

# Copyright Grants: as Powerful as Kryptonite?

By Miles J. Feldman  
and Dana M. Newman

In 1938, two young, aspiring comic book creators from Ohio, Jerry Siegel and Joe Schuster, sold the rights to their "Superman" comics to DC Comics for \$130. Hundreds of millions of dollars later — after countless Superman books, TV shows, movies and merchandise — this story illustrates how the value of the rights to copyrighted works can explode over time.

The U.S. Copyright Act of 1976 allows authors and other creators (and their heirs) to recapture the original copyrights in their creations by terminating a prior grant of the copyright. Though subject to very specific requirements, counsel involved in the creation, acquisition or exploitation of copyrighted works should be aware of the statutory right to terminate copyright grants.

Recently, Siegel's heirs prevailed (at least in part) in a battle to recover the Superman copyrights from DC Comics and its owner, Warner Brothers, under the termination provisions of the Copyright Act. In 2008, a trial court ruled on summary judgment that the Siegels had successfully recaptured (as of 1999, the date of their termination notice) Siegel's copyright in certain aspects of the first Superman comic. *Siegel v. Warner Bros. Entertainment Inc.*, 542 F.Supp.2d 1098 (C.D. Cal. 2008).

Two provisions in the Copyright Act, Sections 203 and 304, govern the right to terminate copyright transfers. The date that the grant was made determines which provision applies. Grants made after Jan. 1, 1978, are governed by Section 203. Grants made before Jan. 1, 1978, are governed by Section 304.

Several key exceptions exist. First, the grant must have been an inter vivos transfer by the author. The author had to have made the transfer during his or her lifetime. The statutes referred to here generally cannot be used to invalidate a transfer of copyrights under an author's will.

Second, the termination right does not apply to a "work made for hire" under Section 201(b) of the Copyright Act. A "work made for hire" includes a work prepared by

an employee within the scope of his or her employment, or a commissioned work coming within certain specified categories under the act, where the parties agreed in writing that it was a work for hire.

Third, the right to terminate a copyright grant does not apply to an authorized derivative work created after the grant by the grantee, but prior to termination of the grant. Thus, if an assignment of a copyright in a book included the right to create a film based on the book, the assignee may continue to reproduce and distribute copies of any such film created prior to the exercise of the termination right after the termination, but may not be able to create a TV series after termination of the grant.

Assuming the copyright grant does not fall within one of the exceptions, the initial issue is when the termination right may be exercised. For grants made in or after 1978, Section 203 provides that the author or the author's heirs may seek to terminate the grant 35 years after the grant was made; or if the grant covers the right of publication of the work, then the grant may be terminated 35 years from the date the work was published. Works transferred or published in 1978 may be eligible for termination in 2013.

The right to terminate under Section 203 is subject to compliance with a number of specific procedural requirements and time limitations. The right to terminate may only be exercised during a five-year window beginning 35 years after the grant was made. The authors must give written notice to the assignee or licensee not less than two or more than 10 years from the intended termination date. Thus, for post-1978 copyrights, the earliest date of notice of termination is 25 years after the grant was made (or the date the work was published).

The notice of termination must be signed by the author, or if the author is deceased, by the person owning at least 51 percent of the author's original interest in the termination right, or by their duly authorized agents. In addition, the notice must state the effective date of termination (which must fall within the applicable five-year termination window), and a copy of the notice must be recorded in

the U.S. Copyright Office prior to the effective date of termination in accordance with all applicable regulations of that office.

For grants that occurred prior to 1978, Section 304 applies. The timing for terminating these grants is different. The five-year window to exercise the right to terminate the grant is the same as under Section 203. When that five-year window becomes operative, however, involves a whole new set of guidelines. Generally, the termination can be made 56 years after the time that the copyright was secured for the work, or five years after Jan. 1, 1978 (whichever is later).

There may be a second potential opportunity to exercise the termination right for works existing as of Jan. 27, 1998, the effective date of the Sonny Bono Copyright Term Extension Act, which extended the basic copyright term by 20 years. The Copyright Act incorporates this additional termination right in Section 304(d), which expressly provides that all copyrights existing as of Jan. 27, 1998, but for which the termination right under Section 304 had expired as of that date, the termination of grants executed prior to Jan. 1, 1978, may be effected "at any time during a period of 5 years beginning at the end of 75 years from the date copyright was originally secured."

Both the author and his or her heirs may exercise the right to terminate a copyright grant. If the rights were not otherwise devised: the author's widow or widower owns the termination right, if there are no surviving children or grandchildren; if the widow or widower survives, and there are surviving children, he or she owns half the right, and the surviving children own the other half in equal shares; if only the children survive, they own the right in equal shares; and if there is no widow or widower or surviving children, the grandchildren of a deceased child own the right in equal shares. The rights of an author's child, upon the subsequent death of that child, are divided among the deceased child's children on a per stirpes basis; the shares of children of a deceased child may only be exercised by an action of a majority of them. Finally, if there are no living widow or widower, children or grandchildren,

the author's executor, administrator, personal representative or trustee owns and may exercise the right. Terminations rights may only be exercised if individuals who own more than 50 percent of the entire interest elect to do so.

The effect of terminating a copyright grant is powerful: All of the author's previously transferred or licensed rights revert immediately to the person (or persons) owning the author's interest, in shares equivalent to their respective shares in the copyright, for the remainder of the copyright term. The owners may then commercially exploit the copyright for the remainder of the term by granting a new transfer or license on more favorable terms, either back to the original grantee or to another party.

The termination rights exist notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant. Application of this rule — like every other aspect of the termination rights — is often hotly contested, and requires a careful analysis of the facts involved in the particular case.

**Miles J. Feldman** is a partner at Liner Grode Stein Yankelevitz Sunshine Regenstreif & Taylor. He dedicates his practice to business, entertainment and intellectual property litigation. **Dana M. Newman** is a business transactional attorney focusing on technology, intellectual property and literary law.