup>64</sup> However, because in the Ninth Circuit's view Congress had no intention of altering parties' ability to enter and modify contracts, an agreement that rescinds a copyright grant and re-grants the same rights is valid even though it has the same ultimate effect as would a prohibited agreement to waive future termination rights.

The difference in timing between the two strategies is significant. While under the prior copyright regime, authors' negotiating power was severely attenuated because the long term value of their works would be difficult to discern, most works under the *Milne* regime have been exploited for decades and generate more predictable revenue streams. There is potentially less danger that authors of these older works or their heirs will strike bad economic bargains. Most cases arising under section 304 are under threat of termination, where the author holds far more bargaining power than he did in an original grant. As a result, copyright grantees who realize that a lucrative copyright grant is approaching its termination window likely will have to negotiate with the author's heirs, as in *Milne*, a more generous royalty than they had with the author.

Original copyright grantees are in a far more favorable position than they would be if the Ninth Circuit had found the termination right to be completely inalienable, in which case no negotiation of a copyright re-grant could occur until the after author's heirs had terminated and recaptured the copyright. The current regime allows grantees to take a proactive approach, preventing an impending termination, and avoiding having to bid against other potential grantees following termination of the grant. Had the Ninth Circuit found the termination right to be completely inalienable, copyright grantees would have had to wait until the advance termination opened before renegotiating a re-grant of the same rights. In the meantime, that would have resulted in the potential loss of millions in revenues both by authors and by the original grantee in the meantime, because grantees would have to bide their time until termination became effective—perhaps for years—instead engaging in earlier re-negotiations. This, of course, would have been in direct conflict with Congress's attempts to benefit authors and their heirs.

The ruling in *Steinbeck* likely will be appealed to the Second Circuit. With *Marvel Characters, Inc.* as binding precedent, there is at least a greater likelihood in the Second Circuit than in the Ninth Circuit that

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<sup>64</sup> See, e.g., *Fred Fisher Music Co.*, 318 U.S. at 656 (“[N]either the language nor the history of the Copyright Act of 1909 lend support to the conclusion that the ‘existing law’ prior to 1909, under which authors were free to assign their renewal interests if they were so disposed, was intended to be altered.”).

the termination right would be considered inalienable, rendering a rescind-and-regrant agreement unenforceable under the Copyright Act. This remains to be seen. If the Second Circuit departs from the Ninth Circuit's reasoning in *Milne*, clarification by the United States Supreme Court as to alienability of the termination right and the meaning of "agreement to the contrary" will be appropriate. A lingering circuit split, should one occur, would create unpredictability in copyright law and make ownership of many multi-billion dollar copyright franchises contingent upon the jurisdiction and venue where the disputes are heard, rather than on their merits. For now, however, copyright grantees should ensure that they are aware of any upcoming termination windows and, if one is looming, take a proactive approach as in *Milne* to best situate themselves to retain their copyright grants.

#### IV. CONCLUSION

The statutory rights of authors and their heirs to terminate earlier copyrights licenses and transfers and reclaim the rights granted will continue to create financial and strategic challenges to publishers, movie studios and other media companies for many years to come. As libraries of beloved literary works and characters continue to age, termination rights will continue to ripen. As new means of exploiting content continue to emerge, the value of these termination rights will continue to grow. To enable the marketplace to discern the value of these rights, case law interpreting these termination rights needs to be rational, predicable and consistent. Divergent judicial approaches like those embodied in *Milne v. Slesinger* and *Marvel Characters, Inc. v. Simon* make the challenges at hand immeasurably and unnecessarily more difficult and hence more costly for all stakeholders. For entertainment companies in the Ninth Circuit, *Milne v. Slesinger* will surely help, but will not entirely alleviate the uncertainty that lies ahead.

